

Exhibit No.:

Issues: Total Plant in Service, Depreciation Reserve, Plant In Service Adjustment, Depreciation Reserve Adjustments, Materials and Supplies, Prepayments, Fuel Inventory, Customer Advances for Construction, Customer Deposits, Power Plant Maintenance Expense, Tree Trimming Expense, Automated Meter Reading Service Expense, Customer Deposit Interest Expense, Property Taxes, Year 2000 Computer Modification Expense, Computer Software Expense, Amortization of Year 2000 Computer Modification Expense, Regulatory Advisor Consulting Fees, Board of Directors Advisor Fees

Witness: Paul R. Harrison

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: EC-2002-1

Date Testimony Prepared: July 2, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

PAUL R. HARRISON

UNION ELECTRIC COMPANY

d/b/a AMERENUE

CASE NO. EC-2002-1

Exhibit No. 28 NP

Date 7/10/02 Case No. EC-2002-1

Reporter KRM

Jefferson City, Missouri

July 2001

Denotes Proprietary Information

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PAUL R. HARRISON
UNION ELECTRIC COMPANY,
d/b/a AMERENUE
EC-2002-1

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DIRECT TESTIMONY
OF
PAUL R. HARRISON
UNION ELECTRIC COMPANY,
d/b/a AMERENUE
CASE NO. EC-2002-1

Q. Please state your name and business address.

A. Paul R. Harrison, P. O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Auditor with the Missouri Public Service Commission
(Commission).

Q. Please describe your educational background.

A. I graduated from Park College, Kansas City, Missouri, from which I
received Bachelor of Science degrees in Accounting and Management in July 1995.

Q. Have you previously submitted testimony before this Commission?

A. Yes, I submitted testimony in Case No. GR-2000-512, AmerenUE.

Q. Have you made an investigation or study of the books and records of
AmerenUE (UE or Company) in Case No. EC-2002-1?

A. Yes, in conjunction with other members of the Commission Staff (Staff).

Q. Please identify your areas of responsibility in Case No. EC-2002-1.

A. My principle areas of responsibility are plant in service, depreciation
reserve, fuel inventory and other rate base items, power plant maintenance expense, tree
trimming expense, automated meter reading expense and property taxes.

Q. Please identify the Accounting Schedules you are sponsoring.

Direct Testimony of
Paul R. Harrison

1 A. I am sponsoring the following Accounting Schedules:

2 Accounting Schedule 3 Total Plant in Service

3 Accounting Schedule 4 Adjustments to Total Plant

4 Accounting Schedule 6 Depreciation Reserve

5 Accounting Schedule 7 Adjustments to Depreciation Reserve

6 Q. Please explain the rate base items you are sponsoring.

7 A. I am sponsoring the rate base addition amounts for materials and supplies,
8 prepayments, and fuel inventory. I am also sponsoring the rate base deductions of
9 customer advances and customer deposits.

10 **MATERIALS AND SUPPLIES**

11 Q. How was the rate base component for materials and supplies determined?

12 A. The amount of materials and supplies reflects a 12-month average of
13 recorded balances, updated through December 31, 2000, multiplied by the allocation
14 factor for Missouri electric. The 12-month average (January 31 thru December 31, 2000)
15 was used instead of a 13-month average due to a permanent adjustment made to the per
16 book amount by the Company for the materials and supplies balance in January 2000.

17 Q. What was the permanent adjustment made to the per book amount by the
18 Company for materials and supplies?

19 A. Annually, the Company compares its per book amounts for materials and
20 supplies to its physical inventory. During January 2000, the Company made a permanent
21 adjustment of ** ** per book amount to reduce its materials and supplies
22 balance as a result of this annual review.

1 **PREPAYMENTS**

2 Q. How was the rate base component for prepayments determined?

3 A. The amount of prepayments reflects a 13-month average of total Company
4 prepayments, updated through December 31, 2000, multiplied by the allocation factor for
5 Missouri electric.

