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Case No.:

Economic Considerations

Meisenheimer/Rebuttal

Public Counsel

ER-2011-0028

REBUTTAL TESTIMONY
OF
BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

AMEREN UE

Case No. ER-2011-0028

March 25, 2011

DPC Exhibit No. 305
Date 4/26/11 Reporter JMB
File No. ER-2011-0028

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

In the Matter of Union Electric Company d/b/a)
AmerenUE's Tariff to Increase Its Annual)
Revenues for Electric Service.)

Case No. ER-2011-0028

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

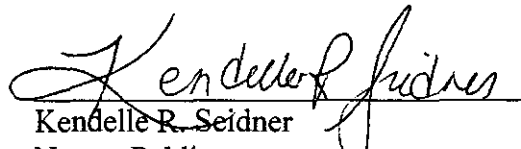
1. My name is Barbara A. Meisenheimer. I am a Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.


Barbara A. Meisenheimer

Subscribed and sworn to me this 25th day of March 2011.



KENDELLE R. SEIDNER
My Commission Expires
February 4, 2015
Cole County
Commission #11004782


Kendelle R. Seidner
Notary Public

My commission expires February 4, 2015.

**Rebuttal Testimony
Of
Barbara Meisenheimer**

Ameren UE

ER-2011-0028

1 Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

2 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel,
3 P. O. 2230, Jefferson City, Missouri 65102. I am also an adjunct instructor for
4 William Woods University.

5 Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?

6 A. Yes. I filed direct testimony on February 10, 2011.

7 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

8 A. My rebuttal testimony responds to portions of the direct testimony of Union Electric
9 Company d/b/a AmerenUE (AmerenUE or the Company) witness Warner Baxter
10 regarding economic and public policy considerations that Public Counsel encourages
11 the Commission to consider in resolving the issues in this case.

12 Q. ON PAGE 14, OF HIS DIRECT TESTIMONY, AMERENUE WITNESS MR. BAXTER
13 DESCRIBES THIS AS ONE OF THE MOST CHALLENGING PERIODS EVER FACED BY
14 AMERENUE. HE GOES ON TO EXPLAIN THAT THE NORMAL COSTS OF "KEEPING
15 THE LIGHTS ON," FOR THE COMPANY, CONTINUE TO BE SUBJECT TO STEADY

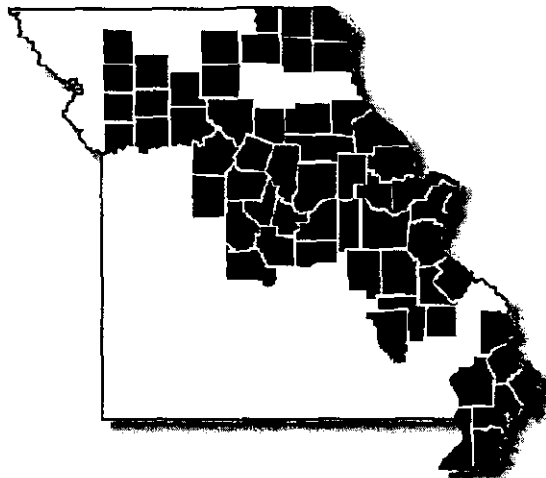
1 **INFLATIONARY PRESSURE YEAR AFTER YEAR. ARE AMERENUE'S CUSTOMERS**
2 **FACING ECONOMIC CHALLENGES AND INFLATIONARY PRESSURES?**

3 A. Yes. In recent years, AmerenUE's customers have faced significant economic
4 challenges. For example, every county in AmerenUE's service area experienced an
5 increase in unemployment between 2006, and 2010. For a number of counties the
6 unemployment rate has more than doubled since 2006. AmerenUE's customers have
7 faced substantial increases in the cost of "keeping the lights on." As described later
8 in this testimony, since 2006, AmerenUE has increased base rates for electric service
9 by about \$431M. Depending on a customer's other utility service providers, the
10 customer may have also experienced substantial increases in the cost of keeping the
11 heat, water and sewer service on.

12 **Q. PLEASE DESCRIBE AMERENUE'S SERVICE AREA.**

13 A. According to information submitted as part of the Company's minimum filing
14 requirements, AmerenUE serves the City of St. Louis and portions of 58 counties
15 throughout Missouri.

