



*Exhibit No.:*  
*Issue:* Storm Tracker  
*Witness:* Stephen M. Rackers  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* ER-2010-0036  
*Date Testimony Prepared:* February 11, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**STEPHEN M. RACKERS**

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

**CASE NO. ER-2010-0036**

*Jefferson City, Missouri  
February 11, 2010*

~~Staff~~ Exhibit No. 202  
Date 3-15-10 Reporter FF  
File No. ER-2010-0036



1                   rate), to be reflected in the revenue requirement in the Company's next  
2                   rate case and amortized through rates in that next rate case over two  
3                   years.

4           Q.     Is the Staff supportive of Mr. Zdellar's storm tracker proposal?

5           A.     No. The Staff does not support the establishment of a storm tracker. As  
6           Mr. Zdellar points out on page 19 of his testimony, storm cost has traditionally been  
7           addressed through a five year amortization. If a storm occurs during the test year, the level of  
8           test year expense is adjusted to reflect one-fifth of the operation and maintenance cost. If the  
9           storm occurs between rate cases and the Company has the option to request an  
10          Accounting Authority Order (AAO), to capture the cost and defer it for rate treatment in a  
11          future rate case. These two methods have been employed recently with regard to UE. In  
12          each of the Company's last two rate cases, an above average level of storm cost has existed.  
13          The amount in excess of the average has been amortized over a five year period. In the  
14          current rate case the Staff is also proposing a five year amortization of the cost that occurred  
15          during the test year in excess of the average amount. In Case No. EU-2008-0141, the  
16          Company requested an AAO to address a storm that occurred beyond the true-up date in Case  
17          No. ER-2007-0002. These costs were subsequently addressed in the Company's next rate  
18          case, Case No. ER-2008-0318.

19          Q.     Please discuss the distinction between the two methods Staff has traditionally  
20          used to address storm cost.

21          A.     The distinction between these two methods is that "normal" storm costs are  
22          generally included in the cost of service by including some multiyear average level. Normal  
23          storms that occur during a rate case test year can be dealt with using standard ratemaking  
24          practices. However, extraordinary storm costs are usually deferred through an AAO. The  
25          AAO process requires the utility to justify the storm event as being extraordinary before the

1 costs can be granted deferral treatment. The appropriate recovery of the deferral, if any, can  
2 be examined in relation to the utility's company's earnings. A problem with AmerenUE's  
3 tracker is that it uses one procedure, to handle all storm costs, both normal and extraordinary.

4 Q. Have all the significant storms recently experienced by UE been reflected in  
5 rates?

6 A. Yes. The two methods I discussed above have been used to address all the  
7 significant storms recently experienced by UE.

8 Q. How do you respond to Mr. Zdellar's concerns about an amortization, which  
9 he refers to as "protracted" and his proposal to include interest (carrying cost) on the  
10 difference between the base amount of storm cost and the actual amount experienced?

11 A. Mr. Zdellar's is proposing to establish a mechanism that significantly reduces  
12 the period during which the cost associated with "an act of God" are recognized in rates and is  
13 also attempting to recover an associated financing costs. The Commission has previously  
14 ruled that the cost associated with an "act of God" should not be the ratepayers' sole  
15 responsibility. In Case No. WR-95-145, the Commission denied St. Louis County Water  
16 Company's request to include the unamortized balance of the cost associated with the 1993  
17 flood in rate base. In its Order, the Commission stated:

18 The cost incurred as a result of the flood of 1993 was a natural disaster,  
19 an "act of God, and the expenditures were not intended to produce any  
20 benefit other than restoring the system to its pre-flood operating  
21 condition. The burden of "acts of God" should not be borne solely by  
22 the ratepayers. In the case of a natural disaster, the shareholders should  
23 not be completely shielded from the risk, but should share in the cost  
24 with the ratepayers. Allowing County Water to recover the cost through  
25 an amortization, without the inclusion of the unamortized balance in  
26 rate base, achieves that sharing.

27 Q. Has Mr. Zdellar selected an appropriate level of cost to use as a base amount in  
28 his tracker?

1           A.     No. Mr. Zdellar uses the terms “unprecedented” and “devastation” to describe  
2 the storm that occurred during the test year in Southeast Missouri. He also cites the fact that  
3 Governor Nixon declared a State Of Emergency for the area affected by the storm. Yet he has  
4 chosen the test year level, which includes such a storm, as the appropriate base amount on  
5 which to track ongoing expense levels.

6           Q.     How do you respond to Mr. Zdellar’s comparison of the storm tracker to the  
7 trackers the Commission has approved for vegetation management, infrastructure inspections  
8 and employee benefit costs, at page 22 of his testimony?

9           A.     Vegetation management, infrastructure inspections and employee benefits are  
10 ongoing programs. In addition, the Commission established trackers for vegetation  
11 management (tree trimming) and infrastructure inspections in direct response to specific new  
12 rules it established. The Staff believes that these trackers were designed as short-term tools to  
13 allow the Company to recover the added operating and maintenance cost incurred to ramp-up  
14 to the levels required by the new rules. On an ongoing annual basis, the Company will  
15 continue to manage vegetation, inspect infrastructure and pay employee benefits. However,  
16 the occurrence of extraordinary storms that cause significant operating and maintenance cost  
17 to the Company’s system do not represent annual ongoing programs.

18          Q.     Has the Company experienced any storms which caused extraordinary levels  
19 of operating and maintenance cost, since the one that occurred in late January of 2009?

20          A.     No. Through the date of this testimony, February 11, 2010, more than a year,  
21 the Company has not experienced a storm which caused extraordinary levels of operating and  
22 maintenance cost to its system.

23          Q.     Will the establishment of a storm tracker reduce the risk to the Company?

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1           A.     Yes. The Company is trying to establish a mechanism that guarantees the  
2 recovery of the costs associated with all storms. This mechanism will reduce the risk that  
3 AmerenUE will not earn its authorized rate of return. However, Mr. Zdellar has not  
4 acknowledged or proposed any offset to the cost of service in recognition of this risk.

5           Q.     Does this conclude your rebuttal testimony?

6           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's Tariffs to Increase its     )     Case No. ER-2010-0036  
Annual Revenues for Electric Service.     )

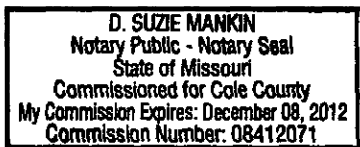
**AFFIDAVIT OF STEPHEN M. RACKERS**

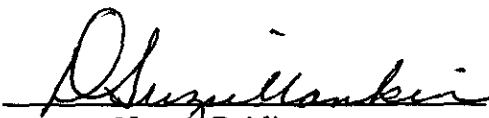
STATE OF MISSOURI     )  
                                      )     ss.  
COUNTY OF COLE     )

Stephen M. Rackers, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Rebuttal 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.

  
STEPHEN M. RACKERS

Subscribed and sworn to before me this 11<sup>th</sup> day of February, 2010.



  
Notary Public