6 **FUEL INVENTORY**

7 Q. How was the rate base component for fuel inventory determined?

8 A. The rate base component for fuel inventory reflects a 13-month average of
9 recorded balances, updated through December 31, 2000, multiplied by the allocation
10 factor for Missouri electric.

11 **CUSTOMER ADVANCES FOR CONSTRUCTION**

12 Q. How was the rate base component for customer advances for construction
13 determined?

14 A. The rate base component for customer advances is the weighted 13-month
15 average for Missouri electric through December 31, 2000. An analysis of the balances of
16 customer advances indicated an upward trend; therefore, the 13-month weighted average
17 was used instead of a 13-month average.

18 Q. Please describe a 13-month weighted average.

19 A. A 13-month weighted average consists of multiplying each succeeding
20 month by the number of each month, (Dec 31 amount x 1, Jan 31 amount x 2, etc.),
21 adding these 13-month totals together, and dividing the total dollar by the total number of
22 months. Please see Schedule 1 attached to my direct testimony for the calculation of
23 customer advances using this technique. This type of average gives more weight to the

1 most current months of the customer advances to recognize the upward trend for this
2 item.

3 **CUSTOMER DEPOSITS**

4 Q. How was the rate base component of customer deposits determined?

5 A. An analysis of the Missouri customer deposits indicated an increase for
6 each month of the test year. Therefore, the customer deposits deduction reflects the
7 allocated Missouri electric balance recorded as of December 31, 2000.

8 **TOTAL PLANT IN SERVICE**

9 Q. Please explain Accounting Schedule 3.

10 A. Accounting Schedule 3, Total Plant in Service, lists in Column B the
11 Company's total electric plant in service balances as of June 30, 2000, the test year used
12 by the Staff. Column C lists total Company adjustments, which updates total electric
13 plant in service through December 31, 2000. Column D lists the Missouri jurisdictional
14 allocation factors at December 31, 2000. Column E lists the Staff's adjustment to
15 jurisdictional electric plant, which updates jurisdictional electric plant in service through
16 December 31, 2000. Column F contains the Staff's adjusted jurisdictional plant in
17 service balances, updated through December 31, 2000.

18 Q. Please explain Accounting Schedule 4.

19 A. Accounting Schedule 4, Adjustments to Total Plant, details the Staff's
20 individual adjustments to total Company and Missouri jurisdictional electric plant in
21 service, which are listed in Columns C and E, respectively, on Accounting Schedule 3,
22 Total Plant in Service.

DEPRECIATION RESERVE

Q. Please explain Accounting Schedule 6.

A. Accounting Schedule 6, Depreciation Reserve, lists in Column B the Company's total electric depreciation reserve balances as of June 30, 2000. Column C lists total Company adjustments, which updates total electric depreciation reserve through December 31, 2000. Column D lists the Missouri jurisdictional allocation factors at December 31, 2000. Column E lists the Staff's adjustment to jurisdictional electric depreciation reserve, which updates jurisdictional electric depreciation reserve through December 31, 2000. Column F contains the Staff's adjusted jurisdictional electric depreciation reserve balances, updated through December 31, 2000.

Q. Please explain Accounting Schedule 7.

A. Accounting Schedule 7, Adjustments to Depreciation Reserve, details the Staff's individual adjustments to total Company and Missouri jurisdictional depreciation reserve, which are listed in Columns C and E, respectively, on Accounting Schedule 6.

Q. Please identify the Accounting adjustments you are sponsoring.

A. I am sponsoring the following adjustments:

Plant in Service	P-1.1 through P-7.1 & P-7.3 through R-8.3
Depreciation Reserve	R-1.1 through R-7.1 & R-7.3 through R-8.3
Income Statement	S-12.1, S-13.1 S-14.4, S-15.2, S-16.1, S-18.1, S-18.2, S-19.18, S-19.19, S-24.2, S-25.1, S-26.1 and S-27.1

PLANT IN SERVICE ADJUSTMENTS

Q. Please explain Plant in Service adjustment P-1.1.

1 A. The purpose of adjustment P-1.1 is to eliminate from Plant in Service the
2 portion of the Callaway Nuclear Power Plant that was disallowed by the Commission in
3 Case Nos. EO-85-17 and ER-85-160.