Counties Served by AmerenUE



1 Q. PLEASE COMMENT ON THE RATE OF UNEMPLOYMENT IN AMERENUE'S SERVICE
2 AREA.

3 A. As illustrated below, according to the U.S. Bureau of Labor Statistics Quarterly
4 Census of Employment and Wages, the unemployment rates in the City of St. Louis
5 and in many of the counties served by AmerenUE have increased substantially, in
6 some cases, more than doubling, since 2006.

Unemployment Rate-By Area

Area	2006	2007	2008	2009	2010	Increase 2006-2010	Area	2006	2007	2008	2009	2010	Increase 2006-2010
Adair County	4.8%	5.4%	5.8%	7.8%	7.7%	60.4%	Maries County	5.2%	5.5%	6.2%	8.3%	8.1%	55.8%
Audrain County	4.7%	5.1%	6.0%	10.3%	8.7%	85.1%	Miller County	4.6%	4.5%	5.6%	10.7%	10.5%	128.3%
Boone County	3.9%	4.2%	4.8%	7.2%	6.7%	71.8%	Mississippi Co.	6.9%	7.0%	7.6%	9.4%	9.9%	43.5%
Caldwell County	5.1%	5.3%	7.5%	10.0%	9.4%	84.8%	Moniteau County	4.9%	4.5%	4.9%	8.2%	7.5%	53.1%
Callaway County	4.7%	4.8%	5.6%	8.8%	7.9%	68.1%	Monroe County	5.2%	5.5%	6.7%	12.9%	11.8%	126.9%
Camden County	4.1%	4.0%	5.0%	8.4%	8.0%	95.1%	Montgomery Co.	5.6%	5.6%	6.9%	12.4%	10.6%	89.3%
Cape Girardeau Co.	4.6%	4.6%	5.3%	7.9%	7.4%	60.9%	Morgan County	6.4%	5.8%	6.5%	12.1%	10.8%	68.8%
Carroll County	4.8%	5.1%	7.6%	10.9%	9.8%	104.2%	New Madrid Co.	6.7%	7.2%	7.3%	10.3%	9.4%	40.3%
Chariton County	5.3%	5.6%	6.0%	11.2%	9.2%	75.6%	Osage County	5.4%	5.4%	5.7%	7.3%	6.7%	24.1%
Clark County	4.8%	5.7%	5.7%	14.2%	11.9%	147.9%	Pemiscot County	7.2%	7.2%	7.9%	13.3%	11.1%	54.2%
Clay County	4.2%	4.3%	5.8%	8.7%	8.4%	100.0%	Pettis County	5.4%	5.5%	6.9%	9.7%	9.0%	66.7%
Clinton County	4.7%	5.1%	6.7%	9.4%	9.7%	106.4%	Pike County	5.5%	4.9%	5.4%	10.0%	8.7%	58.2%
Cole County	4.3%	4.3%	4.7%	7.4%	6.6%	53.5%	Ralls County	4.6%	4.9%	5.2%	8.9%	7.5%	63.0%
Cooper County	4.4%	4.5%	5.3%	9.7%	8.4%	90.5%	Randolph County	5.4%	5.9%	6.3%	12.5%	9.7%	79.6%
Crawford County	5.5%	7.1%	7.3%	11.0%	10.1%	83.6%	Ray County	5.1%	5.4%	8.2%	9.9%	10.8%	111.8%
Daviess County	4.2%	4.3%	5.2%	8.6%	8.9%	111.9%	Reynolds County	6.4%	6.0%	6.2%	13.3%	12.3%	92.2%
Dekalb County	5.7%	5.3%	6.5%	9.7%	8.7%	52.6%	Saint Charles Co.	4.2%	4.3%	5.3%	9.0%	8.7%	107.1%
Dunklin County	7.7%	8.3%	8.2%	11.7%	10.9%	41.6%	Saint Francois Co.	5.8%	5.9%	6.4%	11.6%	10.4%	79.3%
Franklin County	5.3%	6.6%	6.4%	13.0%	10.5%	98.1%	Saint Louis City	7.5%	7.7%	8.0%	12.8%	12.3%	64.0%
Gasconade Co.	5.5%	6.5%	6.7%	12.2%	9.5%	72.7%	Saint Louis Co.	5.2%	5.4%	6.0%	9.8%	9.4%	80.8%
Gentry County	4.2%	4.3%	4.6%	6.6%	6.8%	61.9%	Saline County	4.8%	5.7%	6.1%	8.6%	8.3%	72.9%
Howard County	4.9%	4.9%	5.6%	9.6%	8.3%	69.4%	Scotland County	4.3%	4.8%	6.3%	8.5%	7.1%	65.1%
Iron County	5.3%	5.3%	5.2%	8.8%	10.1%	90.6%	Scott County	5.7%	6.0%	6.5%	9.5%	8.7%	52.6%
Jefferson County	4.9%	5.8%	6.0%	11.1%	9.8%	100.0%	Shuyler County	4.5%	5.8%	6.3%	8.5%	7.2%	60.0%
Knox County	4.3%	4.1%	4.8%	6.5%	6.3%	46.5%	Ste. Genevieve Co.	4.8%	5.0%	5.5%	9.9%	8.7%	81.3%
Lewis County	3.8%	4.0%	5.2%	9.2%	8.6%	126.3%	Stoddard County	6.0%	6.5%	7.0%	11.1%	9.1%	51.7%
Lincoln County	5.3%	5.2%	6.9%	11.9%	10.7%	101.9%	Sullivan County	5.0%	5.5%	5.9%	6.8%	6.2%	24.0%
Linn County	5.9%	6.1%	6.7%	9.3%	9.8%	66.1%	Warren County	5.2%	5.0%	6.2%	10.9%	10.6%	103.8%
Livingston Co.	4.3%	4.4%	4.9%	7.9%	7.4%	72.1%	Washington Co.	7.1%	8.5%	9.1%	14.5%	13.0%	83.1%
Madison County	5.5%	6.0%	6.1%	11.4%	10.4%	89.1%	All Missouri	5.1%	5.3%	6.0%	9.8%	9.5%	86.3%

1 Q. PLEASE COMMENT ON RECENT RATE INCREASES THAT HAVE IMPACTED
2 AMERENUE'S SERVICE AREA.

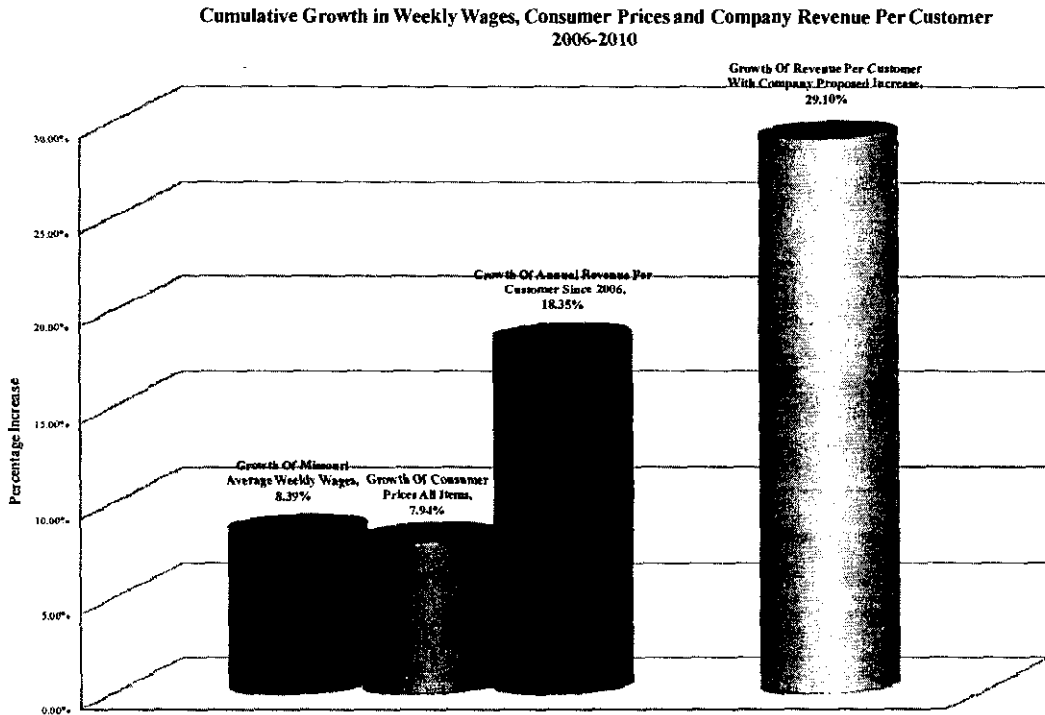
3 A. From 2006 to 2010, investor owned utility customers in portions of AmerenUE's
4 service area have faced significant increases. In rate cases, AmerenUE increased
5 companywide electric rates three times for a total of almost \$431M and increased
6 natural gas distribution rates by about \$6M. In addition, AmerenUE sought and
7 received approval for a rate mechanism that has collected millions of dollars in
8 additional electric fuel cost recovery outside of the normal rate case proceedings.
9 Missouri American Water increased companywide water rates three times for a total
10 of almost \$91M. Laclede Gas increased natural gas distribution rates by \$38.6M.
11 Missouri Gas Energy increased natural gas distribution rates twice for a total of
12 about \$43.4M. Other investor owned utilities including the Empire District,
13 Missouri Gas Utility and Aqua Missouri have also increased rates.

