

Exhibit No.:
Issues: July, 2006 Storms
Witness: Ronald C. Zdellar
Sponsoring Party: Union Electric Company
Type of Exhibit: Supplemental Direct Testimony
Case No.: ER-2007-0002
Date Testimony Prepared: September 29, 2006

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0002

SUPPLEMENTAL DIRECT TESTIMONY

OF

RONALD C. ZDELLAR

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

**St. Louis, Missouri
September, 2006**

Public

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1 **SUPPLEMENTAL DIRECT TESTIMONY**

2 **OF**

3 **RONALD C. ZDELLAR**

4 **CASE NO. ER-2007-0002**

5 **I. INTRODUCTION**

6 **Q. Please state your name and business address.**

7 A. My name is Ronald C. Zdellar. My business address is One Ameren Plaza,
8 1901 Chouteau Avenue, St. Louis, Missouri 63103.

9 **Q. By whom are you employed and in what position?**

10 A. I am employed by Ameren Services Company as Vice President Energy
11 Delivery-Distribution Services.

12 **Q. Please describe your educational background.**

13 A. I received a Bachelor of Science Degree in Electrical Engineering from
14 Washington University in St. Louis, and a Master of Business Administration Degree, also
15 from Washington University.

16 **Q. Please describe your professional work experience.**

17 A. I joined Union Electric Company (“UE”) in 1971 as a transmission and
18 distribution engineer. From 1973-1975 I worked in UE’s Corporate Planning Department,
19 from 1975-1981 I worked in the Transmission and Distribution Performance Management
20 work group, and from 1981-1988 I was Manager of Distribution Operations, which included
21 responsibility over UE’s vegetation management. In 1988 I was promoted to the position of
22 Vice President of Transmission and Distribution. In 1995, I was named Vice President,

1 Customer Services, and in 2002 I was named Vice President Energy Delivery-Distribution
2 Services.

3 **Q. Please describe the duties and responsibilities of your current position.**

4 A. In my current position, I am responsible for gas and electric distribution
5 engineering, construction, operations and maintenance for AmerenUE.

6 **II. PURPOSE OF TESTIMONY**

7 **Q. What is the purpose of your supplemental direct testimony in this**
8 **proceeding?**

9 A. The purpose of my supplemental direct testimony is to explain AmerenUE's
10 proposal to initiate certain new vegetation management programs designed to reduce damage
11 from future storms, given the substantial damage to AmerenUE's system that occurred as a
12 result of the storms on July 19-21, 2006.

13 **III. THE JULY, 2006 STORMS**

14 **Q. Please describe the storms that occurred in AmerenUE's territory in July**
15 **of 2006.**

16 A. The storms that struck Eastern Missouri on July 19 and 21, 2006 were the
17 most devastating storms ever to hit AmerenUE's service territory. With winds gusting at
18 speeds of up to 92 miles per hour, the storms caused substantial damage throughout the
19 St. Louis community and also impacted AmerenUE's facilities, including substations,
20 transmission and distribution lines, and transformers. A significant part of that damage was
21 caused by mature trees, both on and outside AmerenUE's right-of-way being blown over
22 onto AmerenUE's facilities. Altogether, almost 650,000 customers lost service as a result of
23 the storm, and AmerenUE was able to restore service to all customers only after 9 days,

1 thanks to the diligent efforts of our own crews and contractors, and those provided by other
2 utilities to assist with AmerenUE's restoration efforts.

3 **Q. What costs did AmerenUE incur as a result of the storms?**

4 A. During the 9 days of customer outages, AmerenUE suffered lost electric
5 margins and paid and continues to pay considerable capital and operations and maintenance
6 ("O&M") costs to complete its restoration efforts. Specifically, AmerenUE estimates that it
7 will ultimately incur incremental capital costs of approximately **[REDACTED]** million, and
8 incremental O&M expenses of **[REDACTED]** million in 2006 as a result of the storms. Moreover,
9 the storms will have long-term effects on trees in our service territory, causing weakened
10 branch attachments from new growth, and an increased susceptibility to disease and
11 premature death.

12 **Q. How does AmerenUE propose to recover the costs it has and will incur**
13 **related to these storms?**

14 A. AmerenUE proposes to update its plant in service to reflect balances as of
15 January 1, 2007 as part of the package of true-up items in this case. That update will permit
16 the Company to include its storm-related capital expenditures for that period in rate base.
17 However, since O&M costs for these storms have been and will be incurred after the end of
18 the test year, they are not included in AmerenUE's cost of service.

19 **Q. Were the July, 2006 storms an isolated, one-time event?**

20 A. Unfortunately, no. Although the July storms were the most severe AmerenUE
21 has experienced, they appear to be part of a pattern of increasingly severe storms that the
22 Company has been experiencing over the past several years.

