

BY HAND DELIVERY

December 15, 2006

Cully Dale
Missouri Public Service Commission
200 Madison Street
Jefferson City, MO 65101

RE: Case No. ER-2007-0002

Dear Judge Dale:

Attached for filing on behalf of the Missouri Industrial Energy Consumers in the above-referenced case are an original and eight (8) copies each of the Direct Testimony and Schedules of Maurice Brubaker, the Direct Testimony and Schedules of Jim Selecky, the Direct Testimony and Schedules of Mike Gorman and both the Highly Confidential (HC) and Non-Proprietary (NP) versions of the Direct Testimony and Schedules of Jim Dauphinais.

Thank you for your assistance in bringing this filing to the attention of the Commission.

Very truly yours,

Diana Vuylsteke

Diana M. Vuylsteke

DMV:ln

attachment

FILED²

DEC 15 2006

Missouri Public
Service Commission

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Exhibit No.:
Witness: Maurice Brubaker
Type of Exhibit: Direct Testimony
Issues: Revenue Requirements
Summary, Rate Levels and
Off-System Sales
Missouri Industrial Energy
Consumers
Sponsoring Party: ER-2007-0002
Case No.:

**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

Direct Testimony and Schedules of

Maurice Brubaker
on
Revenue Requirement Issues

FILED²

DEC 15 2006

Missouri Public
Service Commission

On behalf of

Missouri Industrial Energy Consumers



BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

Project 8632
December 15, 2006

**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

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

Affidavit of Maurice Brubaker

Maurice Brubaker, being first duly sworn, on his oath states:

1. My name is Maurice Brubaker. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.

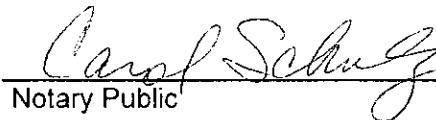
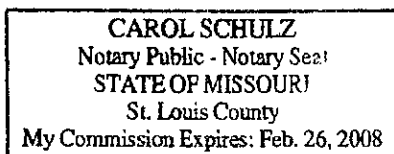
2. Attached hereto and made a part hereof for all purposes is my direct testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2007-0002.

3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things they purport to show.



Maurice Brubaker

Subscribed and sworn to before this 14th day of December 2006.


Notary Public

My Commission Expires February 26, 2008.

**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

Direct Testimony of Maurice Brubaker

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,
3 St. Louis, Missouri 63141-2000.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation and president of Brubaker &
6 Associates, Inc., energy, economic and regulatory consultants.

7 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A This information is included in Appendix A to my testimony.

9 **Introduction**

10 **Q ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY?**

11 A This testimony is presented on behalf of the Missouri Industrial Energy Consumers
12 (MIEC). Member companies purchase substantial quantities of electricity from
13 AmerenUE, principally under the Large Primary Service (LPS) Rate Schedule,
14 Rate 11.

**Maurice Brubaker
Page 1**

1 These companies purchase nearly two billion kilowatthours (kWh) of electricity
2 per year from AmerenUE. Their purchases under Rate 11 constitute approximately
3 45% of total Rate 11 sales.

4 **Q WHAT IS THE IMPACT ON THESE COMPANIES OF THE RATE INCREASE THAT**
5 **AMERENUE HAS PROPOSED?**

6 A It is major. AmerenUE has proposed a rate increase and revenue allocation that
7 would increase the rates for electricity paid by these customers by more than 40%.
8 This increase is more than twice the overall average increase of 18% that AmerenUE
9 has requested. Issues with respect to the relative percentage increase for these
10 large customers will be addressed in the testimony to be filed on December 29, 2006.

