

Exhibit No.: 750  
Issues: Rate Design  
Cost of Service  
Witness: Petree Eastman  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Municipal Group  
St. Louis County Municipal League  
City of University City  
City of St. Ann  
City of O'Fallon  
City of Rock Hill

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER 2010-0036**

**REBUTTAL TESTIMONY**

**OF**

**PETREE A. EASTMAN**

**ON BEHALF OF**

**THE MUNICIPAL GROUP:  
ST. LOUIS COUNTY MUNICIPAL LEAGUE  
CITY OF UNIVERSITY CITY  
CITY OF O'FALLON  
CITY OF ST. ANN  
CITY OF ROCK HILL**

February 11, 2010

*Municipal Group*  
**Exhibit No. 750**  
**Date 3-25-10 Reporter *KE***  
**File No. ER-2010-0036**

In the Matter of Union Electric Company	)	
d/b/a Ameren UE's Tariffs to Increase	)	Case No. ER-2010-0036
Revenues for Electric Service	)	Tariff No.

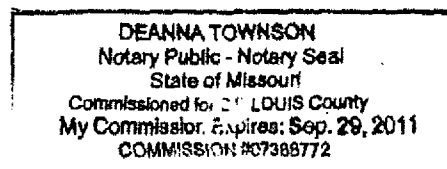
STATE OF MISSOURI )  
 ) ss  
COUNTY OF ST. LOUIS )

1. My name is Petree A. Eastman. I am the Assistant City Manager for the City of University City, having its principal place of business in St. Louis County, 6801 Delmar Blvd, University City, MO 63130.
2. Attached hereto and made a part hereof for all the purposes are my rebuttal testimony and exhibits where were prepared in written form for introduction into evidence in Missouri Public Service Commission Case. No. ER-2010-0036.
3. I hereby swear and affirm that the testimony and exhibits are true and correct and that they show the matter and things that they purport to show.

  
Petree A. Eastman

Subscribed and sworn to before me this 10<sup>th</sup> of February, 2010

Deanna Johnson  
Notary Public



BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of Union Electric Company     )  
d/b/a Ameren UE's Tariffs to Increase     )  
Revenues for Electric Service             )

Case No. ER-2010-0036  
Tariff No.

Rebuttal Testimony of Petree A. Eastman

1    **Q.    Please state your name and business address.**

2    A.    Petree A. Eastman. My business address is 6801 Delmar Blvd. University City, MO  
3           63130

4    **Q.    By whom are you employed and what is your position?**

5    A.    I am the Assistant City Manager for the City of University City, Missouri ("City").

6    **Q.    Please describe your educational background, work experience and duties of your**  
7           **position?**

8    A.    I have a BA from Webster University, a JD from Saint Louis University and a Masters in  
9           City Planning from the University of California-Berkeley. In my role as Assistant City  
10          Manager I am the chief sustainability officer for the City, staff liaison to the City's Green  
11          Practices Committee and work at the discretion of the City Manager. My primary  
12          responsibilities include research and analysis of programs and processes for improved  
13          efficiency and quality of services. Because of the financial crisis facing the City of  
14          University City, I am regularly called upon to seek methods of reducing costs or

1 increasing revenues without negatively impacting the high level of service demanded by  
2 our community.

3 **Q. On whose behalf are you appearing in this proceeding?**

4 A. The "Municipal Group", which is comprised of the St. Louis County Municipal League,  
5 the City of University City, the City of O'Fallon, the City of St. Ann and the City of  
6 Rock Hill.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to respond to the direct testimony of AmerenUE  
9 witnesses Cooper and Weiss and Missouri Public Service Commission Staff witness  
10 Scheperle's Report on Class Cost of Service and Rate Design and to challenge the Class  
11 Cost of Service (CCOS) filed on behalf of Union Electric Company, d/b/a AmerenUE  
12 (hereinafter "AmerenUE") and to challenge the underlying rate design of the 5M  
13 classification for street lighting as fundamentally unfair and unreasonable.

