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Restoration Cost Trackers  
Witness: David N. Wakeman  
Sponsoring Party: Union Electric Company  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2012-0166**

**REBUTTAL TESTIMONY**

**OF**

**DAVID N. WAKEMAN**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY**

**d/b/a Ameren Missouri**

St. Louis, Missouri  
August, 2012

Ameren Exhibit No. 31  
Date 10-10-12 Reporter KF  
File No. ER-2012-0166

## TABLE OF CONTENTS

I. INTRODUCTION.....	1
II. VEGETATION MANAGEMENT/INFRASTRUCTURE .....	2
INSPECTION TRACKERS.....	2
III. STORM RESTORATION COST TRACKER.....	3



1                   II.     VEGETATION MANAGEMENT/INFRASTRUCTURE  
2                                   INSPECTION TRACKERS  
3

4           Q.     Mr. Meyer recommends that the Commission discontinue the Vegetation  
5 Management and Infrastructure Inspection trackers, arguing that the trackers have  
6 been in place long enough. Do you agree?

7           A.     I do not. Mr. Meyer has taken this position in previous rate cases and the  
8 Commission has rejected his recommendation. These trackers are important to both  
9 customers and the Company because of the still unknown aspects of the vegetation  
10 management and infrastructure inspection rules. As of this date, Ameren Missouri still has  
11 not completed even the first cycle of tree-trimming for its rural circuits as required by  
12 December 2013 per the Commission rules, and it has not completed one cycle of certain  
13 inspections required by the rule. For that reason alone, it is appropriate to continue both  
14 trackers. However, that statement should not be interpreted to mean that the Company  
15 believes the trackers should be discontinued once it has finished its first complete vegetation  
16 management and infrastructure inspection cycle. To the contrary, these trackers are the type  
17 that should be continued even after that point in time. The Commission has issued a  
18 regulation which requires the Company to perform vegetation management and infrastructure  
19 inspections within certain time intervals. This is not discretionary spending as the Company  
20 has no choice but to follow these rules, continue the programs, and continue to incur the cost.

21           Contrary to Mr. Meyer's assumption, this mandatory business activity is not a fixed  
22 cost item. The cost of trimming has varied and will continue to vary based on a number of  
23 factors. For example, the fluctuation of required distribution line miles and their  
24 classification on an annual basis; evolving federal requirements for transmission facilities;  
25 vegetation growth rates experienced annually; tree mortality based on environmental factors,

1 disease and insects; as well as changes in labor, equipment and fuel costs. So, the trackers  
2 address variations in cost (which the Company cannot avoid) as related to this mandatory  
3 activity. But, just as importantly, these trackers address those variations for our customers  
4 too. Should these variations yield a less costly implementation of the mandatory vegetation  
5 management or infrastructure inspection program in a given year as compared to the amount  
6 that is in base rates, these trackers ensure that difference is tracked so that the Commission  
7 has the ability to return that difference to customers in a future rate case. The trackers  
8 mitigate the risk of implementation of a mandatory program for both customers and the  
9 Company and do not appear to have any significant downside for either the Company or its  
10 customers. These trackers are appropriate for both customers and the Company and should  
11 be continued.

12 **III. STORM RESTORATION COST TRACKER**

13 **Q. In your direct testimony, you explained how the Company reacts to**  
14 **major storms and how it ensures customers' electric service is restored as quickly as**  
15 **possible after a major storm. Mr. Meyer's direct testimony indicated that he is**  
16 **philosophically opposed to implementing a storm response cost tracker to reflect these**  
17 **costs. How do you respond?**

18 **A.** I would encourage Mr. Meyer to think differently about these costs. Ameren  
19 Missouri cannot decide to not respond to a major storm. There are many costs which  
20 Ameren Missouri can decide whether or not to incur. While the Company always seeks to  
21 perform storm recovery in a cost effective manner, the extent of storm damage and the level  
22 of response required are not controllable. Customers (and we believe the Commission as

1 well) expect storm restoration to occur quickly and safely. Ameren Missouri shares that  
2 expectation.

3 Over the years, Ameren Missouri has excelled at responding to the needs of its  
4 customers when storms have impacted our system. In a number of instances, Commissioners  
5 have commented on both the importance of this activity and how the quality effort that  
6 Ameren Missouri continues to put forth benefits its customers.

