

Exhibit No.: 632
Issue(s): Storm Restoration Cost
Tracker and LED Street
Lighting
Witness: David N. Wakeman
Sponsoring Party: Union Electric Company
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2012-0166

SURREBUTTAL TESTIMONY

OF

DAVID N. WAKEMAN

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

St. Louis, Missouri
September, 2012

Ameren Exhibit No. 32
Date 10-10-12 Reporter KF
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1 **mechanism that is "seeking extraordinary treatment for all storm costs, including those**
2 **costs that are associated with normal storm events."**¹ **Is this an accurate description of**
3 **the Company's request?**

4 A. It is not. First, the Company is not seeking this tracker for all storms. Instead,
5 my direct testimony sets forth very specific criteria that it will apply to identify a storm as
6 extraordinary (also called a major storm). As also explained in my direct testimony, only the
7 costs of those major storms would be accounted for using the tracker. To repeat, the
8 Company proposes using IEEE Standard 1366 to identify major events and to classify only
9 weather events that meet these criteria as major storms. The Company also proposes adding
10 one additional category not captured by IEEE Standard 1366; that is, for the costs of
11 preparation for an anticipated major storm that does not materialize if the non-internal labor
12 operations and maintenance ("O&M") cost exceeds \$1.5 million. In my direct testimony, I
13 compared the results of using that standard to identify major storms to the storms the
14 Company (and Staff) have determined were major storms, starting in January of 2007. The
15 results were consistent. No party in this case took issue with this mechanism for identifying
16 major storms.

17 Q. **Mr. Boateng offers several reasons to justify Staff's opposition to Ameren**
18 **Missouri's request for a Storm Restoration Cost Tracker. His first reason is that the**
19 **costs are already addressed through the use of Accounting Authority Orders ("AAO")**
20 **or amortizations. Do you agree?**

21 A. I will leave it to Ameren Missouri witness Lynn M. Barnes to address
22 whether or not the Company has actually recovered the past expenditures it has made on
23 storm restoration efforts, but Mr. Boateng's argument lends support for the Company's

¹ Boateng Rebuttal, p. 8, l. 13-18.

1 request for a tracker rather than providing a reason to deny it. The Company's current
2 revenue requirement contains four separate amortizations/AAOs related to recovery of storm
3 restoration costs. The fact that we are repeatedly using these kinds of deferred accounting
4 mechanisms – which is what a storm tracker is – demonstrates that it makes much more sense
5 to implement a *two-way* tracker rather than relying on piecemeal mechanisms. Since the
6 Commission has regularly allowed the Company to capture storm restoration costs in an
7 AAO or to amortize them in a rate case, there doesn't seem to be a good reason to oppose the
8 establishment of a two-way tracker for these same types of costs.

9 **Q. Doesn't the Commission have a better opportunity to review the**
10 **prudence of the Company's expenditures under the current regulatory process?**

11 **A.** Absolutely not, because the review process doesn't change under the
12 Company's proposal. A tracker does not change rates outside of a rate case. Instead, it
13 simply allows deferral of the under-recoveries or over-recoveries so that they can be
14 considered for recovery or refund to customers in the Company's next rate case. But there is
15 still every opportunity for Staff and others to review the prudence of those expenditures.
16 That review will not change. The Commission would rule on any issues of prudence related
17 to storm restoration costs in a rate case, just as they do on other prudence issues. One last
18 point: the Company strives to do an excellent job of restoring service to our customers and,
19 to my knowledge, neither Staff nor any other party has ever challenged the prudence of any
20 expenditures for restoring service after a severe storm.

21 **Q. Mr. Boateng classified the Company's request as asking for an**
22 **extraordinary method of cost recovery. How do you respond?**

1 A. I am not sure what it means to say something is an extraordinary method of
2 cost recovery, but I have heard that phrase used to describe a storm and the costs incurred to
3 restore electric service to our customers after a major storm when the Company seeks
4 recovery of these costs in an AAO or through an amortization. That said, even if a tracker is
5 an extraordinary cost recovery method, we are seeking it to deal with an extraordinary types
6 of costs. Again, this is a reason to approve the Company's request, not a reason to reject it.