11 **Q DO YOU BELIEVE THAT AMERENUE HAS JUSTIFIED AN OVERALL INCREASE**
12 **OF \$360 MILLION, OR 18%?**

13 A No. I believe that the evidence shows AmerenUE's claimed revenue requirement and
14 revenue increase to be significantly overstated. We have analyzed in detail several,
15 but not all, of the significant revenue requirement issues, and found that in these
16 areas alone, AmerenUE has overstated its revenue requirement by at least \$260
17 million. Thus, even before considering the impact of additional adjustments that other
18 parties may be pursuing and presenting in their evidence, AmerenUE's claimed
19 revenue increase should be reduced by more than 70% of its requested amount.

1 **Q PLEASE NAME THE WITNESSES PRESENTING TESTIMONY ON BEHALF OF**
2 **MIEC AND BRIEFLY DESCRIBE THE SUBJECT AREAS THAT EACH WILL**
3 **ADDRESS.**

4 **A My testimony will serve to present an overall summary of our positions on the**
5 **revenue requirement issues we are addressing. I will also address some of the**
6 **issues pertaining to fuel, purchased power and off-system sales. In addition, I**
7 **comment on some of the statistics concerning rate relationships that AmerenUE**
8 **witness Warner Baxter has presented. While the comparisons may be interesting,**
9 **they tell us absolutely nothing about AmerenUE's revenue requirement and whether**
10 **or not it should be entitled to an increase in revenues, and if so, in what amount.**

11 Mr. Michael Gorman presents evidence concerning the appropriate cost of
12 equity and overall rate of return for AmerenUE. He also presents evidence
13 concerning pensions and benefits and incentive compensation.

14 Mr. James Selecky presents evidence concerning appropriate depreciation
15 rates for AmerenUE. In addition, he addresses the implications of life extension for
16 the Callaway nuclear unit, and provides an adjusted level of depreciation expense for
17 the Callaway nuclear unit.

18 Mr. James Dauphinais will present testimony concerning AmerenUE's
19 production system modeling, fuel costs, wholesale power market prices, and
20 off-system sales.

21 **Q PLEASE SUMMARIZE THE REVENUE REQUIREMENT ADJUSTMENTS THAT**
22 **MIEC IS SPONSORING.**

23 **A Michael Gorman:** With regard to cost of equity, Mr. Gorman has determined that an
24 appropriate return on equity for AmerenUE would be 9.8%, as contrasted to

1 AmerenUE's proposed level of 12%. This is the mid-point of his range of 9.2% to
2 10.4%. AmerenUE's requested return on equity of 12% is significantly above its cost
3 of capital, and above what has recently been requested by other Missouri utilities. At
4 a more appropriate 9.8%, the claimed revenue increase is reduced by \$110 million.

5 **James Selecky:** Mr. Selecky makes several adjustments to AmerenUE's
6 proposed depreciation expense. His adjustments are in the areas of net salvage and
7 asset life.

8 For transmission, distribution, general and non-nuclear production plant, he
9 recommends reducing AmerenUE's proposed depreciation expense by \$66 million
10 per year.

11 With respect to life extension for Callaway Unit 1, he recommends calculating
12 the depreciation expense based on a total life of 60 years. This reflects a 20-year
13 extension in the original 40-year license life. Life extension of nuclear units (for all
14 except the most "troubled" units) is the industry norm. And, contrary to AmerenUE's
15 claim in responses to data requests, waiting until ten years from the end of the initial
16 license term to begin the license extension process is not the norm. Most utilities
17 initiate the process as soon as possible. As a local example, Kansas City Power &
18 Light Company has already applied to extend the license for Wolf Creek – which went
19 into service about the same time as Callaway. This adjustment reduces the annual
20 depreciation expense associated with Callaway by \$52 million as compared to
21 AmerenUE's proposed level.

22 **James Dauphinais:** Mr. Dauphinais' analysis of AmerenUE's production
23 system modeling and related issues reveal inconsistencies and deficiencies which
24 cause AmerenUE to understate the amount of margin it would be expected to earn
25 from off-system sales. His analysis indicates that by understating wholesale market

1 prices AmerenUE has overstated its revenue requirement in those areas by at least
2 \$31 million, and perhaps much more if the current 2007 forward electricity prices are
3 realized. If adjustments were also made to what appears to be understated sales
4 volumes, the amounts would be even larger.