14 **Q. How is your testimony organized?**

15 A. My testimony is organized as follows:

- 16 • Review of how the Municipal Group came to understand the underlying rates for  
17 street lighting under the 5M classification as it compares with the 6M  
18 classification and our complaint with the 5M rate.

- 1       •     Discuss the nature of street lighting and how it is fundamentally different than  
2             other classes and how AmerenUE or the PSC has not determined the cost of  
3             service for street lighting as part of its analysis to allocate costs/revenue to the  
4             other classes.
- 5       •     How pole rental fees charged to 5M customers is fundamentally unfair and  
6             unreasonable given the length of time such fees have been imposed for  
7             AmerenUE to recover the cost of such poles.

8   **Q.   How did the Municipal Group come to enter the Rate Case?**

9   A.   In the spring of 2009 the City of University City became aware that it would be eligible  
10       for direct federal stimulus funding under the Energy Efficiency and Conservation Block  
11       Grant ("EECBG"). The purpose of the grant was two-fold. The grant was to be used to  
12       reduce the City's energy usage and create and/or retain jobs through the savings to be  
13       accomplished through energy efficiency. I asked our Department of Public Works  
14       Director, Ms. Evelyn Shields-Benford, whether we could retrofit our street lighting with  
15       more energy efficient bulbs. The Director indicated that our street lights fell into various  
16       categories, the bulk of which were owned and maintained by AmerenUE. The Director  
17       indicated that research into retrofitting had previously been completed and that it was a  
18       very expensive proposition. She also indicated that the energy component of rates for the  
19       AmerenUE-owned street lights was not the predominant component of our rates and

1       therefore retrofitting the street lights would not be cost effective insofar as the return on  
2       investment would take many years to realize.

3       I obtained copies of our AmerenUE billing statements for the street lights under the 5M  
4       classification, as well as the billing statements for street lighting under the 2M and 6M  
5       classification. The street lighting under the 5M classification is the subject of the  
6       Municipal Group's intervention in the rate case. Many cities in St Louis County,  
7       including but not limited to, University City, Ballwin, Richmond Heights, Maplewood,  
8       Olivette, Creve Coeur, Maryland Heights, Florissant, St. Ann, Rock Hill, Webster  
9       Groves, Kirkwood, Ferguson, St. John, and Fenton have a significant number of street  
10      lights under the 5M classification. These street lights are owned and maintained by  
11      AmerenUE. These street lights are not metered and are used only at night. 5M  
12      customers are simply billed by fixture and pole type according to the amount of lights in  
13      each rate category. A copy of the City of University City's most current billing statement  
14      is attached hereto as Exhibit PAE-1. In the City of University City, the majority of the  
15      street lighting falls under the 5M classification. In fact, of the \$850,000 budgeted for  
16      electricity for municipal operations (facilities, street signals, decorative street lighting and  
17      5M street lighting), approximately \$640,000 or 75% is for 5M street lighting. The  
18      predominance of 5M street lighting in the City's budget made it the subject of review for  
19      purposes of the EECBG.

1 In conducting its initial analysis of how cities are billed in bulk for 5M street lighting, it  
2 quickly became clear that the only method available to cities to reduce their energy use  
3 and save money (to create and/or retain jobs) was to decommission street lights  
4 altogether—to take them off the bill entirely. Currently under the franchise contract with  
5 AmerenUE, customers will be charged \$100 per light for each light removed from  
6 service. Facing dire budgetary constraints and left with no other means to reduce energy  
7 use and save money, the City of University has applied for the federal stimulus EECBG  
8 funds to fund the decommissioning of 20% of its 5M street lighting. Depending on the  
9 pole type, this will result in a reduction of over 600 street lights and savings of over  
10 \$100,000 per year. This is not the optimal choice for cities, but the only one available to  
11 them under the current rate and billing structure. Through our network of city managers,  
12 we learned that the City of Ballwin and the City of O'Fallon were also investigating the  
13 costs of their street lighting.

14 **Q. Did you contact AmerenUE about the City's concerns and plan?**

15 **A.** Yes. During the course of its analysis, the City of University City was in contact with  
16 AmerenUE. We asked for mapping information as to the location of each 5M light  
17 within its boundaries in order to make decisions about which lights would be  
18 decommissioned. City also inquired formally about AmerenUE's plans to retrofit their  
19 street lighting for energy efficiency. The company stated that it had no plans to retrofit  
20 any of its street lighting. For purposes of the EECBG, I sought to confirm our initial

1 analysis that retrofitting would not be cost effective. I inquired specifically about the  
2 exact portion of the 5M rates that were attributable to energy costs. It was AmerenUE's  
3 response that in effect thrust the City of University City and then other St. Louis County  
4 municipalities into questioning the underlying rate design for street lighting under the 5M  
5 classification.

6  
7 **Q. What was AmerenUE's response?**

8 A. AmerenUE told me that the City could determine energy component of the 5M rates by  
9 reference to the "Energy Only" costs outlined in the rates under the 6M classification.

10 **Q. What is the 6M classification?**

11 A. The 6M classification covers metered and unmetered street lighting that is owned by the  
12 customer, rather than AmerenUE. The street light fixture and pole types are identical to  
13 the 5M street lights. A 6M customer who is billed for unmetered lights has the option of  
14 paying for "energy only" or "energy and maintenance". They also do not pay pole rental.



**Q. How do the 5M and 6M rates compare?**

A. The comparison is astounding. The energy portion of the 5M rate is a small fraction of the overall rate. Below is the chart I produced to demonstrate the difference between the two rates. It was shared with the cities described above and formed the basis of the Municipal Group's intervention into the rate case.

Comparison of 5M rate and 6M Energy and Maintenance Rates					
Fixture Type	5M Rate	6M Energy Only Rate	Diff	6M Energy & Maintenance	Gap
20000 MV Open Btm	6.95	4.63	2.32	5.89	1.06
50000 HPS enclosed	22.12	5.41	16.71	6.98	15.14
9500 HPS open btm	7.6	1.35	6.25	2.78	4.82
9500 HPS post top	15.91	1.35	14.56	2.78	13.13
25500 HPS enclosed	12.41	3.45	8.96	4.84	7.57
6800 MV post top	15.91	2.32	13.59	3.62	12.29
6800 MV Enclosed	8.59	2.11	6.48	3.29	5.3
3300 MV post top	15.04	1.43	13.61	2.78	12.26
20000 MV enclosed	12.41	5.1	7.31	6.49	5.92
9500 HPS enclosed	8.59	1.35	7.24	2.78	5.81

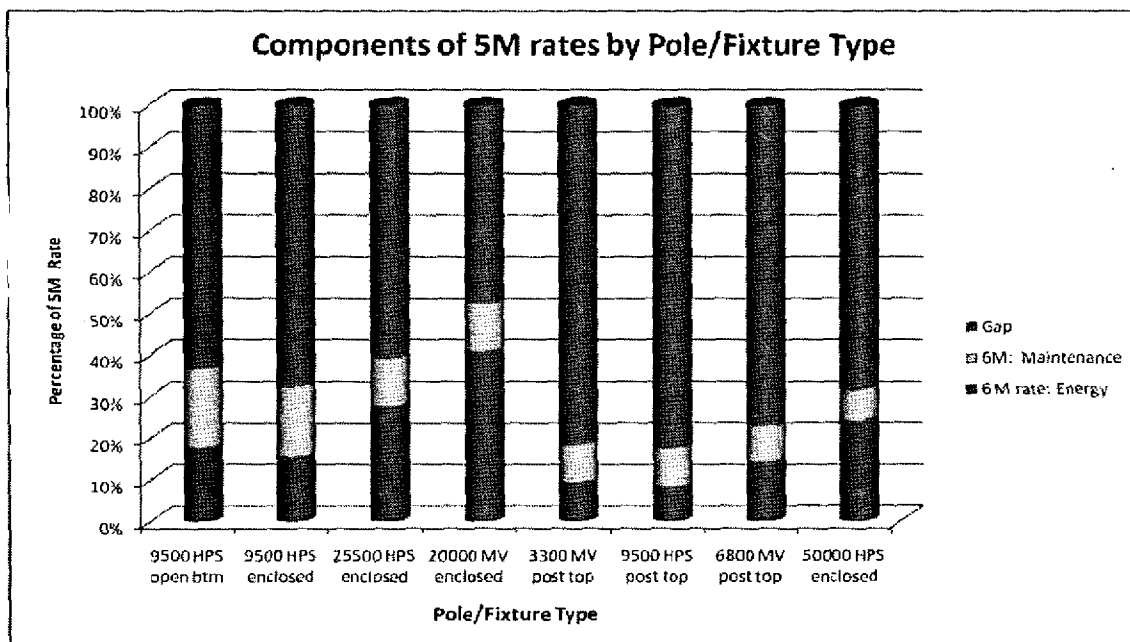
**Q. What percentage of the 5M rate is energy cost?**

