

Exhibit No.: 148
Issue(s): Class Cost of Service Study
Witness: William M. Warwick
Sponsoring Party: Union Electric Company
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2010-0036
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Service Commission

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

SURREBUTTAL TESTIMONY

OF

WILLIAM M. WARWICK

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a AmerenUE

**St. Louis, Missouri
March 2010**

Companer
Exhibit No. 148
Date 3-25-10 Reporter PK
File No. ER-2010-0036

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **WILLIAM M. WARWICK**

4
5 **CASE NO. ER-2010-0036**

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

7 A. My name is William M. Warwick. My business address is One Ameren Plaza,
8 1901 Chouteau Avenue, St. Louis, Missouri 63103.

9 **Q. By whom and in what capacity are you employed?**

10 A. I am employed by Union Electric Company d/b/a AmerenUE ("AmerenUE" or
11 "Company") as Managing Supervisor of Rate Engineering and Analysis.

12 **Q. Are you the same William M. Warwick who filed direct and rebuttal**
13 **testimony in this case?**

14 A. Yes, I am.

15 **Q. What is the purpose of your surrebuttal testimony?**

16 A. The purpose of my surrebuttal testimony is to address certain issues related to
17 class cost of service studies ("CCOSS") presented in the rebuttal testimonies of the Missouri
18 Public Service Commission Staff ("Staff") and the Missouri Industrial Energy Consumers
19 ("MIEC"). My failure to address a particular witness' position or argument should not be
20 construed as endorsement of same.

21 **Q. What is the issue concerning Staff's CCOSS rebuttal testimony?**

22 A. Schedules MSS-R-1.1 and Schedule MSS-R-1.2 inaccurately depict AmerenUE's
23 revenue neutral CCOSS results.

1 **Q. What is typically meant by “revenue neutral” revenue requirement?**

2 A. Generally speaking, a “revenue neutral” revenue requirement reflects the shifts in
3 class revenues needed to result in equalized class rates of return before any rate increase is
4 added.

5 **Q. What are the correct revenue neutral class revenue shifts for AmerenUE’s**
6 **CCOSS?**

7 A. The results are as follows

RES	SGS	LGS/SPS	LPS	LTS
7.99%	-7.01%	-9.74%	1.21%	1.63%

8

9 **Q. Please explain the CCOSS issues concerning MIEC’s rebuttal testimony.**

10 A. The issues I have with MIEC’s rebuttal testimony concern the classification of
11 non-fuel production O&M expense, the allocation of transmission cost, and the allocation of off-
12 system sales revenues. These issues are also addressed in my rebuttal testimony.

13 **Q. MIEC believes that AmerenUE and Staff have understated the amount of**
14 **non-fuel production O&M expense classified as fixed, and overstated the amount classified**
15 **as variable (Brubaker Rebuttal Page 17, lines 5-8). Do you agree?**

16 A. No, for the same reasons stated in my rebuttal testimony. The Company and Staff
17 have properly classified non-fuel production O&M expense consistent with the jurisdictional
18 classification of these costs in the Company’s rate case immediately preceding this case.

1 **Q. On page 26, lines 10-11 of his rebuttal testimony MIEC witness Maurice**
2 **Brubaker states that the Average & Excess method should be used to allocate transmission**
3 **system costs. Do you agree?**

4 A. No, for the same reasons I stated in my rebuttal testimony. As correctly pointed
5 out on page 26, lines 9-10 of Mr. Brubaker's rebuttal testimony, the transmission system must be
6 built to meet the peak demands imposed on it. Considering such, it would be more reasonable to
7 allocate transmission system costs using a peak demand method rather than a method which
8 incorporates peak demands and average demands as is the case with the Average & Excess
9 method.

10 **Q. MIEC believes that allocating the net margins from off-system sales on the**
11 **basis of a demand allocation factor to be inferior to an energy-based allocation (page 26,**
12 **lines 16-18 of Mr. Brubaker's rebuttal testimony). Do you agree?**

13 A. No, as I stated in my rebuttal testimony, revenues from off-system sales are
14 generated from fixed production assets and consistent with the "expense follows cost" theory,
15 "revenues following costs" would dictate that the allocation of revenues associated with these
16 fixed production assets should be consistent with the allocation of the assets (i.e. A&E 4_NCP).

17 **Q. Does this conclude your surrebuttal testimony?**

18 A. Yes, it does

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company d/b/a) Case No. ER-2010-0036
AmerenUE's Tariffs to Increase its Annual) Tracking No. YE-2010-0054
Revenues for Electric Service.) Tracking No. YE-2010-0055

AFFIDAVIT OF WILLIAM M. WARWICK

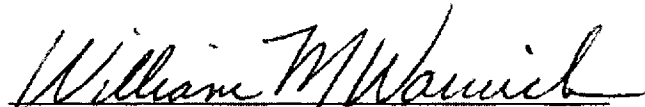
STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

William M. Warwick, being first duly sworn on his oath, states:

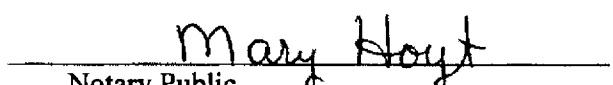
1. My name is William M. Warwick. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a AmerenUE as Managing Supervisor of Rate Engineering.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 3 pages and Schedules WMW-SR 1st through WMW-SR 1st, 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.


William M. Warwick

Subscribed and sworn to before me this 5th day of March, 2010.


Notary Public

My commission expires: 4-1-2010