4 Q. Please explain Plant in Service adjustments P-1.2 through P-7.1, P-7.3,
5 P-8.1, P-8.2 and P-8.3.

6 A. The purpose of adjustments P-1.2 through P-7.1, P-7.3, P-8.2, and P-8.3 is
7 to adjust test year ending plant in service balances at June 30, 2000, to reflect plant
8 additions and retirements through September 30, 2000 and through December 31, 2000.
9 The purpose of adjustment P-8.1 is to allocate general plant to gas and steam operations.
10 The general plant is assigned totally to electric on the Company's books and, therefore,
11 must be allocated to the other types of utility operations that the Company provides for
12 rate purposes.

13 **DEPRECIATION RESERVE ADJUSTMENTS**

14 Q. Please explain Depreciation Reserve adjustments R-1.1 through R-7.1 and
15 R-7.3 through R.8.3.

16 A. The purpose of adjustments R-1.1 through R-7.1, R-7.3, and R-8.3 is to
17 reflect the difference between the depreciation reserve balances for the test year ending
18 June 30, 2000 and the updated depreciation reserve balances through September 30, 2000
19 and through December 31, 2000. These adjustments reflect the difference in the
20 depreciation reserve accruals and retirements between June 30, 2000, September 30, 2000
21 and December 31, 2000. The purpose of adjustment R-8.2 is to allocate the reserve
22 associated with general plant allocated to gas and steam operations. The general plant
23 reserve is assigned totally to electric operations on UE's books and, therefore, must be

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1 allocated to the other types of utility services that the Company provides for rate
2 purposes.

3 **POWER PLANT MAINTENANCE EXPENSE**

4 Q. Please explain Income Statement adjustment S-12.1.

5 A. Adjustment S-12.1 adjusts the power plant maintenance expense for the
6 Rush Island, Labadie, Sioux and Meramec coal-generation plants. The adjustment
7 reflects the difference between a three-year average of the actual power plant
8 maintenance expense experienced in calendar years 1998-2000, and the amount expensed
9 during the test year. **

10
11
12
13
14 ** Therefore, the Staff believes the three-year
15 average adjustment for the test year is a more accurate reflection of the cost of
16 maintenance for the four coal-generation plants on a going forward basis. The Callaway
17 Nuclear Power Plant maintenance adjustment is separately discussed in the direct
18 testimony of Staff Accounting Witness John P. Cassidy.

19 **TREE-TRIMMING EXPENSE**

20 Q. Please explain Income Statement adjustments S-13.1 and S-14.4.

21 A. Adjustment S-13.1 and S-14.4 adjusts the transmission and distribution
22 tree-trimming expense to reflect the difference between the most current four-year
23 average for transmission and distribution tree-trimming expenses (calendar years 1997-

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2000) and the amount expensed during the test year. The Staff obtained and analyzed
10 years of data on tree-trimming expenses by the Company. **

** Please see Schedule 2 attached
to my direct testimony for a chart depicting the Company's tree-trimming expense over
the last ten years. **

** Therefore, the Staff
believes that tree-trimming expenses will decline from test year levels and remain close
to the most current four-year average.