A. The percentages vary from fixture/pole to fixture./pole. The following chart calculates the percentage of the 5M rate that relates to energy cost, using the 6M energy rate as the metric. Recall, 5M and 6M street lights are identical. We also assume that the "energy" rate covers "functionalization, classification (including customer related costs, demand related costs and energy related costs) and allocation since this is the only rate 6M customers pay for "energy".

Comparison of Energy portion of 5M rate to the Total 5M rate			
Fixture Type	5M Rate	6M Energy Only Rate	Energy % of 5M rate
20000 MV Open Btm	6.95	4.63	66.6%
50000 HPS enclosed	22.12	5.41	24.5%
9500 HPS open btm	7.6	1.35	17.8%
9500 HPS post top	15.91	1.35	8.5%
25500 HPS enclosed	12.41	3.45	27.8%
6800 MV post top	15.91	2.32	14.6%
6800 MV Enclosed	8.59	2.11	24.6%
3300 MV post top	15.04	1.43	9.5%
20000 MV enclosed	12.41	5.1	41.1%
9500 HPS enclosed	8.59	1.35	15.7%

**Q Does the Municipal Group contend that the maintenance charge on the 6M rate provides the same maintenance coverage as provided under the 5M classification?**

**A.** No. The Municipal Group understands that the 6M “maintenance” only covers repair to the eye, bulb replacement and cleaning. It does not cover repairs to the pole or to the underground or overhead wiring to the fixture/pole. However, the Municipal Group believes that the “gap”, that is the difference between the 6M energy and maintenance rates and the 5M overall rates, is excessive given the scope the gap is to cover under 5M. Below is a graph that demonstrates the magnitude of the “gap”.



1 Q. What is your understanding of the gap?

2 A. AmerenUE claims that the gap (the difference between the 6M rates for energy and  
 3 maintenance and the 5M rates) is the higher level of maintenance and includes the cost of  
 4 the poles/fixtures. Based on the current 5M rates gap in University City is \$25,383.98  
 5 monthly/ \$304,607.76 yearly or 47.4% of the bill. This does not include the \$14,375  
 6 monthly/\$172,505.40 yearly rental fees charged for wood and ornamental poles. I will  
 7 discuss pole rental more fully below.

8 Q. But you question this explanation?

9 A. Yes. There are a number of reasons the Municipal Group questions this explanation.  
 10 First, , the testimony of AmerenUE officials and discussions with AmerenUE officials  
 11 revealed that the utility has not performed a cost study on street lighting in many years.

1 The 5M rates in questions are simply a conglomeration of costs plus years of rate  
2 increases added on. AmerenUE has no basis in fact for the gap charges under the 5M  
3 classification.

