

EXHIBIT

209

Exhibit No.:

Issues: Vegetation Management and
Infrastructure Inspection
Tracker

Witness: Daniel I. Beck

Sponsoring Party: MO PSC Staff

Type of Exhibit: Rebuttal Testimony

Case No.: ER-2010-0036

Date Testimony Prepared: February 11, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

DANIEL I. BECK

UNION ELECTRIC COMPANY

d/b/a AmerenUE

CASE NO. ER-2010-0036

Jefferson City, Missouri

February 2010

Staff Exhibit No. 209
Date 3-15-10 Reporter xf
File No. ER-2010-0036

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REBUTTAL TESTIMONY

OF

DANIEL I. BECK

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

CASE NO. ER-2010-0036

Q. Please state your name and business address?

A. Daniel I. Beck and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

Q. Did you contribute to the Staff Cost of Service and Revenue Requirement Report, Staff Class Cost of Service and Rate Design Report, or have you otherwise testified in this case, Case No. ER-2010-0036?

A. No.

Q. Have you previously testified before the Commission?

A. Yes. Schedule 1, attached to this testimony includes a list of cases in which I have previously testified.

Q. Would you briefly describe your educational background and work experience?

A. Yes. My educational background and work experience is described in Schedule 1 attached to this testimony.

Q. What is the purpose of this rebuttal testimony?

A. This testimony presents Staff's rebuttal to the Direct Testimony of Union Electric Company d/b/a AmerenUE (AmerenUE or Company) witnesses Ronald Zdellar and

1 Gary S. Weiss regarding a tracker for the costs AmerenUE incurs for vegetation
2 management and infrastructure inspection.

3 Q. On page 14 of AmerenUE witness Ronald C. Zdellar's testimony, he states that
4 "part of those efforts are included in the larger *Power On* project announced in July of
5 2007." Do you agree with this statement?

6 A. I believe that when he uses the phrase "those efforts" in that statement, Mr.
7 Zdellar is referring to AmerenUE's efforts to comply with the Commission's rules regarding
8 vegetation management and infrastructure inspections. While I agree that on July 12, 2007
9 AmerenUE publicly announced Project Power On and stated in that announcement it had
10 committed \$135 million over three years for tree trimming and \$84 million over three years
11 for circuit and device inspection and repair, I maintain that the agreement between the
12 parties in Case No. ER-2007-0002 that was filed with the Commission nearly three and one-
13 half months earlier, on March 26, 2007, was a more significant milestone, especially
14 regarding vegetation management.

15 Q. Would you identify what you consider to be milestones in AmerenUE's
16 vegetation management efforts over the past several years?

17 A. These are what I consider to be the milestones:

- 18 • On November 2, 2004, AmerenUE, in a letter dated November 2, 2004 to
19 Warren Wood and signed by Mr. Zdellar, committed to increasing its "tree
20 trimming budget from \$23.5 million in 2004 to \$30 million in 2005 – a 27%
21 increase." In addition, AmerenUE committed to eliminate its backlog of
22 extended tree trimming cycles on or before December 31, 2008.

- 1 • On April 11, 2007 in Case No. ER-2007-0002, the Commission issued its
2 Order Approving Tier II Partial Stipulation and Agreement Filed On March 26,
3 2007. This included \$45 million for vegetation management expenses in the
4 cost of service.
- 5 • On July 12, 2007 AmerenUE announced Project Power On, which included
6 \$135 million over three years for tree trimming. This is the annual amount
7 included in Case No. ER-2007-0002 summed over a three year period. The
8 press release for Project Power On is Attachment 2 to my testimony.
- 9 • January, 2008 – As stated by Mr. Zdellar in his Direct Testimony on lines 12-
10 14, page 14, “AmerenUE was in compliance with the Commission’s vegetation
11 management rules beginning in January of 2008, a full six months prior to the
12 effective date of the new rules.”
- 13 • November 21, 2008 - As stated by Mr. Zdellar in his Direct Testimony on lines
14 14-16, page 14, “As of November 21, 2008, AmerenUE’s entire system had
15 been and continues to be, trimmed on the required four year cycle for urban
16 areas and six year cycle for rural areas (4/6 cycle).”
- 17 • On January 27, 2009, the Commission issued its Report and Order, effective
18 February 6, 2009, which included \$54.1 million as the base amount of
19 vegetation management cost for the calculation of base rates.