7 **Q. Mr. Boateng cited a previous Commission case to argue that customers**
8 **shouldn't solely bear the cost of Acts of God. Aren't storms Acts of God?**

9 A. Yes they are, but the quote cited from the previous case isn't consistent with
10 how Staff or the Commission traditionally deals with major storm costs. I don't know the
11 circumstances or facts surrounding the issue in the case cited by Mr. Boateng, but I do know
12 that both Staff and the Commission have traditionally agreed that prudent storm restoration
13 costs are appropriately paid by customers. It has been considered to be a part of the cost to
14 serve customers and it is a cost over which the Company has little control.

15 **Q. Please explain how the Company has little control over these**
16 **expenditures.**

17 A. In most circumstances there are ways that the Company can control the costs
18 it incurs to provide service to its customers. For example, the Company can minimize or
19 eliminate overtime on certain projects, the Company can competitively source equipment,
20 material and supplies, it can complete a project using only internal personnel, or the
21 Company can schedule work in-between work being done on other projects. None of these
22 options is available when restoring service after a major storm. Ameren Missouri believes its

1 customers and this Commission expect the Company to restore electric service to its
2 customers after a major storm and to do so as safely and quickly as possible.

3 When our distribution system experiences a large amount of damage from a major
4 storm, the Company could decide not to call in outside personnel under the Mutual Aid
5 Arrangement it has with other utilities, and this would save costs. But the Company does not
6 make that decision. Instead, the Company calls for mutual assistance when it is needed to
7 restore service, even though there is clearly an added cost in doing so. The Company also
8 could instruct its own personnel not to work any overtime during restoration efforts. But the
9 Company does not make that decision either. Instead, the Company requests its personnel to
10 work overtime in order to restore service as quickly as possible, despite the fact that there is
11 an increased cost in doing so. In addition, the Company could fit restoration work into its
12 normal, day-to-day work schedule. But, again, the Company does not make that decision.
13 Instead, the Company re-assigns personnel away from their day-to-day activities in order to
14 focus on restoring service in as timely a manner as possible. The fact is that it is prudent for
15 the Company to spend this money so that it can restore service as safely and quickly as
16 possible. But achieving that objective means there are fewer opportunities to control costs
17 associated with restoring service after a major storm.

18 **Q. Mr. Boateng points out that the trackers approved for Ameren Missouri,**
19 **one for pension and OPEB costs and one for vegetation management and infrastructure**
20 **inspection costs, were approved because they are required expenditures. Don't you**
21 **agree that this is a distinction the Commission should use in determining when to grant**
22 **an expense tracker?**

1 A. Not at all. It is true that the Commission does not have a regulation that says
2 we must restore service after major storms within some specified time period. However, just
3 as we are required to trim vegetation in accordance with the schedule set forth in the
4 Commission's regulations, the Company believes Commission and customer expectations
5 require Ameren Missouri to restore service after major storms in as timely a manner as
6 possible. This gets back to the explanation I provided earlier. This is a cost which we cannot
7 control nor predict – either in magnitude or in timing. Accordingly, it is exactly the type of
8 expense that the Commission cannot predict for ratemaking purposes and for which a two-
9 way tracker makes sense.