5 **Q YOU NOTED THAT MR. GORMAN'S 9.8% RETURN ON EQUITY IS THE**
6 **MID-POINT OF HIS RANGE OF 9.2% TO 10.4%. HOW SHOULD THE**
7 **COMMISSION VIEW THIS RANGE?**

8 **A** The Commission should view 9.2% to 10.4% as the range within which it can
9 reasonably set the ROE. In deciding where within this range to set the ROE, it can
10 give consideration to the overall quality of management and service delivered to
11 customers. This quality assessment can take into account factors such as reliability,
12 efficiency, safety, infrastructure maintenance and storm restoration management.

13 If the Commission finds that the utility has performed in a superior fashion, it
14 can set the ROE above the mid-point. On the other hand, if it finds the utility's
15 performance to be sub-standard, it can set the ROE toward the lower end of the
16 range.

17 **Q WHAT IS THE SENSITIVITY OF THE RATE LEVEL TO ROE?**

18 **A** Each ten basis points (one-tenth of a percentage point) in ROE equals a revenue
19 requirement of approximately \$5 million.

1 **Rate Comparison Issues**

2 Q **HAVE YOU REVIEWED THE TESTIMONY OF AMERENUE WITNESS WARNER**
3 **BAXTER?**

4 A Yes.

5 Q **WHAT RATE COMPARISONS DOES MR. BAXTER MAKE?**

6 A He makes two different kinds of rate comparisons. First, he reviews the level of
7 AmerenUE's rates over time, pointing out that there have been a number of rate
8 reductions since 1987. The second type of comparison he makes is the current rates
9 charged by AmerenUE as compared to rates charged by other utilities.

10 Q **DO YOU HAVE ANY COMMENTS WITH RESPECT TO HIS HISTORICAL**
11 **ANALYSIS?**

12 A Yes, I do. It is true that AmerenUE's rates in Missouri have declined over the last
13 approximately 20 years. While there is no doubt that cost reduction and efficiency
14 improvement activities by AmerenUE have contributed to this decline, it also is true
15 that AmerenUE's rates peaked in the late-1980s, just after the incorporation of the
16 revenue requirements associated with the Callaway nuclear plant into rates. All of
17 AmerenUE's historic comparisons start with the rates in effect after Callaway was put
18 into rates, and not the rates in effect prior thereto.

19 Q **DO YOU HAVE ANY HISTORICAL COMPARISON THAT WOULD INCLUDE THE**
20 **PRE-CALLAWAY RATE LEVELS?**

21 A Yes, I do.

1 **Q WHAT DO THEY SHOW?**

2 A Please refer to Schedule 1 attached to this testimony. The information presented
3 here is the annual cost of electricity for residential and for industrial customers from
4 1980 through 2006. The information is expressed on an index basis, with the price
5 charged in 1980 being set at the index value of 100, and the value in each other year
6 being equal to the price in that year divided by the price in 1980. While Mr. Baxter is
7 correct that rates have declined over the last 20 years, that statement is only part of
8 this relevant history and does not consider the fact that rates went up significantly just
9 prior to Mr. Baxter's 1987 starting point.

10 As shown on Schedule 1, when compared to pre-Callaway rates, both
11 residential and industrial rates are now 34% higher.

12 **Q WHAT CURRENT RATE COMPARISONS DOES MR. BAXTER MAKE?**

13 A He makes comparisons to rates charged by other utilities in what he describes as
14 major metropolitan areas, and also to rates charged by various groups of Midwest
15 utilities.

16 **Q DO YOU HAVE ANY COMMENTS ABOUT HIS COMPARISON TO RATES IN**
17 **OTHER MAJOR METROPOLITAN AREAS?**

18 A Yes. This is displayed on his Schedule WLB-2. Of the 14 other metropolitan areas to
19 which AmerenUE compares itself, five are in traditionally expensive east coast and
20 west coast cities, five are in areas with significant dependency on natural gas and oil
21 for generation, and nine are in states transitioning to a retail customer choice
22 marketplace.¹ In most of these major metropolitan areas, there are operating and

¹Some cities fall into more than one category.