1 **AUTOMATED METER READING SERVICE EXPENSE**

2 Q. Please explain Income Statement adjustment S-15.2.

3 A. This adjustment annualizes the transportation costs for meter reading,
4 service request costs for meter reading, and cash vouchers from CellNet for meter reading
5 from the test year to a more current level. (CellNet is the independent vendor that UE
6 contracts with to collect the meter readings data from the automated meters.) This
7 adjustment also eliminates retrofit charges, which are one-time, non-recurring charges to
8 adapt the manual meters to the automated/electronic meters and the cost of the meter
9 installation. During the last four months of the update period, (September through
10 December 2000, there were no retrofit charges or meter installation costs associated with
11 FERC Account 902, automated meter reading service, because the Company began
12 booking these charges into FERC Account 586, meters. Therefore, the Staff annualized
13 the automated meter reading costs in FERC Account 902 by multiplying the last four
14 months of 2000 by three to adjust the automated meter reading expense to an annualized
15 amount.

16 Q. Please define "service request costs" as the term is associated with meter
17 reading.

18 A. The Company uses a service request to allocate costs to its subsidiaries.
19 These costs vary according to the amount of sales, the number of customers and the
20 number of employees assigned to the different subsidiaries.

21 Q. Please provide the history of UE's installation of automated/electronic
22 electric meters.

23 A. The following table will illustrate the historical placement of these meters:
24

	PERIOD	AUTOMATED/ELECTRONIC ELECTRIC METERS IN SERVICE
1		
2		
3	6/30/1997	251,174
4	6/30/1998	601,994
5	6/30/1999	855,922
6	6/30/2000	1,087,175
7	12/31/2000	1,187,815

8 **CUSTOMER DEPOSIT INTEREST EXPENSE**

9 Q. Please explain Income Statement adjustment S-16.1.

10 A. Staff adjustment S-16.1 annualizes interest expense related to customer
11 deposits. The Staff's adjustment is calculated by multiplying the ending balance of
12 customer deposits, as of December 31, 2000 by 10.5%, which represents the prime
13 interest rate of 9.5% as of December 31, 2000 plus one percentage point. The
14 methodology used by the Staff for this adjustment has been used in numerous previous
15 rate cases.

16 **YEAR 2000 COMPUTER MODIFICATION EXPENSE (Y2K)**

17 Q. Please explain Income Statement adjustment S-18.1.

18 A. Adjustment S-18.1 reverses an expense adjustment booked by the
19 Company during the test year. The Company adjustment eliminates Year 2000 (Y2K)
20 computer modification costs, but the adjustment pertained to a prior period. This
21 adjustment must be reversed so that test year operating expense is not understated.

22 **COMPUTER SOFTWARE EXPENSE**

23 Q. Please explain Income Statement adjustment S-18.2 pertaining to
24 capitalization of computer software.

1 A. Adjustment S-18.2 reverses an expense adjustment booked by the
2 Company during the test year. The Company adjustment capitalized computer software
3 costs, but the adjustment pertained to a prior period. This adjustment must be reversed so
4 that the test year operating expense is not understated.

5 **AMORTIZATION OF YEAR 2000 COMPUTER MODIFICATION EXPENSE**

6 Q. Please explain the adjustment S-18.4 pertaining to Year 2000 (Y2K)
7 computer modification expense.

8 A. The purpose of Income Statement Adjustment S-18.4 is to amortize the
9 software upgrade costs ** ** associated with Y2K compliance over an eight-
10 year period.

11 Q. Please explain why the Staff is recommending amortizing the costs
12 associated with software upgrade services related to Y2K over an eight-year period?

13 A. The Staff is recommending amortizing these costs over an eight-year
14 period because this time period is very close to the depreciable life for computer
15 equipment that is being proposed by Staff Witness Jolie Mathis of the Commission's
16 Engineering and Management Services Department.

17 **REGULATORY ADVISOR CONSULTING FEES**

18 Q. Please explain Income Statement adjustment S-19.18.

19 A. This adjustment decreases test year expense by \$39,000 for AmerenUE's
20 Regulatory Advisor consulting fees allocated to Missouri electric operations. In reply to
21 Staff Data Request No. 257R, the Staff asked the Company to provide the following
22 information related to the Company's regulatory advisor's fees:

23 1) How often did he provide advice to the Company concerning state and
24 national matters?

