Exhibit No.:	
Issues:	Production Plant Allocation Methods; Rate Design
Witness:	Wilbon L. Cooper
Sponsoring Party:	Union Electric Company
Type of Exhibit:	Surrebuttal Testimony
Case No.:	ER-2011-0028
Date Testimony Prepared:	April 15, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2011-0028

SURREBUTTAL TESTIMONY

OF

WILBON L. COOPER

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
April, 2011

TABLE OF CONTENTS

SURREBUTTAL TESTIMONY

OF

WILBON L. COOPER

CASE NO. ER-2011-0028

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Wilbon L. Cooper. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. Are you the same Wilbon L. Cooper that filed direct and rebuttal testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my testimony is to address the rebuttal testimony concerning the allocation of production plant filed by Missouri Public Service Commission Staff ("Staff") witness Michael S. Scheperle.

Additionally, I will provide surrebuttal comments to the Missouri Department of Natural Resources witness Laura Wolfe's rebuttal testimony on the appropriate winter rate design for the Residential Service Class.

II. PRODUCTION PLANT ALLOCATION

Q. On pages 3-4 of his cost of service rebuttal testimony, Mr. Scheperle states that Staff does not agree with the Average and Excess ("A&E") methodology used by Ameren Missouri and the Missouri Industrial Energy Consumers ("MIEC") due to its favoring of high load factor customers and also, its inappropriate accounting for these

customers' contribution to peak. Is this statement a correct characterization of Ameren Missouri's 4 Non-Coincident Peak Average & Excess ("4 NCP A&E") method for allocating the cost of production plant?

A. No, it is not. First, the use of both average and excess demands and the associated load factor weighting does not favor high load factor customers; instead, as discussed in my direct testimony, this method properly addresses both the amount and type of generation capacity on the Company's system to serve its customers. Second, with regard to his allegation regarding "inappropriate accounting for these customers' contribution to peak," Mr. Scheperle goes on to state that the Company's use of class peaks from months other than June, July, August, and December as the "excess component" of the 4 NCP A&E methodology distorts the allocator for the residential class and all other classes. The Company utilized the 4 NCP A&E methodology in the manner prescribed in the NARUC Cost Allocation Manual and the strict application of that methodology requires the use of each class' four non-coincident peak demands, regardless of when such peaks occur. Additionally, Ameren Missouri's four highest system peaks in a year usually occur during the months of June through September; for example, during the test year in this case 16 of the 20 maximum 4 NCP monthly demands for the Company's major customer classes occurred during the Company's summer peak demand months of June-September. Neither the fact that the month of December was among the Company's four system peak months for the test year nor the fact that the remaining 4 NCP demands occurred during non-peak months renders this method inappropriate for allocating the Company's fixed production capacity costs.

It should also be noted that despite Mr. Scheperle's aforementioned allegations regarding "flaws" of the 4 NCP A&E methodology, the results of Staff's Base-Intermediate-Peak ("BIP") methodology and the Company's 4 NCP A&E methodology are very similar (see page 3 of Wilbon L. Cooper's rebuttal testimony or Schedule MSS-R3). Therefore, if one were to accept Mr. Scheperle's arguments, then both methodologies are similarly flawed for use on the Company's system.

Q. Were customer class loads for the test year similar to those in the Company's most recently adjudicated rate case (Case No. ER-2010-0036) wherein the Commission approved the use of the 4 NCP A&E methodology for the allocation of fixed production assets?

A. Yes, in that case 15 of the 20 maximum 4 NCP monthly demands for the Company's major customer classes occurred during the Company's summer peak demand months.

Q. Have you reviewed the testimony of all other parties with regard to the allocation of fixed production plant costs?

A. Yes, I have. Ameren Missouri and the MIEC have provided testimony in support of the use of the 4 NCP A&E allocation method for fixed production plant cost allocation, while the remaining parties have sponsored other methods, which I have previously rebutted. As stated in my rebuttal testimony, the Company's net investment in fixed production assets represents approximately 71% of the net original cost rate base, so it is not surprising that variations among the parties in the allocation of this investment have produced differences in class cost of service requirements in this case.

Arguably, every allocation method for fixed production plant costs sponsored by parties in this docket has some merit, and the Company is not suggesting that there is a single, best methodology for the allocation of production plant in all circumstances. However, the Company's proposed 4 NCP A&E method was recently approved by the Commission and is superior to other proposals offered by certain parties in this case due to that method's more balanced consideration of both the energy and excess demand requirements for serving each customer class. For these reasons, and for other reasons stated in my rebuttal testimony, the Company recommends that the Commission again adopt the 4 NCP A&E method for the allocation of production plant costs.

III. RESIDENTIAL WINTER RATE DESIGN

Q. At pages 16-18 of the rebuttal testimony of Ms. Laura Wolfe there is a discussion of the revenue neutral impact of the elimination of declining block rates in Ameren Missouri's residential class in a revenue neutral manner. Please comment.