4 Second, the City of University City requested maintenance data on all of its 5M street  
5 lighting and received a tally sheet. This tally sheet indicated a tally for each type of  
6 repair performed on 5M street lighting since 2004. A copy of the tally sheet is attached  
7 hereto as Exhibit PAE-2. A single call to a pole/fixture could result in multiple tallies for  
8 the various component parts that may have problems. The tally sheet therefore does not  
9 represent total calls. In looking at the tallies it is clear that the primary problem reported  
10 for the 5M street lights revolve around eye/bulb, presumably all covered by the 6M  
11 maintenance rate.

12 It must be remembered that the street lighting in University City is amongst the oldest  
13 and therefore likely to have more maintenance issues than newer lights in newer suburbs.  
14 Thus, looking at the experience in University City skews the data in favor of more  
15 maintenance costs, not less. Nevertheless, the maintenance of the 5M lights in University  
16 City is not significant and does not justify the gap.

17 Furthermore, the City reviewed its public works records to determine the number of times  
18 AmerenUE (or its subcontractors) obtained excavation permits under the assumption that

1 maintenance that includes repairs of underground cables is more expensive than other  
2 types of repairs. A copy of the excavation permit data is attached hereto as Exhibit PAE-  
3 3. The City's records revealed only a handful of excavations occurred by AmerenUE  
4 (or its subcontractors) since 2004. The costs of these repairs would hardly cause the  
5 magnitude of the gap.

6  
7 Finally, the "gap" cannot include the costs of street light because according to the tariff  
8 sheets 5M customers are already paying for the cost of the pole through ongoing rental  
9 fees for poles that were installed prior to 1988 and for poles/fixtures installed after 1988  
10 the 5M customers have to pay for the pole/fixture in advance of installation.

11 **Q. Do you contend that as a 5M customer you should not have to pay for the increased**  
12 **maintenance costs associated with your street lights under 5M?**

13 A. No. We expect to pay more than the 6M customer but firmly believe the "gap" is  
14 excessive for that increased maintenance. During such precarious financial times,  
15 continued charging cities for the "gap" that is undocumented is fundamentally unfair.  
16 University City, which relies heavily on sales taxes for its revenues, is experiencing great  
17 difficulty in maintaining a high level of quality service in this prolonged economic  
18 downturn. In fact, the City of University City is getting less in pooled sales tax than it  
19 did 10 years ago. As revenues go down and expenses for operations, such as electricity,  
20 goes up, municipal services are being negatively affected. To put this into perspective,

1 the amount of the gap and the ongoing cost of pole rental would fund over seven (7)  
2 police officers in the City of University City. It is significant. If the City were confident  
3 that the "gap" legitimately covered the cost of maintaining our street lights we would not  
4 have intervened. However, when a city is being charged \$15.91 for a street light that  
5 only cost \$1.35 for energy, serious questions are raised.

6 **Q. Why doesn't the City of University City simply purchase the street lights so that it**  
7 **can obtain the lower 6M rate?**

8 **A.** During the course of our analysis, we learned that other cities inquired with AmerenUE  
9 to purchase some or all of their street lights. AmerenUE's response to those cities varied  
10 wildly from \$300 a light to \$1000 a light. Cities like University City would have a very  
11 difficult time raising sufficient funds to purchase lights at those prices. At the upper end  
12 of the estimate, a city like University City would have to seek a voter approved bond  
13 issue to finance such a purchase. Because of other competing capital needs, such an  
14 option is not viable. Moreover, the City of University City does not have sufficient staff  
15 to maintain 3400 street lights located in its confines.

16 Furthermore, when the City of University City inquired with AmerenUE about the  
17 purchase price of street lighting, AmerenUE responded with the statement that it was  
18 under no obligation to sell the street lights to any particular customer.