1
2 2) Minutes of and/or dates of agenda meeting he attended.

3
4 3) Number of times he appeared before the Commission on Ameren
5 matters.

6
7 4) Number of times he performed legal research for Ameren and what
8 issues was he working on?

9
10 5) Copies of any reports, research papers, minutes of meetings, or any
11 other documentation that he could have worked on.

12
13 The Company responded:

14 Questions 1, 2 and 3. The Company does not keep specific records
15 of the number of times [] provides advice, the number of
16 Commission agenda meetings he or his associates attend, nor the
17 number of times he or his associates appear before the Commission
18 on Ameren matters. [] services are provided to the Company on a
19 periodic basis. It could be several times in a given week or only a
20 few times in a given month – depending on the level of relevant
21 activity at the Commission.

22
23 Questions 4 and 5. The Company has previously objected to these
24 two questions.

25 It is the Staff's opinion that these services are not necessary for the provision of
26 safe and adequate electric service and provide no direct benefit to the ratepayer. In
27 addition, the Company either cannot or will not provide any documentation concerning
28 the consultant's work for the Company during the Staff's test year.

29 **BOARD OF DIRECTORS ADVISOR FEES**

30 Q Please explain Income Statement adjustment S-19.19 pertaining to
31 AmerenUE's Board of Directors Advisor.

32 A. This adjustment decreases test year expenses by \$6,668 for AmerenUE's
33 Board of Director's Advisor. In reply to Staff Data Request No. 179, of AmerenUE's gas
34 Case No. GR-2000-512, the Staff asked the Company to explain what benefit the

Direct Testimony of
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1 Missouri gas ratepayer received for the Board of Director's Advisor fees. The Company
2 responded:

3 Due to illness, AmerenUE's Board of Directors Advisor [] was
4 not able to actively participate in matters before AmerenUE's
5 Board during the test year ending June 30, 1999. [] subsequently
6 died in October 1999.

7 The Advisor's services are provided at the discretion of the Company's
8 management. Since this expense is for the same Advisor to the Board of Directors as
9 mentioned in the data request response from the gas rate case, it is the Staff's opinion that
10 the Advisor's services are not necessary for the provision of safe and adequate electric
11 service and provide no direct benefit to the ratepayer. Furthermore, to date, this position
12 has not been filled with another Advisor to the Board of Directors.

13 **PROPERTY TAXES**

14 Q. Please explain Income Statement adjustments S-24.2, S-25.1, S-26.1 and
15 S-27.1.

16 A. These adjustments annualize property taxes and reflect the difference
17 between the actual property taxes paid in 2000, and the amount of property taxes
18 expensed during the test year. They also eliminate the property taxes associated with the
19 allocated general plant eliminated in the plant in service adjustments.

20 Q. Does this conclude your direct testimony?

21 A. Yes, it does.

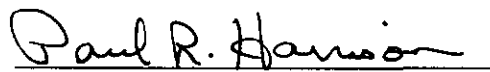
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

The Staff of the Missouri Public Service Commission,)	
)	Case No. EC-2002-1
)	
Complainant,)	
vs.)	
)	
Union Electric Company, d/b/a AmerenUE,)	
)	
Respondent.)	

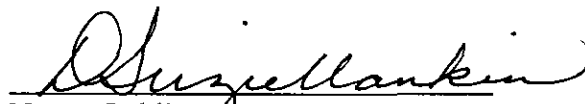
AFFIDAVIT OF PAUL R. HARRISON

STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

Paul R. Harrison, is, of lawful age, and on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 13 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Paul R. Harrison

Subscribed and sworn to before me this 29th day of June, 2001.


Notary Public

D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21, 2004

SCHEDULE 1

HAS BEEN DEEMED

PROPRIETARY

IN ITS ENTIRETY

SCHEDULE 2

HAS BEEN DEEMED

PROPRIETARY

IN ITS ENTIRETY