A. I would like to point out some errors made by Ms. Wolfe in calculating her proposed flat winter Residential rate to replace the current blocked rate on a revenue neutral basis. Ms. Wolfe uses billing units and revenue data for Electric Space Heat Residential Customers provided by the Company in response to Data Request DNR 006 to calculate the revenue neutral value for her flat rate replacement for the blocked Residential winter rate. Ms. Wolfe determines the revenue neutral flat winter rate to be $0.0595/kWh whereas the Company had calculated that value to be $0.0633/kWh. Since Ms. Wolfe's calculation only takes into account Electric Space Heat customers, the value she calculates is only revenue neutral for that subset of the entire Residential class. The flat rate of $0.0633/kWh developed by the Company and used in its impact analysis was calculated to be revenue

neutral for the entire Residential class. Using Ms. Wolfe's calculated flat rate of $0.0595/kWh would result in significant under-recovery from the non-space heating residential customer group.

Q. How would this error have affected the customer impacts as calculated by Ms. Wolfe?

A. Using $0.0595/kWh instead of the $0.0633/kWh would have reduced costs calculated under the flat rate and would have lessened the impacts on customers, especially high usage customers.

Q. Are there any other corrections that need to be made to the impact calculations performed by Ms. Wolfe?

A. Yes. Ms. Wolfe included the proposed Energy Efficiency Program Charge in her calculations as $0.006/kWh instead of the $0.0006/kWh actually proposed for the Residential class. This error would have also lessened the resulting impacts by adding an abnormally large value to both the proposed block rate and proposed flat rate cost.

Q. Did you recalculate the impact results provided by Ms. Wolfe to correct for these two errors?

A. Yes. Correcting for the above mentioned errors, the impacts range from a decrease of 13% for customers using 750 kWhs to an increase of 24% for customers using 15,000 kWhs, compared to a decrease of 16% and an increase of 15%, respectively, as calculated by Ms. Wolfe. These impacts would be on top of the 10.8% overall increase proposed for all classes by the Company.

Q. At page 16 of Ms. Wolfe's testimony she states, "The purpose of removing declining block rates is to encourage energy efficiency and conservation." Please comment.

A. As stated in my direct testimony, cost based rates are an important starting point in developing class revenue requirements and rate design. Such cost based rates: 1) promote equity and fairness for all customers, 2) encourage cost effective utilization of electricity by consumers, and 3) permit the Company to compete effectively with alternative fuels. Ms. Wolfe correctly considers the effect of her recommendation on energy efficiency, but errs in her consideration of the effect on conservation. Taking Ms. Wolfe's conservation theme to the extreme would suggest that one could ignore all costs of providing service in setting rates, and instead price electricity in a manner that seeks only to reduce consumption to an absolute minimum level for essential service only. Clearly, this approach would be unfair and unjust. Additionally, it would produce revenues far in excess of the utility's embedded revenue requirement. Rates that accurately reflect costs will both contribute toward energy efficiency and also toward energy conservation. However, conservation of energy may not be a choice to be made in isolation when evaluating energy needs. For example, a consumer constructing a home will be faced with a decision as to whether to install electricity versus natural gas heating equipment. Rates for either of these fuels that do not accurately reflect costs could result in an economically inefficient choice of heating equipment regardless of any conservation efforts.

Q. Does Ms. Wolfe's testimony quantify the billing unit or revenue impact of the energy conservation associated with her proposal?

A. No. However, if Ms. Wolfe is correct and if the Company is to be given a reasonable opportunity to earn its authorized rate of return through rates set by the Commission in this case, then this impact would need to be quantified. This quantification would result in a negative adjustment to the Company's test year billing units for the residential class.

Q. Please summarize your disagreements with Ms. Wolfe's recommendation that the Company should be ordered to remove the blocked winter Residential rates and replace them with a single flat winter rate.

A. First, as illustrated in the results of the Company's impact study provided in my direct testimony, and the impact calculations done by Ms. Wolfe as corrected above, the elimination of block rates would have a material bill impact on customers beyond the magnitude of the across-the-board increase recommended by the Company in this case. Second, the Company's cost-based declining block rate has been in place for decades and continues to be warranted because winter space heating makes more efficient use of existing production and transmission capacity installed to meet the higher summer demands for electricity. Third, from an energy perspective, additional winter demand can be served by the Company at a variable cost lower than its average running costs of generation. Lastly, if adopted, Ms. Wolfe's proposal would likely deny the Company a reasonable opportunity to earn its authorized rate of return through rates approved by the Commission in this case.

Q. Does this conclude your surrebuttal testimony?

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 Service Provided to Customers in the Company's Missouri Service Area.	)))))	Case No. ER-2011-0028

AFFIDAVIT OF WILBON L. COOPER

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

Wilbon L. Cooper, being first duly sworn on his oath, states:

1. My name is Wilbon L. Cooper. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Manager, Rates and Tariffs.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Ameren Missouri consisting of 7 pages, all of which have been 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.

Wilbon L. Cooper

Subscribed and sworn to before me this 15 day of April, 2011.

Notary Public

My commission expires:

Amanda Tesdall - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011