IV. **PROPOSED NEW PROGRAMS**

Q. Is AmerenUE proposing any new programs to help mitigate the impact of storms in the future?

A. Yes. In addition to completing its work to shorten its tree trimming cycles to four years for urban circuits and six years for rural circuits, AmerenUE proposes to expand its vegetation management to incorporate several new programs. First, we propose to expand our tree removal program to include the targeted removal of problematic trees off of AmerenUE's rights-of-way and easements on private property, as well as significantly expanding our on right-of-way removal program. Second, the Company proposes to broaden its clearance requirements, especially on three-phase feeder sections, using a prescriptive approach that will focus initially on the backbone sections of the feeder (from the substation to the first protective device). This program will include increases of side clearance, overhang removal, and tree crown reduction. Subsequent phases of this program would focus first on the remainder of the three phase feeder sections and then on distribution taps. Third, as we complete reductions of our overall trim cycle lengths we would propose to selectively further reduce the cycle lengths for a number of feeders as warranted--e.g., from a four year cycle to a three year cycle--providing further reliability enhancements to the system. Fourth, we propose to increase our tree replacement program with municipalities. The program is currently limited in scope, but going forward we would propose to increase this effort more than fourfold, to target municipal trees for removal and/or replacement, thus reducing the risk of future potential outages.

1 **Q. How much does AmerenUE propose to spend on these new vegetation**
2 **management programs?**

3 A. AmerenUE proposes to spend an incremental \$15 million per year on these
4 new programs. This is an amount beyond the \$30 million AmerenUE budgets for normal
5 vegetation management.

6 **Q. Is AmerenUE requesting recovery of this amount in rates in this case?**

7 A. Yes. In his supplemental direct testimony, AmerenUE witness Gary S. Weiss
8 has included this incremental amount in his updated cost of service. AmerenUE would
9 propose to keep this amount in a separately tracked account, and will apply interest to the
10 balance, to guarantee that these dollars will only be used to pay for the new programs
11 identified above. We also propose to provide the Staff with an annual report reconciling the
12 account deposits, interest earned and qualifying expenditures.

13 **Q. Will the implementation of these new programs prevent future storm-**
14 **related outages?**

15 A. No. But over the long run, these new programs should reduce vegetation
16 related damage to AmerenUE's system that occurs during a storm. I would expect the scope
17 of outages to be reduced, and restoration time should also be improved since there will be
18 fewer vegetation related problems on the circuits that go out of service during a storm.

19 **Q. Will these new programs be implemented immediately?**

20 A. Yes. If the Commission approves the new programs, we will begin phasing
21 them into our enhanced vegetation management program immediately. However, through
22 the first half of 2008, our priority will be to continue to accelerate our overall tree trimming
23 cycles until we meet our commitment to trim urban circuits on a four year cycle and rural

1 circuits on a six year cycle. Achieving this goal on a timely basis is even more important
2 given the long-term damage to trees that is expected to result from the July, 2006 storms.

3 **Q. What if the Commission orders different or additional new vegetation**
4 **management programs as a result of its investigation of AmerenUE's response to the**
5 **July, 2006 storms?**

6 A. The Company would request that adequate funding be provided for any new
7 vegetation management programs that the Commission may order. Consequently, we
8 request that funding for any such programs be considered in the package of true-up items for
9 this case.

10 **Q. Does this conclude your supplemental direct testimony?**

11 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

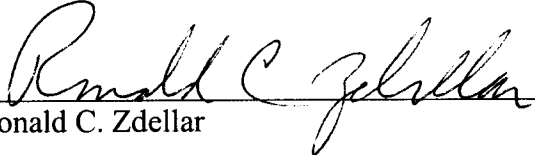
In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Electric) Case No. ER-2007-0002
Service Provided to Customers in the)
Company's Missouri Service Area.)

AFFIDAVIT OF RONALD C. ZDELLAR

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

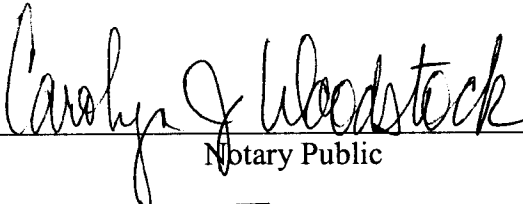
Ronald C. Zdellar, being first duly sworn on his oath, states:

1. My name is Ronald C. Zdellar. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services Company as Vice President of Energy Delivery and Distribution Services.
2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 6 pages prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.



Ronald C. Zdellar

Subscribed and sworn to before me this 29th day of September, 2006.



Notary Public

My commission expires: May 19, 2008