10 **Q. Mr. Boateng points out that the occurrence of an extraordinary storm**
11 **which causes significant operating and maintenance costs for the Company's system is**
12 **not an annual occurrence. Does Ameren Missouri experience major storms on an**
13 **annual basis?**

14 A. Not necessarily. Sometimes we have multiple major storms in a year and
15 sometimes we have none, which is exactly the reason why a tracker is appropriate. At the
16 risk of repeating myself, this argument is a reason to approve the request for a tracker rather
17 than an argument against it. For the 12 months after new rates took effect in the Company's
18 last rate case, the Commission included some amount in the Company's revenue requirement
19 for major storm restoration. The Company did not spend that amount. In any year, the
20 Company might spend more than it did the year before or it might spend less. Since the
21 occurrence and severity of storms cannot be predicted, Staff recommends using a multi-year
22 average level of expenditures, coming up with almost the same amount to include in the
23 Company's revenue requirement as the Company is recommending. The Company,

1 however, proposes to use that amount as the base for its requested tracker. Given the
2 magnitude of these expenditure levels and the fact that actual expenditures will not be at that
3 average amount, it makes more sense to track these expenditures against the amount included
4 in the Company's revenue requirement. If the Company spends less, the sum can be
5 refunded to customers through an amortization in a future rate case (which is not an option in
6 the way Staff proposes to treat extraordinary storm costs). If the Company spends more, the
7 sum can be recovered from customers through an amortization in a future rate case. This
8 request is fair to both sides and should be approved by the Commission.

9 **Q. Finally, Mr. Boateng argues that trackers should be used sparingly**
10 **because they limit the utility's incentive to prudently manage costs. Do you agree?**

11 A. Not for this tracker request. First, I cannot remember any allegation that
12 Ameren Missouri has been imprudent in incurring the costs of storm restoration. In fact, I
13 have heard just the opposite. After the wind and ice storms of 2006 and 2007, the Company
14 was told that it should restore service to customers faster. We heard this from our customers
15 at public hearings and in the comments made by the Commission in the vegetation
16 management rulemaking. We listened to that concern and responded by improving our storm
17 response effort which, correspondingly, increased the cost of those efforts. To rely upon
18 some vague and unproven assumption that our spending could suddenly become imprudent
19 and use that assumption as a reason to reject the Company's request for a tracker ignores the
20 fact that the Commission is not without resort if we did spend imprudently. The Commission
21 would disallow those imprudent costs in the subsequent rate case, and those costs would not
22 be amortized and charged to customers. Just as importantly, if the Company ever does incur
23 imprudent storm restoration expenditures, the Commission would have the option of taking

1 away the tracker. Consequently, the Company will continue to have strong incentives to
2 control its costs even if a storm cost tracker is approved.

3 **III. LED STREET LIGHTING**

4 **Q. Mr. Kang filed a short piece of rebuttal testimony addressing LED Street**
5 **Lighting. Do you have a response?**

6 A. At this time, Staff has not made any proposal with regard to LED Street
7 Lighting. Mr. Kang's rebuttal testimony correctly indicated that the Company provided a
8 short *Report to Staff* on July 1, 2012. The *Report to Staff* informed Staff that the final EPRI
9 report on the pilot program in Ballwin, Missouri, has not yet been issued. It also indicated
10 that the Company continues to work through its determination of whether offering LED
11 Street Lights can be cost-effective for both the Company and its customers. Additionally,
12 presuming it is determined to be cost-effective, the Company must still address all of the
13 operational issues necessary to offer a new type of street lighting. Ameren Missouri has not
14 yet completed this work and is not ready to offer a new tariff. We will continue to update
15 Staff on our progress.

16 Finally, I would note that Mr. Kang's rebuttal testimony indicated that Staff would
17 make recommendations in surrebuttal testimony on this matter. If Staff proposes something
18 in surrebuttal testimony, when Ameren Missouri would not otherwise have a chance to
19 respond, the Company will seek to file responsive testimony as necessary.

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

21 A. Yes, it does.

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

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to)
Increase Its Revenues for Electric Service.) Case No. ER-2012-0166

AFFIDAVIT OF DAVID N. WAKEMAN

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

David N. Wakeman, being first duly sworn on his oath, states:

1. My name is David N. Wakeman. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Vice President Energy Delivery.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Ameren Missouri consisting of 8 pages, Schedule(s) N/A, 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.

David N. Wakeman
David N. Wakeman

Subscribed and sworn to before me this 7th day of September, 2012.

Julie Donohue
Notary Public

My commission expires:

