

14 A. The purpose of my testimony is to respond to the direct and answering testimony and
15 exhibits of Dr. Craig A. Roach (Exhibit Nos. EPS-1 through EPS-14), the direct and
16 answering testimony of Ershel C. Redd, Jr. (Exhibit Nos. NRG-1.0 through 1.2), and the

1 direct and answering testimony of Dr. Aleksandr Rudkevich (Exhibit No. NRG-2.0
2 through 2.8). I will also respond to Dr. Roach's cross-answering testimony (Exhibit Nos.
3 EPS-15). Finally, I also reference and respond to certain aspects of the direct and
4 answering testimony of FERC Staff witness Elisabeth E. Fager.

5 **II. TESTIMONY OF CRAIG R. ROACH, PH.D.**

6 **Q. What areas of Dr. Roach's testimony will you address?**

7 A. I will focus on Dr. Roach's misrepresentations of AmerenUE's evaluation of the bids
8 submitted in response to AmerenUE's August 2001 Request for Proposals ("RFP") for
9 capacity and energy, Dr. Roach's lack of understanding of non-price issues that impact
10 the value of different supply alternatives, Dr. Roach's inability to accept the preferred
11 supply options of the Missouri Public Service Commission ("MPSC"), and the
12 fundamental flaws and inconsistencies in Dr. Roach's support of the "annuity" method of
13 comparing assets with different economic lives.

14 **A. Misrepresentation Of AmerenUE's Evaluation Of Bids**

15 **Q. What is the purpose of discussing AmerenUE's evaluation of the power purchase**
16 **agreements ("PPA") that bid in response to AmerenUE's August 2001 RFP?**

17 A. Although for purposes of this transaction there is little practical value in discussing the
18 process AmerenUE used to evaluate power purchase agreements since the MPSC has
19 clearly given AmerenUE direction to buy or build capacity, there is value in exposing the
20 blatant misrepresentations, selective use of facts, and lack of understanding of
21 fundamental electric utility operations that Dr. Roach employs throughout his testimony

1 build this facility, which could add time to the process. As a result, existing transmission
2 constraints would significantly limit the availability of the Audrain facility until 2006 at
3 best.

4 **Q. How do known transmission constraints of this type affect the value of the Audrain**
5 **facility in Dr. Rudkevich's analysis?**

6 **A.** Dr. Rudkevich's defines the current value of a generating asset as the net present value of
7 the after-tax cash flow for that unit over a 26-year period from 2004 through 2029.
8 During peak periods, the transmission constraints associated with the Audrain facility
9 cause both the margin on energy sales and the capacity value to be equal to zero in all
10 years in which the constraint is present. Because of the uncertainty of when or if a fix
11 (that is, the construction of the Bland-Franks line) will be in place, there is no value for
12 the Audrain facility at least until 2006 or maybe later.

13 **6. Cost of a new CT unit**

14 **Q. What value does Dr. Rudkevich use in his FCR Model for the cost of installing a**
15 **new combustion turbine in the year 2002?**

16 **A.** The value Dr. Rudkevich uses is \$400/kW.

17 **Q. Do you believe this is a valid assumption?**

18 **A.** No, I do not. This value is much lower than what Ameren would use in its modeling. A
19 more realistic value would be closer to \$450/kW based on CTGs that Ameren either built
20 recently or is planning to build in the near future. It also seems unusual to me that NRG
21 believes that the cost to build a combustion turbine in 2002 was \$400/kw yet they were
22 willing to purchase the Audrain facility just one year earlier for \$508/kw. Either the cost

1 to build dropped dramatically in that year or NRG is intentionally using a low number in
2 its analysis to depress the value of the assets in question here.

3 **7. Tax Benefits**

4 **Q. Why is it incorrect to ignore the tax benefit in years in which the taxable income is**
5 **negative?**

6 **A.** Dr. Rudkevich's assumption that there is no tax benefit is based on analysis of the
7 generating assets as stand alone entities. Under this assumption it is valid that negative
8 taxable income would provide no tax benefit. But in AmerenUE's case, these assets
9 would become a part of a portfolio of assets. Negative taxable income associated with
10 these generating assets in any given year would act to offset taxable income associated
11 with other AmerenUE assets, the result being a decrease in the overall level of
12 AmerenUE's income taxes. As stated earlier in my testimony, NRG's response to a data
13 request on this topic states that Dr. Rudkevich is not informed regarding the tax situation
14 of AmerenUE and that responding to the data request would require speculation by Dr.
15 Rudkevich as to matters not within his knowledge. This holds true for this analysis.
16 Assuming that there would be no tax benefit to AmerenUE in years in which these assets
17 produced negative taxable income is pure speculation on the part of Dr. Rudkevich that is
18 contrary to reality.

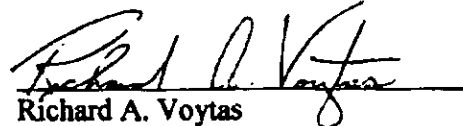
19 **Q. What is the effect of Dr. Rudkevich's technical error which cause the capacity value**
20 **in his valuation model to be artificially low in the years 2007 though 2013?**

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

| | | |
|----------------------------------|---|------------------------|
| Ameren Energy Generating Company |) | |
| and |) | |
| Union Electric Company |) | Docket No. EC03-53-000 |
| d/b/a AmerenUE |) | |

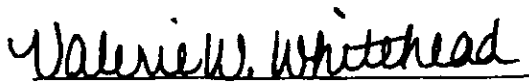
AFFIDAVIT OF RICHARD A. VOYTAS

Richard A. Voytas, being first duly sworn, deposes and says that he is the Richard A. Voytas referred to in the document entitled "Prepared Rebuttal Testimony of Richard A. Voytas;" that the exhibits accompanying that document were prepared by him or under his direction; that he has read such testimony and is familiar with the contents thereof; and that the contents of that document are true, correct, accurate and complete to the best of his knowledge, information, and belief in this proceeding.


Richard A. Voytas

Subscribed and sworn to me before this 2nd day of October, 2003.

My commission expires:


Notary Public