1   **Q.   Did the Public Service Commission analyze the 5M rates in their Class Cost of**  
2       **Service Study?**

3   A.   Not really. In its Class Cost of Service and Rate Design Report, the PSC acknowledges  
4       that street lighting is a unique class. Treating street lighting in the same manner as other  
5       classes that have traditionally have peak demand during the day are not appropriate for  
6       street lighting because the class load is typically very low during peak demand (of other  
7       classes). Street lighting by definition is only used at night. They simply assigned "costs  
8       and revenue" to the other classes based on the ratio of each class to the total cost of  
9       service. Costs were not specifically defined despite the PSC's stated desire of rates in  
10      each class reflecting the investments and costs of providing electrical service to that class.  
11      Street lighting was singled out of the analysis of costs of service altogether.

12   **Q.   Did AmerenUE analyze the cost of service provided under the street lighting**  
13       **category (including 5M and 6M)?**

14   A.   No. In its proposed tariffs, AmerenUE purports to determine the level of revenues  
15       necessary to recover its operating and maintenance expenses, depreciation to its  
16       investment in utility plant, property taxes, income and other taxes, and provide a fair rate  
17       of return to the Company's investors. The AmerenUE class of cost study then allocates  
18       the jurisdictional costs to the various customer classes in a "cost based manner that fairly  
19       and equitably reflects the cost of the service being provided to each customer class".  
20       However, the rate design is not limited to cost of service. Other factors such as public

1 acceptance, rate stability and revenue stability are also taken into consideration. For  
2 purposes of the rate case, the following classes were analyzed Residential, Small General  
3 Service, Large General and Small Primary Service, Large Primary Service and Large  
4 Transmission Service. Street lighting was uniformly ignored.

5 **Q. Within the 5M classification does the Municipal Group have any other issues? If so,**  
6 **what are they?**

7 **A.** Yes. The Municipal Group, particularly those older cities, contest the ongoing pole rental  
8 charges that are also included in the 5M billing. It is our understanding that 5M  
9 customers pay pole rental charges for poles installed prior to 1988. Customers that have  
10 had poles installed after 1988 must pay for the fixture/poles upfront. This strongly  
11 suggests that the pole rental charges for pre-1988 was simply to cover AmerenUE's cost  
12 of those poles. Cities like University City have been paying for pole rental for more than  
13 20 years. The total monies paid over this lengthy period of time for pole rental should  
14 have long since paid for the cost of those poles that pre-date 1988. In University City,  
15 the City pays over \$172,000 per year for pole rental on some 1400 poles. It is  
16 fundamentally unfair and unreasonable to continue such fees given the length of time  
17 such fees have been imposed for AmerenUE to recover the cost of such poles. Such  
18 charges should be removed permanently immediately.



1    **Q.    What relief does the Municipal Group seek?**

2    **A.    The Municipal Group requests the following relief:**

- 3           1.    No rate increase for street lighting rates under 5M and 6M catagories in the  
4                   current case.
- 5           2.    AmerenUE will immediately commence a cost of service study for all rates under  
6                   5M and 6M, and upon completion AmerenUE will share the results, all work  
7                   papers and underlying data with accounting consultants for the Municipal Group,  
8                   the Staff of the Missouri Public Service Commission, and the Office of Public  
9                   Counsel. Prior to commencing such study AmerenUE will meet with the  
10                  Municipal Group's accounting consultants and those at the Missouri Public  
11                  Service Commission and Office of Public Counsel to agree on the parameters and  
12                  general guidelines for the study.
- 13          3.    The 10% discount currently offered on all street lighting bills to municipalities  
14                  will be increased to 20%.
- 15          4.    AmerenUE will permanently remove and cease pole rental charges to  
16                  municipalities for poles that pre-date 1988 under the 5M classification.
- 17          5.    AmerenUE will agree to negotiate in good faith with any 5M municipalities who  
18                  wishes to purchase or take ownership of any street light poles within its  
19                  jurisdictional boundaries, subject to final approval by the Missouri Public Serv ice  
20                  Commission.

1           6.     AmerenUE will develop a database to insure that street lighting customers are  
2                   informed of the location of poles within their boundaries, by pole, fixture and  
3                   type, and street lighting customers will only be charged for those facilities.

4     **Q.     Does this conclude your testimony?**

5     **A.     Yes.**