14 Q. PLEASE COMMENT ON WAGES AND PRICES.

15 A. Based on data obtained from the US Bureau of Labor Statistics, between June 2006,
16 and June 2010, for counties served by AmerenUE, the growth in average weekly
17 wages ranged from an increase of about 25.11% in Carroll County to a low of no
18 change in Dunklin County. Over the same period the average weekly wages in the
19 City of St. Louis grew by 7.97%.

1 Q. HOW DOES THE GROWTH IN WAGES COMPARE TO THE GROWTH IN COMPANY
2 REVENUE?

3 A. Overall, Missouri workers' weekly wages have grown about 8.39% since 2006,
4 which is less than half the 18.35% growth in AmerenUE's revenue per customer
5 since 2006, and less than one third of the 29.1% growth in revenue AmerenUE could
6 receive if the \$263.3M proposed increase is granted. The diagram shown below
7 illustrates these comparisons.



8
9 The diagram illustrates a 8.39% increase in weekly wages for the period
10 2006-2010, while the increases granted in ER-2007-0002, ER-2008-0318 and ER-

1 2010-0036, combined with the proposed increase in this case will equate to more
2 than a 29% increase in revenue per customer for AmerenUE's service area.

3 **Q. HAVE CONSUMERS EXPRESSED CONCERNS ABOUT THEIR ABILITY TO AFFORD**
4 **UTILITY RATE INCREASES?**

5 A. Yes. Customers testifying in the recent public hearings have regularly voiced
6 frustration and concerns about the burden of additional rate increases given the
7 current state of the economy. Some customers have testified that they must work
8 extra hours or two jobs just to make ends meet. Some have testified that they must
9 choose between paying utility bills and buying food and medicine.

10 **Q. WHAT DO YOU BELIEVE SHOULD BE THE COMMISSION'S FOCUS IN RESOLVING THIS**
11 **CASE?**

12 A. In this case, Public Counsel urges the Commission to decide issues in a manner that
13 recognizes the economic challenges faced by households in AmerenUE's service
14 area and reasonably minimizes the rate impact on consumers. The Commission
15 should also focus on allowing customers greater control over their electric bills.

16 **Q. IS IT THE COMMISSION'S JOB TO SET JUST AND REASONABLE RATES?**

17 A. Yes.

18 **Q. SHOULD THE COMMISSION CONSIDER THE ECONOMIC CLIMATE AND FACTS SUCH**
19 **AS UNEMPLOYMENT RATES AND PREVIOUS RATE INCREASES WHEN DETERMINING**
20 **WHAT RATES ARE JUST AND REASONABLE?**

21 A. Yes. Public Counsel has argued and the Commission has recognized that in
22 addition to cost of service other relevant factors to consider in setting rates

1 include the value of a service, the affordability of service, rate impacts, and rate
2 continuity.

3 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

4 **A. Yes.**