1 regulatory requirements that are not comparable to what is faced by AmerenUE. This
2 brings to mind the old saw that you can improve your chances of success by carefully
3 selecting your opponents. For these reasons, the Commission should not give any
4 weight to these rate comparisons.

5 **Q AMERENUE INDICATES THAT ITS CURRENT RATES ARE FAVORABLE WHEN**
6 **COMPARED TO MANY OTHER UTILITIES IN THE SURROUNDING REGION. IF**
7 **THIS IS THE CASE NOW, WOULD IT CONTINUE TO BE THE CASE IF**
8 **AMEREUEN WERE TO BE GRANTED ITS REQUESTED RATE INCREASE?**

9 A No. As pointed out above, AmerenUE has proposed to increase the rates of its LPS
10 class customers by over 40%. This would materially impact how AmerenUE's
11 industrial rates compare to those offered by other utilities. Whatever advantage
12 AmerenUE might currently be able to claim, a 40% or more rate increase would either
13 erase and reverse that advantage or, at the very least, decrease it significantly.

14 **Q TO THE EXTENT THAT AMERENUE'S RATES HAVE DECREASED AND/OR MAY**
15 **COMPARE FAVORABLY TO OTHER RATES, HAS THIS BEEN AT THE EXPENSE**
16 **OF AMERENUE STOCKHOLDERS?**

17 A No. Over the last seven years AmerenUE's earned return on common equity has
18 been in the top third of electric utilities. Schedule 2, attached to this testimony, shows
19 AmerenUE's return on equity (ROE). It also shows the median ROE and the mean
20 (average) ROE for the 65 electric utilities that are not in restructured states. In
21 summary, the results are presented in the following table:

<u>Return on Equity Summary</u>				
<u>Year</u>	<u>AmerenUE's ROE</u>	<u>Industry Median</u>	<u>Industry Mean</u>	<u>AmerenUE Rank (1=highest) of 65</u>
1999	13.9	11.5	11.0	14
2000	14.0	11.9	10.1	20
2001	14.2	12.5	11.1	17
2002	12.7	11.4	9.5	23
2003	16.2	10.9	10.7	6
2004	13.1	10.8	10.6	14
2005	12.0	9.9	9.5	17
Average	13.7	10.8	10.4	9

1 **Q HOW DO THE RATE COMPARISONS HELP TO DETERMINE THE AMOUNT OF**
2 **REVENUE DEFICIENCY THAT AMERENUE IS EXPERIENCING?**

3 **A They don't.** While I am sure that AmerenUE hopes to gain some favorable "PR" from
4 these rate comparisons, it is important to keep in mind that the amount of money
5 which AmerenUE is entitled to collect through rates is not determined by rate
6 comparisons, but by the level of costs it will reasonably face, and for which it should
7 receive compensation from customers. This is the traditional and proper "revenue
8 requirements" analysis which considers cost of capital, investments, expenses and
9 other sources of revenue.

1 **Fuel Expense, Purchased Power Expense and Off-System Sales**

2 **Q ARE ANY MIEC WITNESSES PRESENTING ADJUSTMENTS WITH RESPECT TO**
3 **FUEL AND PURCHASED POWER COSTS?**

4 **A No.** However, that does not mean that there should not be any adjustments. MIEC
5 will review any adjustments proposed by other parties and reserves the right to adopt
6 those adjustments instead of the amounts proposed by AmerenUE.

7 **Q IS MIEC PRESENTING ANY TESTIMONY WITH RESPECT TO OFF-SYSTEM**
8 **SALES AND THE MARGINS ON OFF-SYSTEM SALES?**

9 **A Yes.** We are presenting limited testimony at this time. Mr. Dauphinais' testimony
10 presents an adjustment to the level of off-system sales margin as a result of different
11 prices in the wholesale market. An adjustment of this nature would be imperative in
12 the event that a fixed number for off-system sales margin is used as a credit in
13 establishing base rates.

