

Exhibit No.:

Issues: Rate Base, Construction Audit

Witness: Leon C. Bender

Sponsoring Party: MO PSC Staff

Type of Exhibit: Direct Testimony

Case No.: ER-2007-0002

Date Testimony Prepared: December 15, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**LEON C. BENDER**

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

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

**Jefferson City, Missouri  
December 2006**

**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   )  
Service Provided to Customers in the   )  
Company's Missouri Service Area.        )

Case No. ER-2007-0002

**AFFIDAVIT OF LEON C. BENDER**

STATE OF MISSOURI       )  
                                      ) ss  
COUNTY OF COLE        )

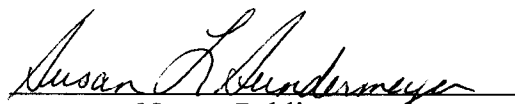
Leon C. Bender, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 5 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Leon C. Bender

Subscribed and sworn to before me this 12<sup>th</sup> day of December, 2006.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
\_\_\_\_\_  
Notary Public

My commission expires 9-21-10

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

Direct Testimony of  
Leon C. Bender

1           A.    Yes, please refer to Schedule 1 for a listing of previous cases in which I have  
2           filed testimony.

3           Q.    What is the purpose of your direct testimony in this case, Union Electric  
4           Company, d/b/a AmerenUE (AmerenUE), Case No. ER-2007-0002?

5           A.    The purpose of my testimony is to describe the construction audit of the  
6           AmerenUE generating plants constructed by AmerenUE since the last rate case, EC-2002-  
7           0001 and the results of those audits.

8           Q.    Which AmerenUE generating plants were audited by Staff for the construction  
9           audits in this instant case?

10          A.    The generating plants audited were; Venice Units 2, 3, 4, 5, and Peno Creek  
11          Units 1, 2, 3, and 4.

12          Q.    Please describe the Venice 2 generating unit.

13          A.    The Venice 2 unit is a Pratt & Whitney FT8 aero-derivative simple cycle  
14          natural gas or oil fueled combustion turbine/generator. It is located on the north end of the  
15          existing Venice Plant property in Venice, Illinois. Venice 2 began producing approximately  
16          48 megawatts (MW's) net of station use in June of 2002.

17          Q.    Please describe the Venice 3 and 4 generating units.

18          A.    The Venice 3 and 4 units are each Siemens-Westinghouse 501FD simple cycle  
19          natural gas fueled combustion turbine/generator. They are located side-by-side on the south  
20          end of the existing Venice Plant property in Venice, Illinois. The Venice 3 and 4 units  
21          began producing approximately 165 MW's net of station use each in June of 2005 for a total  
22          of approximately 330 MW's.

23          Q.    Please describe the Venice 5 generating unit.

Direct Testimony of  
Leon C. Bender

1           A.    The Venice 5 unit is a Siemens-Westinghouse 501D5A simple cycle natural  
2           gas fueled combustion turbine/generator.   It is located on the north end of the existing  
3           Venice Plant property in Venice, Illinois. Venice 5 began producing approximately 117  
4           MW's net of station use in October of 2005.

5           Q.    Please describe the Peno Creek Units 1, 2, 3, and 4 generating units.

6           A.    The Peno Creek units are Pratt & Whiney FT8 aero-derivative simple cycle  
7           natural gas or oil fueled combustion turbine/generator. They are located in Pike County off  
8           of Pike County Road 43, near Highway 54, close to Bowling Green, Missouri. They each  
9           began producing approximately 48 MW's net of station use in May of 2002.

10          Q.    What is a construction audit?

11          A.    A construction audit is the Staff's review of a construction project to determine  
12          the final cost of the project and whether the project was completed as planned and on time  
13          per schedule.

14          Q.    What was your responsibility on the construction audit?

15          A.    I monitored the progress of the project during construction and reviewed the  
16          change order costs associated with the project.

17          Q.    How did you monitor the progress of the construction project?

18          A.    I and other members of the Staff made numerous visits to the construction sites  
19          and had numerous telephone conversations during the construction and testing phases of the  
20          projects when the plants were being built and tested. I obtained construction and testing  
21          schedules and monitored the progress of the construction and testing. I visited with various  
22          AmerenUE managerial personnel during the visits to obtain regular updates on the progress  
23          of the projects.

Direct Testimony of  
Leon C. Bender

1 Q. How did you review the costs associated with the project?

2 A. I reviewed the construction contracts with the various contractors AmerenUE  
3 had hired. I also reviewed the change orders to those contracts.

4 Q. What is a change order and what does it do?

5 A. A change order is a method by which the contractor receives approval from the  
6 company to initiate a change in the work and/or the cost specified in the original contract.  
7 Change orders provide a method which the company can track any changes in the cost of  
8 the contract and provide specific information and a record as to why the cost changed.

9 Q. Is it unusual to have change orders on a project this size?

10 A. No. Most construction projects require change orders due to unforeseen  
11 situations which occur during construction or a change in the original requirements or scope  
12 of work by the company. The more complex the project is, the more likely unforeseen  
13 situations will occur as construction progresses.

14 Q. How is a change order processed?

15 A. AmerenUE and the engineering firm employed to manage and oversee the  
16 construction projects review requests from contractors and vendors for changes to the  
17 original contracts. AmerenUE or its representative must approve and authorize any changes  
18 and the resulting costs, from the original work defined in the contracts. With the  
19 authorization from AmerenUE or its representative, contractors perform the additional or  
20 changed work scope charging any additional cost to the project. Only those costs that have  
21 been approved are paid to the contractors and become part of the total construction costs to  
22 the project.

Direct Testimony of  
Leon C. Bender

1           Q.   Has Staff identified any concerns with the construction costs of the generating  
2           units discussed previously in this direct testimony?

3           A.   Staff has not identified any construction costs during construction that should  
4           not be allowed in rate base.

5           Q.   Does this conclude your direct testimony?

6           A.   Yes, it does.

## Schedule 1

### List of Previously Filed Testimony

1. ER-2006-0314	Kansas City Power & Light Company	Fuel and Purchase Power
2. EA-2006-0309	Aquila, Inc.	Construction Audit
3. ER-2005-0436	Aquila, Inc.	Plant in Service, Construction Audit
4. ER-2004-0570	The Empire District Electric Company	Fuel and Purchase Power
5. ER-2004-0034	Aquila, Inc.	Purchase Power
6. EC-2002-0001	Union Electric Company d/b/a AmerenUE	Fuel and Purchase Power
7. ER-2001-0299	The Empire District Electric Company	Fuel and Purchase Power
8. EM-97-0515	Kansas City Power & Light Company	Fuel and Purchase Power
9. ER-97-0394	Utilicorp United, Inc.	Fuel Expense
10. EC-97-0362	Utilicorp United, Inc.	Fuel Expense