

FILED³

APR 20 2007

Missouri Public
Service Commission

Exhibit No.:

Issues: 2006 Storm Costs; Tree Trimming
Expense Levels and Merger/Y2K
Amortization Costs

Witness: Greg R. Meyer

Sponsoring Party: MoPSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No.: ER-2007-0002

Date Testimony Prepared: February 27, 2007

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

GREG R. MEYER

UNION ELECTRIC COMPANY

d/b/a AMERENUE

CASE NO. ER-2007-0002

Staff 226 NP Exhibit No. 226 NP
Case No(s) ER-2007-0002
Date 3-26-07 Rptr XF

Jefferson City, Missouri
February 2007

NP

Denotes Highly Confidential Information



BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File Tariffs)
Increasing Rates for Electric Service)
Provided to Customers in the Company's)
Missouri Service Area.

Case No. ER-2007-0002

AFFIDAVIT OF GREG R. MEYER

STATE OF MISSOURI)

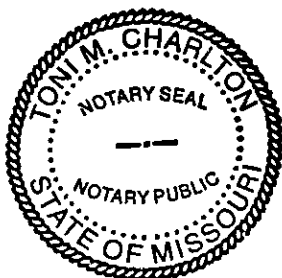
) ss.

COUNTY OF COLE)

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

Greg R Meyer
Greg R. Meyer

Subscribed and sworn to before me this 29th day of February, 2007



Toni M Charlton

TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

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OF
GREG R. MEYER
UNION ELECTRIC COMPANY
D/B/A AMERENUE
CASE No. ER-2007-0002

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TREE TRIMMING EXPENSE LEVELS AND MERGER/ Y2K AMORTIZATION
COSTS 4

1 **2006 STORM COSTS**

2 Q. Please describe the events which you refer to as the 2006 storms.

3 A. On July 19 and 21, 2006, the AmerenUE service territory was struck with
4 numerous storms which caused severe damage to St. Louis and the surrounding areas.
5 Thousands of residents were without electric power for several days. On November 30 and
6 December 1, 2006, the AmerenUE service territory was affected by severe ice storms. These
7 storms caused severe damage to many areas of St. Louis. Again thousands of residents were
8 without electricity for extended periods of time.

9 Q. What was the cost of restoration from these storms?

10 A. The Company has provided testimony which estimates the costs of the storms
11 in the second half of 2006 to total ** ____ ** million. Of this total approximately, ** ____ **
12 million relates to capital expenditures and ** ____ ** million relates to O&M expenses.

13 Q. What does Company witness Warner Baxter propose in regards to the 2006
14 storm costs?

15 A. The Company has proposed that the ** ____ ** million of O&M expenses be
16 recovered by offsetting those expenses against the level of gains on the sale of SO₂ emission
17 allowances that the Company realized during the same time period (July – December 2006).

18 Q. Does the Staff agree with this position?

19 A. Yes to some degree. John Cassidy of the Staff has proposed that the gains on
20 the sale of SO₂ emission allowances realized by the Company from the beginning of the test
21 year (July 1, 2005) through December 31, 2006 be accumulated and netted against the SO₂
22 premiums (net of discounts) the Company paid for coal deliveries during that same time
23 period. SO₂ premiums are adders to the cost of fuel when the SO₂ content of the coal is less
24 than the contracted for price. Both the SO₂ premiums (net of discounts) and the sales of SO₂

1 emission allowances are considered areas of the Company's operations which are volatile
2 and can be manipulated during any timeframe. Manipulation of these areas can occur by the
3 Company deciding when it is most advantageous to sell SO₂ emission allowances and also by
4 the Company requesting that shipments of coal contain higher levels of SO₂ and the
5 Company receiving discounted prices below contract prices of coal. By combining these two
6 events the Staff believes that it would be appropriate that these items be netted against each
7 other and any remaining balance addressed in a future rate case. Please refer to the testimony
8 of John Cassidy for a detailed description of this subject area. Once the SO₂ sales premiums
9 (net of discounts) are deducted from the gains on the sale of emission allowances for the
10 period July 2005 through December 2006, there remains an excess balance of gains on
11 emission allowance sales of approximately ** ____ ** million.

12 Q. What is the Staff's proposal regarding this ** ____ ** million amount?

13 A. The Staff proposes that the ** ____ ** million be used to offset the
14 ** ____ **million O&M expenses from the 2006 storms.

15 Q. What does the Staff propose for the remaining ** ____ ** million?

16 A. The Staff proposes that the remaining ** ____ ** million be amortized over
17 five years. The five year amortization period is consistent with the Staff's historical
18 treatment of events similar in nature to the 2006 storms.

19 Q. Could these 2006 storm costs be considered in any manner in any future
20 ratemaking proceeding?

21 A. No. If this position of the Staff is accepted by the Company and the other
22 parties, it should be agreed that these 2006 storm costs not be considered in any manner in

1 any future ratemaking proceeding. These storm cost levels could not be used in a multi-year
2 averaging technique nor be used to project a future level of storm expense.

3 Q. How is the additional ** __ ** million of capital costs from the storms
4 treated by the Staff?

5 A. Those expenses will be included in the Staff's rate base calculation for
6 purposes of its true-up audit.

7 **TREE TRIMMING EXPENSE LEVELS AND MERGER/ Y2K AMORTIZATION**
8 **COSTS**

9 Q. Has the Staff changed its proposal regarding the level of tree trimming
10 expense and the expiration of the merger and Y2K cost amortizations?

11 A. Yes, the Staff and the Company have agreed to reflect the full annual amount
12 of \$45 million for vegetation management, and have agreed to reflect the State of Missouri's
13 position regarding the unamortized balances of the merger costs and Y2K costs. The Staff
14 will reflect this new position in its next cost of service calculation in this proceeding.

15 Q. Do you anything further to discuss regarding this matter?

16 A. Yes. As with many of the settlements entered into between the Staff and other
17 utilities, the Staff asserts that this new position does not establish any precedent for future
18 ratemaking decisions regarding this matter. The Company presented rebuttal testimony
19 which described certain ratemaking principles as they related to this issue. The Staff wants
20 to make clear that the resolution of this issue does not in any way provide any acquiescence
21 by the Staff to those arguments presented by the Company.

22 Q. Are there any requirements for monitoring this new vegetation management
23 program?

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Greg R. Meyer

1 A. Yes. Different parties have filed suggestions to track this new program. The
2 Staff suggests that the interested parties meet and agree to the tracking terms for this new
3 program and submit those procedures to the Commission for its approval.

4 Q. Does this conclude your surrebuttal testimony?

5 A. Yes it does.