14 **Q YOU INDICATED THAT MR. DAUPHINAIS' ADJUSTMENT WAS ONLY WITH**
15 **RESPECT TO THE LEVEL OF PRICES IN THE WHOLESALE MARKET WHICH**
16 **WOULD DETERMINE OR INFLUENCE THE LEVEL OF REVENUES AND HENCE**
17 **THE MARGIN WHICH AMERENUE WOULD EARN ON OFF-SYSTEM SALES. DO**
18 **YOU HAVE CONCERNS ABOUT THE VOLUME OF OFF-SYSTEM SALES THAT**
19 **AMERENUE HAS PROPOSED TO USE IN THIS CASE?**

20 **A Yes,** I do. The level of off-system sales megawatthours that AmerenUE has included
21 in its pro forma analysis is significantly below what I would have expected based on
22 AmerenUE's recent history.

1 **Q PLEASE EXPLAIN.**

2 A In its pro forma, AmerenUE utilizes 9,118,000 megawatthours as the level of off-
3 system sales. This is significantly below the level of off-system sales experienced in
4 recent periods. For example, the off-system sales experienced for the 12-month
5 period ended June 30, 2006 (the test year) was 13,221,000 megawatthours, the level
6 experienced in the 12-month period ended June 30, 2005 was 15,639,000
7 megawatthours, and the level experienced in the 12-month period ended June 30,
8 2004 was 11,376,000 megawatthours.

9 **Q WHAT ADDITIONAL ANALYSIS HAVE YOU DONE TO TEST THE**
10 **REASONABLENESS OF AMERENUE'S VOLUME OF OFF-SYSTEM SALES?**

11 A My analysis started with the actual off-system sales for the 12-month period ended
12 June 30, 2006 which, as noted above, was 13,221,000 megawatthours. I then
13 adjusted that number for expected major changes and known system modifications.

14 **Q WHAT ARE THOSE ADJUSTMENTS?**

15 A The first adjustment is to recognize AmerenUE's weather normalization to retail
16 kilowatthour sales in this case. From the actual 12-months ended June 30, 2006 to
17 AmerenUE's pro forma, there is a proposed downward adjustment of 692,200
18 megawatthours. If these kilowatthours are not sold to retail customers, they should
19 be available for sale in the off-system market.

20 A second adjustment pertains to the Callaway nuclear unit. Mr. Finnell's pro
21 forma output from Callaway is approximately 800,000 megawatthours higher than the
22 actual output for the 12 months ended June 30, 2006. This again would support
23 additional off-system sales.

Maurice Brubaker
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1 The third adjustment pertains to replacing power from the EEI facility. During
2 the 12 months ended June 30, 2006, AmerenUE had available to it output from the
3 EEI facility for a period of six months, or July - December 2005. The amount of
4 purchases during that period of time amounted to 1,510,000 megawatthours. These
5 megawatthours would have to be replaced and would not be available to support
6 off-system sales. These three adjustments essentially offset one another, so the
7 expected net change from these events is zero. The offsetting nature of these
8 adjustments, coupled with the fact that the hydro-generation in the pro forma test year
9 is roughly 370,000 megawatthours higher than actual calls into question the validity of
10 AmerenUE's 4,100,000 megawatthour decrease to off-system sales volumes as
11 compared to the actual 12 months ended June 30, 2006, and the 6,500,000
12 megawatthour reduction from the actual off-system sales for the 12-month period
13 ended June 30, 2005.

14 **Q ARE YOU PROPOSING ANY SPECIFIC ADJUSTMENT TO VOLUMES AT THIS**
15 **TIME?**

16 **A I am not. I am raising these issues to indicate why there are substantial reasons to**
17 believe that the off-system sales number produced by AmerenUE's modeling effort is
18 too low. I will discuss this issue in more detail in my December 29, 2006 testimony
19 pertaining to the fuel adjustment clause and treatment of off-system sales. I also will,
20 if appropriate, address this issue in my rebuttal testimony.

1 **AmerenUE's Alternative Off-System Sales Margin "Sharing" Proposal**

2 Q HAVE YOU REVIEWED AMERENUE'S ALTERNATIVE PROPOSAL TO
3 ESTABLISH A SHARING MECHANISM FOR OFF-SYSTEM SALES MARGINS?

4 A Yes, I have. This is addressed by AmerenUE witnesses Warner Baxter and Shawn
5 Schukar.

6 Q DO YOU AGREE WITH THIS ALTERNATIVE PROPOSAL?

7 A No, I do not agree with this proposal. My disagreement is two-fold. First, and
8 foremost, I fundamentally disagree with the sharing philosophy with respect to these
9 off-systems sales. Second, even if the policy embodied in the proposal were
10 acceptable, the base point for the sharing clause that AmerenUE has proposed is
11 highly disadvantageous to customers.

12 Q PLEASE EXPLAIN WHY YOU DISAGREE WITH THE BASIC PHILOSOPHY.

13 A The margins from off-system sales are earned largely by selling output from
14 generating assets that are paid for by AmerenUE's customers through the rates that
15 they are charged. Accordingly, since the customers are paying for the cost of the
16 facilities that enable and produce the margins from off-system sales, customers
17 should be entitled to receive 100% of the benefit of the off-system sales margins.
18 AmerenUE never explains why it is appropriate for it to keep a part of the off-system
19 sales margin for its stockholders. For example, Mr. Baxter simply talks about the
20 sharing percentages and how much goes to customers and how much goes to
21 AmerenUE if sales margins are in the range of \$121 to \$180 million, or between \$181
22 and \$360 million. In the first band AmerenUE would keep 20% and in the second
23 band, it would get to keep 50%. There is no support for the particular values, and no

1 justification has been advanced for AmerenUE to retain any part of these off-system
2 sales margins.

3 **Q YOU ALSO INDICATED THAT EVEN IF YOU DID NOT HAVE A DISAGREEMENT**
4 **WITH THE BASIC PHILOSOPHY, THAT THE PARTICULAR PROPOSAL**
5 **ADVANCED BY AMERENUE WAS DISADVANTAGEOUS TO CUSTOMERS.**
6 **PLEASE ELABORATE.**

7 A AmerenUE has put forward \$180 million as its "best estimate" of the off-system sales
8 margins. Yet, in its alternative sharing proposal it would set the base rate credit at
9 \$120 million, and share any additional margins with customers. Between \$121 million
10 and the \$180 million "best estimate" of AmerenUE, the utility would keep 20% of \$60
11 million, or \$12 million. Thus, there is a built-in bias even if one believes that \$180
12 million is the best estimate of off-system sales margins.

13 Second, no rationale has been provided for why AmerenUE should retain 50%
14 of the margins for the band between \$180 million and \$360 million. Reducing
15 uncertainty and protecting both the utility and the consumer does not require this kind
16 of sharing. It is particularly problematic because I believe that the most likely value of
17 off-system sales margins is in excess of AmerenUE's \$180 million "best estimate."

18 **Q DO YOU HAVE ANY OTHER COMMENTS WITH RESPECT TO OFF-SYSTEM**
19 **SALES MARGINS?**

20 A I do agree with AmerenUE's statements to the effect that it is difficult to estimate the
21 level of off-system sales margins. There are other ways of dealing with this issue,
22 and I will address that in more detail in my testimony to be filed on December 29,
23 2006.

1 Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A Yes, it does.

Appendix A

Qualifications of Maurice Brubaker

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Maurice Brubaker. My business address is 1215 Fern Ridge Parkway, Suite 208,
3 St. Louis, Missouri 63141.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation and President of the firm of
6 Brubaker & Associates, Inc., energy, economic and regulatory consultants.

7 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
8 **EXPERIENCE.**

9 A I was graduated from the University of Missouri in 1965, with a Bachelor's Degree in
10 Electrical Engineering. Subsequent to graduation I was employed by the Utilities
11 Section of the Engineering and Technology Division of Esso Research and
12 Engineering Corporation of Morristown, New Jersey, a subsidiary of Standard Oil of
13 New Jersey.

14 In the Fall of 1965, I enrolled in the Graduate School of Business at
15 Washington University in St. Louis, Missouri. I was graduated in June of 1967 with
16 the Degree of Master of Business Administration. My major field was finance.

17 From March of 1966 until March of 1970, I was employed by Emerson Electric
18 Company in St. Louis. During this time I pursued the Degree of Master of Science in
19 Engineering at Washington University, which I received in June, 1970.

1 In March of 1970, I joined the firm of Drazen Associates, Inc., of St. Louis,
2 Missouri. Since that time I have been engaged in the preparation of numerous
3 studies relating to electric, gas, and water utilities. These studies have included
4 analyses of the cost to serve various types of customers, the design of rates for utility
5 services, cost forecasts, cogeneration rates and determinations of rate base and
6 operating income. I have also addressed utility resource planning principles and
7 plans, reviewed capacity additions to determine whether or not they were used and
8 useful, addressed demand-side management issues independently and as part of
9 least cost planning, and have reviewed utility determinations of the need for capacity
10 additions and/or purchased power to determine the consistency of such plans with
11 least cost planning principles. I have also testified about the prudence of the actions
12 undertaken by utilities to meet the needs of their customers in the wholesale power
13 markets and have recommended disallowances of costs where such actions were
14 deemed imprudent.

15 I have testified before the Federal Energy Regulatory Commission (FERC),
16 various courts and legislatures, and the state regulatory commissions of Alabama,
17 Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia,
18 Guam, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Missouri,
19 Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania,
20 Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, West Virginia,
21 Wisconsin and Wyoming.

22 The firm of Drazen-Brubaker & Associates, Inc. was incorporated in 1972 and
23 assumed the utility rate and economic consulting activities of Drazen Associates, Inc.,
24 founded in 1937. In April, 1995 the firm of Brubaker & Associates, Inc. was formed.
25 It includes most of the former DBA principals and staff. Our staff includes consultants

1 with backgrounds in accounting, engineering, economics, mathematics, computer
2 science and business.