7 In requesting a storm restoration cost tracker, the Company is asking for a mechanism  
8 that will, as discussed above with regard to the vegetation management and infrastructure  
9 inspection trackers, address the uncontrollable and variable costs for both the Company and  
10 its customers. In some years, the Company spends an amount below the level assumed when  
11 rates were set. In other years, the Company spends an amount above the level assumed when  
12 rates were set. The Company is willing to give back those amounts not spent on storm  
13 restoration in years where that occurs if, correspondingly, it is allowed to track and have the  
14 opportunity to collect expenditures above the revenue requirement level in the years where  
15 that occurs.

16 **Q. Hasn't the Commission included an adequate amount for storm**  
17 **restoration in previous Ameren Missouri rate cases?**

18 **A.** The Commission has certainly attempted to include a fair amount for these  
19 expenditures. The problem is that storm costs cannot be predicted exactly. Implementing a  
20 tracker for these costs eliminates the uncertainty about this issue. In each of the last few rate  
21 cases, a number of parties have presented testimony about how storm costs in past base rates  
22 were spent and about the amount in base rates going forward. Although the amount of storm  
23 restoration costs used to set base rates going forward is an important number for both

1 customers and the Company, the absence of a tracker puts additional focus on this number.  
2 Predicting the cost of future storm restoration activity is impossible. Using historical  
3 numbers can provide some insight, however historical averages cannot accurately predict  
4 what it will cost to perform this work in any particular future year. Each storm is unique.  
5 The number of storms in each year varies just as the cost to recover our operations and  
6 restore service to all customers varies significantly. One way to give assurance to Ameren  
7 Missouri that it will ultimately have the opportunity to reflect in rates the funds that it makes  
8 available to continue to provide a very high level of storm restoration activities is to adopt a  
9 two-way storm restoration cost tracker. Just as importantly, such a tracker provides a  
10 mechanism where customers will ultimately pay rates reflecting only actual storm restoration  
11 costs when storm activity is less prevalent.

12 **Q. Messrs. Meyer and Cassidy both recommend the Commission credit as**  
13 **revenue an amount from storm assistance payments paid to the Company by other**  
14 **utilities. Do you agree with this recommendation?**

15 **A.** This issue is yet another reason why the Commission should adopt a storm  
16 restoration cost tracker. As I explained in my direct testimony, Ameren Missouri calls in  
17 assistance from other utilities to help speed up the restoration of service after some major  
18 storms. This is the mutual assistance arrangement I discussed in my direct testimony. The flip  
19 side of that arrangement is that there are times when the Company is requested to send  
20 personnel to the territories of other utilities to assist them in their storm restoration efforts.  
21 When this occurs, the Company receives payments from those utilities to cover the costs of  
22 those employees. This mutual assistance arrangement that we have with other investor-  
23 owned utilities, through the Edison Electric Institute, is beneficial to our customers. It

1 provides us a mechanism to quickly summon help from other utilities with a known cost  
2 structure, and allows us to restore service to our customers faster than we could do otherwise.  
3 The Commission should support these mutual assistance arrangements.

4 Mr. Meyer is correct in stating that Ameren Missouri has received revenue from  
5 sending out personnel under this mutual aid arrangement eleven times since July of 2005.  
6 However, there is great variation in the number of times this has happened each year. For  
7 example, there were no instances where personnel were sent to aid other utilities in 2007,  
8 2009 or 2010. In contrast, 2005 and 2011 were unusually active, with three instances in 2005  
9 and four instances in 2011, which means that more than half of the eleven instances of  
10 providing aid to other utilities that Mr. Meyer referred to occurred in just two years.  
11 Although one possible solution is to include some type of average in the calculation of the  
12 revenue requirement, it is clear that the Company will face a very real risk of not actually  
13 earning that revenue in any particular year. For that reason, I do not support the inclusion of  
14 these revenues as Mr. Meyer has suggested.

15 Instead of including in the Company's revenue requirement some amount of storm  
16 assistance revenue which the Commission cannot know will be received, the better solution  
17 is to account for these revenues through the storm cost tracker. They would act as an offset  
18 to the restoration costs incurred by the Company from storms in its own territory, but will not  
19 place the Company in a situation where is it faced with the possibility of not being able to  
20 "earn" some presumed level of revenues.

21 **Q. Does this conclude your rebuttal testimony?**

22 **A. Yes, it does.**