20 Q. Why do you identify these events as milestones?

21 A. These events highlight that while AmerenUE’s vegetation management
22 program has undergone significant changes over the last 5 years, the vegetation
23 management program has essentially remained constant for at least the last two years. This

1 contention is supported by the fact that current vegetation management costs closely track
2 AmerenUE's budgeted amount for these activities while AmerenUE remains in compliance
3 with the Commission's rules. Those rules have specific scheduled requirements in 4 CSR
4 240-23.030(9) for completion targets at intervals of 12, 18, 24, 36, 48 and 72 months after
5 the effective date of the rule.

6 Q. Does the Commission's Rule regarding Vegetation Management allow for an
7 electric utility to request a tracker?

8 A. Yes. 4 CSR 240-23.030(10) includes the following language:

9 In the event an electrical corporation incurs expenses as a result of this rule in
10 excess of the costs included **in current rates**, the corporation may submit a
11 request to the commission for accounting authorization to defer recognition
12 and possible recovery of these excess expenses until the effective date of rates
13 resulting from its next general rate case, filed after the effective date of this
14 rule, difference between the actually incurred expenses as a result of this rule
15 and the amount included in the corporation's rates using a tracking mechanism
16 to record the difference between the actually incurred expenses as a result of
17 this rule and the amount included in the corporation's rates [emphasis added]
18

19 However, I maintain that AmerenUE's costs to comply with the Vegetation Management
20 Rule are already included in current rates based on the Commission's Order in Case No. ER-
21 2008-0318 and, therefore, the tracker AmerenUE requests in this case does meet the criteria
22 set of the Commission's rule.

23 Q. Is there any other reason why a tracker may not be the appropriate mechanism
24 for recovery of vegetation management costs?

25 A. Yes. AmerenUE contracts its vegetation management work and those
26 contracts expire at the end of 2010. I maintain that setting the vegetation management costs
27 at historic levels will give AmerenUE the most incentive to negotiate the most cost effective
28 contract since AmerenUE would retain any cost reductions due to regulatory lag. However,
29 if the Commission authorizes AmerenUE to use a tracker for vegetation management in this

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1 case, any cost increases would be included in the amounts deferred in the tracker for
2 potential recovery through future rates and, therefore, AmerenUE has less incentive to
3 negotiate the lowest cost contracts with its vegetation management contractors.

4 Q. Does the Commission's rule for infrastructure inspection include the same
5 ability for an electric utility to request a tracker that you have attributed to 4 CSR 240-
6 23.030(10)?

7 A. Yes. 4 CSR 240-23.020(4) contains the exact same language.

8 Q. Do AmerenUE's current rates include AmerenUE's costs to comply with the
9 Commission's Infrastructure Standards Rule?

10 A. Yes, based on the Commission's Order in Case No. ER-2008-0318,
11 AmerenUE's costs to comply with the Commission's Infrastructure Standards Rule are
12 already included in AmerenUE's current rates

13 Q. Does that fact have any bearing on whether the Commission should authorize
14 AmerenUE in this case to track its infrastructure costs?

15 A. Yes. AmerenUE no longer meets the criteria set out by the Commission's rule
16 for it to be authorized to use a tracker for its infrastructure costs.

17 Q. Are there any other aspects of vegetation management and infrastructure
18 inspection trackers that you believe the Commission should be aware of?

19 A. Yes. In the Commission's Report and Order in Case No. ER-2008-0318, the
20 Commission found that a ten percent cap was appropriate for the vegetation management
21 and infrastructure inspection tracker. If the Commission authorizes AmerenUE to use a
22 tracker for either or both infrastructure inspection costs and vegetation management costs in

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1 this case, the Commission, as it did in AmerenUE's last case, should also implement a ten
2 percent cap on the costs that can be included in that tracker.

3 Q. Other than Mr. Zdellar, did any other AmerenUE witness discuss the specific
4 aspects of the vegetation management/infrastructure inspection tracker AmerenUE
5 proposes?

6 A. Yes. AmerenUE witness Gary S. Weiss discusses this tracker on pages 39 and
7 40 of his Direct Testimony. This testimony primarily addresses setting the base level of the
8 tracker. He recommends setting the base to the two year average of AmerenUE's budgeted
9 expenditures for these activities in the years 2010 and 2011. This would result in a slight
10 increase in the base level for vegetation management of \$1.4 million (from \$54.1 million to
11 \$55.5 million) and a slight decrease in the base level for infrastructure inspection of \$0.3
12 million (from \$10.7 million to \$10.4 million).

13 Q. What is your response to the tracker base levels AmerenUE proposes?

14 A. First, I believe it ignores the fact that the Commission sets rates on a historical
15 test year. Second, the change in the base is less than three percent and is both positive and
16 negative. Clearly, this small change in the recommended base levels do not represent the
17 change in the base levels required to comply with the rules but instead represents the typical
18 fluctuations in costs that one would expect to see in various components of a company's
19 operating costs. In addition, no party during the rulemaking maintained that the
20 infrastructure inspection requirement would result in lower infrastructure inspection costs
21 than what the utility was expending prior to its efforts to comply with the rule, and the Staff
22 does not believe that \$0.3 million reduction AmerenUE proposes is the result of
23 AmerenUE's efforts to comply with the Commission's infrastructure inspection rule.

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1 Q. What levels of expense are being recommended by the Staff in this case?

2 A. The Staff has included the September 30, 2009, non-internal labor, amount for
3 vegetation management and infrastructure inspections. It is the Staff's intention to
4 reexamine the cost for these programs during the true-up audit based on information
5 through January 31, 2010.

6 Q. Does this conclude your Rebuttal Testimony?

7 A. Yes.

Daniel I. Beck, P.E.

Supervisor of the Engineering Analysis Section of the Energy Department
Utility Operations Division

Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

I graduated with a Bachelor of Science Degree in Industrial Engineering from the University of Missouri at Columbia. Upon graduation, I was employed by the Navy Plant Representative Office in St. Louis, Missouri as an Industrial Engineer. I began my employment at the Commission in November, 1987, in the Research and Planning Department of the Utility Division (later renamed the Economic Analysis Department of the Policy and Planning Division) where my duties consisted of weather normalization, load forecasting, integrated resource planning, cost-of-service and rate design. In December, 1997, I was transferred to the Tariffs/Rate Design Section of the Commission's Gas Department where my duties include weather normalization, annualization, tariff review, cost-of-service and rate design. Since June 2001, I have been in the Engineering Analysis Section of the Energy Department, which was created by combining the Gas and Electric Departments. I became the Supervisor of the Engineering Analysis Section, Energy Department, Utility Operations Division in November 2005.

I am a Registered Professional Engineer in the State of Missouri. My registration number is E-26953.

**List of Cases in which prepared testimony was presented by:
DANIEL I. BECK**

<u>Company Name</u>	<u>Case No.</u>
Union Electric Company	EO-87-175
The Empire District Electric Company	EO-91-74
Missouri Public Service	ER-93-37
St. Joseph Power & Light Company	ER-93-41
The Empire District Electric Company	ER-94-174
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-193
Missouri Gas Energy	GR-96-285
Kansas City Power & Light Company	ET-97-113
Associated Natural Gas Company	GR-97-272
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Missouri Gas Energy	GT-98-237
Ozark Natural Gas Company, Inc.	GA-98-227
Laclede Gas Company	GR-98-374
St. Joseph Power & Light Company	GR-99-246
Laclede Gas Company	GR-99-315
Utilicorp United Inc. & St. Joseph Light & Power Co.	EM-2000-292
Union Electric Company d/b/a AmerenUE	GR-2000-512
Missouri Gas Energy	GR-2001-292
Laclede Gas Company	GR-2001-629
Union Electric Company d/b/a AmerenUE	GT-2002-70
Laclede Gas Company	GR-2001-629
Laclede Gas Company	GR-2002-356
Union Electric Company d/b/a AmerenUE	GR-2003-0517
Missouri Gas Energy	GR-2004-0209
Atmos Energy Corporation	GR-2006-0387
Missouri Gas Energy	GR-2006-0422
Union Electric Company d/b/a AmerenUE	GR-2007-0003
The Empire District Electric Company	EO-2007-0029/EE-2007-0030
Laclede Gas Company	GR-2007-
0208 The Empire District Electric Company	EO-2008-0043

Missouri Gas Utility, Inc.	GR-2008-0060
The Empire District Electric Company	ER-2008-0093
Union Electric Company d/b/a AmerenUE	ER-2008-0318
Kansas City Power & Light Company	ER-2009-0089
KCP&L Greater Missouri Operations Company	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
The Empire District Gas Company	GR-2009-0434

**AmerenUE Announces \$1 Billion 'Project Power On' Reliability and Environmental Improvement Program
Customers in 62 Missouri counties will benefit from improved reliability, upgraded delivery system, and enhanced environmental performance**

Jul 12, 2007

ST. LOUIS, July 12 /PRNewswire-FirstCall/ -- AmerenUE, a utility operating company of Ameren Corporation (NYSE: AEE), plans to invest \$1 billion over the next three years to improve reliability, upgrade delivery systems, and enhance the environmental performance of its power plants.

"With the severe weather patterns of the past few years and a focus on improving air quality, we are working even harder to ensure reliability for our customers of today and tomorrow," said Thomas R. Voss, president and chief executive officer of AmerenUE. "We've been working closely with community officials and leaders across our system to determine the best approach for improving our delivery system, while ensuring that we meet the growing demand for energy."

Named "Project Power On," this three-year initiative involves a commitment over and above the \$500 million per year the company has been spending on efforts to upgrade and maintain the system.

Project Power On involves four components designed to address the region's current and future energy and environmental needs. These include:

- \$300 million over three years for undergrounding and reliability improvement -- AmerenUE is planning to increase company spending by \$100 million per year to better protect the system against severe weather. This includes a substantial underground cabling effort in neighborhoods most at risk of electric service disruption and where undergrounding is feasible, improves reliability, and makes economic sense.
- \$135 million over three years (\$45 million annually) for tree-trimming -- Nearly twice the budget of a few years ago, AmerenUE is pursuing a more aggressive tree removal and trimming plan that will include trimming on private property with the property owner's consent. This program targets electric lines built to serve new developments over the past four decades; many new trees planted during that time now jeopardize the system in severe weather. The company will continue to work with local governments on ways to handle tree issues both on public lands and private property.
- \$84 million over three years (approximately \$28 million per year) for circuit and device inspection and repair -- AmerenUE is increasing the frequency of pole repair and replacement and establishing a "foot patrol" inspection program, in addition to the visual inspection done by tree-trimming staff. This aggressive preventive maintenance will help identify, repair, and/or replace poles and other equipment prior to failure. The company is expanding its pole and line inspection programs to include all poles. These efforts will be supported by new technology that allows crews to check the integrity of lines throughout the distribution system.
- \$500 million over three years to address the growing energy needs of the region by installing environmental controls on existing plants so that they meet or do better than federal environmental standards -- The U.S. Environmental Protection Agency (EPA) Clean Air Interstate Rule (CAIR) calls for reductions of nitrogen oxide emissions by 70 percent

and sulfur dioxide by 65 percent - both by 2015 - and the Clean Air Mercury Rule (CAMR) calls for mercury emission reductions of 70 percent by 2018. With this \$500 million investment, AmerenUE expects to improve air quality for future generations. Most of the funding will go toward installing scrubbers at AmerenUE's Sioux Plant, helping AmerenUE achieve compliance with EPA and state requirements.

"We know what our customers want," Voss said. "When they flip a switch, they want the lights to come on, and these initiatives will help us reliably supply that electricity -- now and into the future. A significant part of this goal is continuing our environmental leadership role, ensuring our plants are clean and efficient, while addressing the increasing energy needs of our region."

Voss added that, in addition to committing funding for a range of projects, the company has appointed a full-time project manager as the primary contact for this effort. In April, AmerenUE hired an experienced consultant to help evaluate its reliability and storm response. KEMA Inc. has extensive experience in the areas of emergency response, reliability, and maintenance practices. KEMA will develop a Storm Adequacy Study that will be shared with regulators.

Voss stressed that AmerenUE continues to welcome a public dialogue to determine future actions and investments that are necessary to prepare the AmerenUE system for severe storms. He said that working with the regulators, community leaders, and customers will be key in determining the best public policy approach to investment in greater reliability.

With 1.2 million customers, AmerenUE is Missouri's largest electric company and third largest provider of natural gas. Ameren, through its operating companies, serves 2.4 million electric and 1 million natural gas customers in a 64,000-square-mile area of Illinois and Missouri.

FORWARD-LOOKING STATEMENTS

Statements in this release not based on historical facts are considered "forward-looking" and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there is no assurance that the expected results will be achieved. These statements include (without limitation) statements as to future expectations, beliefs, plans, strategies, objectives, events, conditions, and financial performance. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we are providing this cautionary statement to identify important factors that could cause actual results to differ materially from those anticipated. The following factors, in addition to those discussed elsewhere in this release and in our filings with the Securities and Exchange Commission, could cause actual results to differ materially from management expectations suggested in such forward-looking statements:

- Regulatory or legislative actions, including changes in regulatory policies and ratemaking determinations
- Changes in laws and other governmental actions, including monetary and fiscal policies
- Business and economic conditions, including their impact on interest rates
- Disruptions of the capital markets or other events that make access to necessary capital more difficult or costly
- Actions of credit rating agencies and the effects of such actions
- Weather conditions and other natural phenomena
- The impact of system outages caused by severe weather conditions or other events
- Generation plant construction, installation, and performance
- The impact of current environmental regulations on utilities and power generating companies and the expectation that more stringent requirements, including those related to greenhouse gases, will be

- introduced over time, which could have a negative financial effect
- Legal and administrative proceedings
- Acts of sabotage, war, terrorism, or intentionally disruptive acts

Given these uncertainties, undue reliance should not be placed on these forward-looking statements. Except to the extent required by the federal securities laws, we undertake no obligation to update or revise publicly any forward-looking statements to reflect new information or future events.

Project Power On
Undergrounding Project Investment by County

Missouri County	Customers	Three-Year Investment
SAINT LOUIS	486,621	\$121,032,000
SAINT LOUIS CITY	179,770	\$44,709,000
SAINT CHARLES	119,420	\$29,700,000
JEFFERSON	85,428	\$21,246,000
FRANKLIN	43,734	\$10,890,000
COLE	29,276	\$7,287,000
SAINT FRANCOIS	25,814	\$6,405,000
CAPE GIRARDEAU	24,218	\$6,024,000
CAMDEN	21,923	\$5,451,000
LINCOLN	11,493	\$2,865,000
WASHINGTON	10,782	\$2,688,000
ADAIR	10,690	\$2,667,000
RANDOLPH	10,679	\$2,664,000
SCOTT	9,203	\$2,295,000
WARREN	8,982	\$2,241,000
MILLER	8,600	\$2,145,000
PEMISCOT	8,312	\$2,073,000
PIKE	7,872	\$1,962,000
STODDARD	7,592	\$1,893,000
AUDRAIN	7,585	\$1,890,000
MORGAN	6,918	\$1,725,000
CLAY	6,694	\$1,668,000
COOPER	6,159	\$1,536,000
MISSISSIPPI	5,408	\$1,350,000
NEW MADRID	5,415	\$1,350,000
MONTGOMERY	5,183	\$1,293,000
IRON	5,101	\$1,272,000
CALLAWAY	4,637	\$1,155,000
BOONE	3,723	\$927,000
DUNKLIN	3,558	\$888,000
LINN	3,475	\$867,000
CALDWELL	3,020	\$753,000
LEWIS	2,821	\$702,000
OSAGE	2,796	\$696,000
GASCONADE	2,454	\$612,000
CLINTON	2,414	\$603,000
MONITEAU	2,048	\$510,000
MARIES	1,656	\$414,000
RAY	1,644	\$411,000
KNOX	1,504	\$375,000
DEKALB	1,318	\$330,000
RALLS	1,170	\$291,000
CLARK	953	\$237,000
HOWARD	866	\$216,000
SCHUYLER	690	\$171,000
SULLIVAN	673	\$168,000
MONROE	664	\$165,000
LIVINGSTON	444	\$111,000

PETTIS	347	\$87,000
DAVISS	342	\$84,000
MADISON	320	\$81,000
BUTLER	1	\$75,000
CHARITON	2	\$75,000
DENT	3	\$75,000
GENTRY	89	\$75,000
MACON	3	\$75,000
MARION	74	\$75,000
PHELPS	3	\$75,000
REYNOLDS	14	\$75,000
SAINTE GENEVIEVE	72	\$75,000
SALINE	113	\$75,000
SCOTLAND	233	\$75,000
Total	1,203,016	\$300,000,000

SOURCE: Ameren Corporation

CONTACT: media, Tim Fox, +1-314-554-3120, or Mike Cleary, +1-573-681-7137, or investors, Bruce Steinke, +1-314-554-2574, all of Ameren Corporation

Web site: <http://www.ameren.com/>