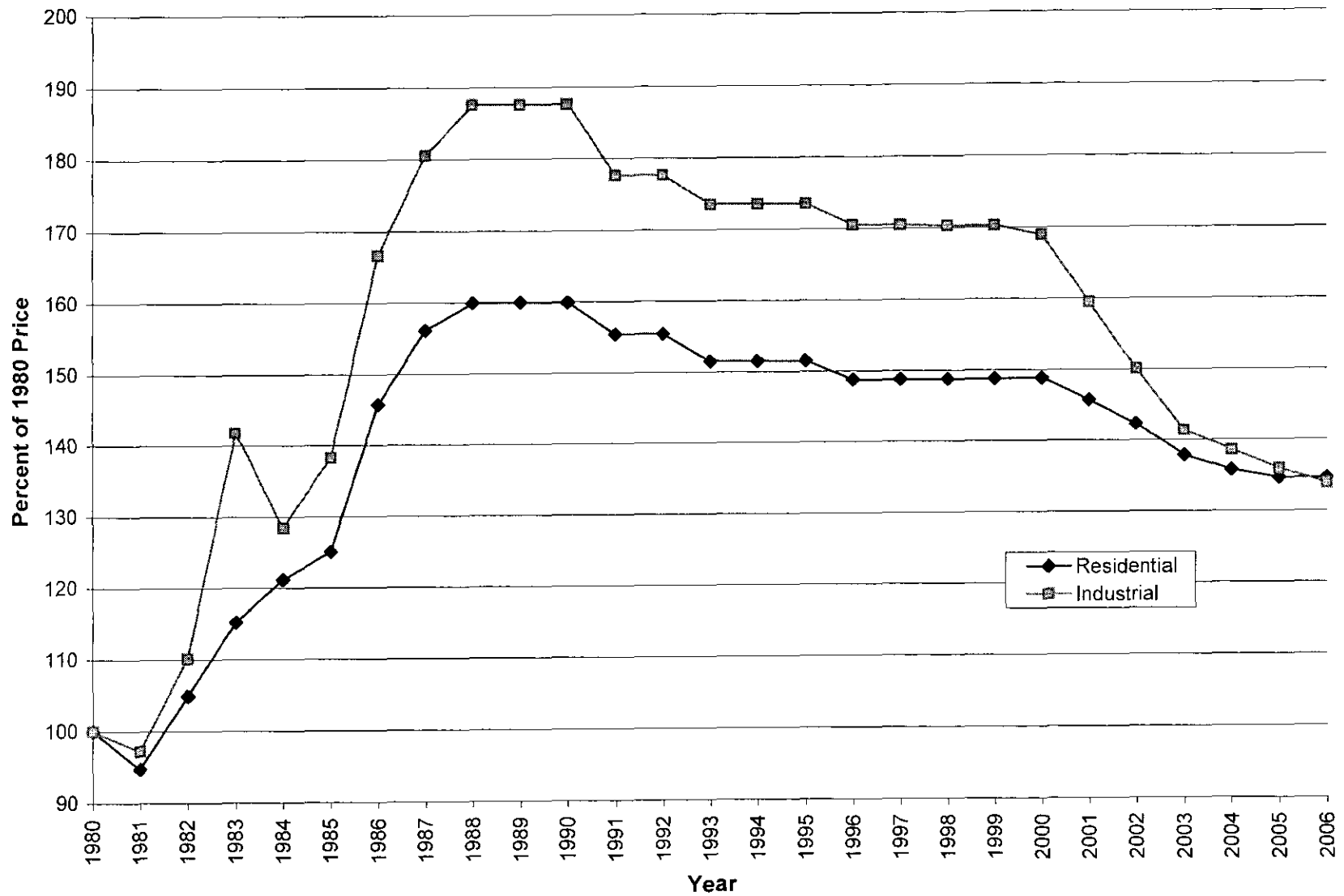
3 During the past ten years, Brubaker & Associates, Inc. and its predecessor
4 firm has participated in over 700 major utility rate and other cases and statewide
5 generic investigations before utility regulatory commissions in 40 states, involving
6 electric, gas, water, and steam rates and other issues. Cases in which the firm has
7 been involved have included more than 80 of the 100 largest electric utilities and over
8 30 gas distribution companies and pipelines.

9 An increasing portion of the firm's activities is concentrated in the areas of
10 competitive procurement. While the firm has always assisted its clients in negotiating
11 contracts for utility services in the regulated environment, increasingly there are
12 opportunities for certain customers to acquire power on a competitive basis from a
13 supplier other than its traditional electric utility. The firm assists clients in identifying
14 and evaluating purchased power options, conducts RFPs and negotiates with
15 suppliers for the acquisition and delivery of supplies. We have prepared option
16 studies and/or conducted RFPs for competitive acquisition of power supply for
17 industrial and other end-use customers throughout the United States and in Canada,
18 involving total needs in excess of 3,000 megawatts. The firm is also an associate
19 member of the Electric Reliability Council of Texas and a licensed electricity
20 aggregator in the State of Texas.

21 In addition to our main office in St. Louis, the firm has branch offices in
22 Phoenix, Arizona; Corpus Christi, Texas; and Plano, Texas.

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Ameren UE Electric Rates - Missouri Price Levels Relative to 1980



Source: Edison Electric Institute "Typical Bills"

Schedule 1

Return on Stockholder's Equity Electric Utility Industry - Excluding Restructuring States

