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Production Allocator

Meisenheimer/Surrebuttal

Public Counsel

ER-2011-0028

SURREBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

AMEREN MISSOURI

Case No. ER-2011-0028

April 15, 2011

OPC Exhibit No. 306
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.)

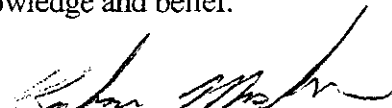
Case No. ER-2011-0028

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 surrebuttal 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 15th day of April 2011.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2013
Cole County
Commission #09754037



Jerene A. Buckman
Notary Public

My commission expires August 23, 2013.

**Surrebuttal Testimony
Of
Barbara Meisenheimer**

Ameren Missouri

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, and rebuttal testimony on March
7 25, 2011.

8 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

9 A. My surrebuttal testimony responds to portions of the rebuttal testimony of Union
10 Electric Company d/b/a Ameren Missouri (Ameren Missouri or the Company)
11 witnesses William Warwick and Wilbon Cooper, Missouri Industrial Energy
12 Consumers (MIEC) witness Maurice Brubaker and Missouri Public Service
13 Commission Staff (Staff) witness Michael Scheperle on the issue of an appropriate
14 method for allocating production cost.

1 Q. WHAT ARE MR. BRUBAKER'S AND THE COMPANY'S CRITICISMS OF THE A&4CP
2 PRODUCTION ALLOCATOR?

3 A. Mr. Brubaker and the Company criticize the OPC production allocation method
4 claiming that:

5 • The OPC method is not supported as to theory or shown to be applicable to the
6 AmerenUE system.

7 • OPC's A&P method uses weights different than those used in examples in the
8 NARUC Manual.

9 • The OPC method over-allocates costs to large high load factor customers.

10 • OPC's A&P method double-counts the average demand.

11 Q. HAVE YOU EXPLAINED AND PROVIDED THEORETICAL SUPPORT FOR YOUR
12 PRODUCTION ALLOCATION METHODS?

13 A. Yes. Contrary to Mr. Brubaker's claim, my direct testimony explained that both
14 demand and energy characteristics of a system's load are important determinants of
15 production plant costs since production must satisfy both periods of normal use
16 throughout the year and intermittent peak use. My direct testimony went on to
17 explain how the A & 4CP method reflects normal and peak use, how the allocation
18 was developed and how the allocation method conforms to a method recognized by
19 the NARUC Electric Utility Cost Allocation Manual.

1 Q. IS THE 4CP USED BY REPRESENTATIVE OF THE PEAK DEMAND ON AMEREN
2 MISSOURI'S SYSTEM?

3 A. Yes. I addressed this issue in my direct testimony.

4 Q. IN CRITICIZING YOUR A&4CP ALLOCATOR, MR. WARWICK APPEARS TO SUGGEST
5 THAT THE NARUC MANUAL PRESCRIBES ONLY ONE METHOD OF DETERMINING
6 WEIGHTS FOR AN ENERGY AND PEAK ALLOCATOR. IS THIS A FAIR CRITICISM?

7 A. No. The weighting method illustrated in Table 4-14 and Table 4-15 of Schedule 1
8 of my direct testimony is but one example of weighted averaging methods consistent
9 with the NARUC Cost Allocation Manual Section IV B 4 Judgmental Energy
10 Weights which assigns some weight to energy loads in determining production plant
11 allocations. Mr. Warwick fails to acknowledge that Table 4-16 which was also
12 shown in Schedule 1 of my direct testimony and the associated description of the
13 weights used in the example illustrates another example of a possible weighting
14 method. Contrary to Mr. Warwick's suggestion, a weighting consisting of the load
15 factor and one minus the load factor is consistent with Section IV B 4 of the
16 NARUC Manual.

17 Q. PLEASE RESPOND TO THE CLAIM THAT YOUR A&4CP METHOD OVER-
18 ALLOCATES COSTS TO LARGE HIGH LOAD FACTOR CUSTOMERS.

19 A. The OPC method does not over-allocate costs to large high load factor customers.
20 Large high load factor customers use the system at the same time as smaller lower
21 load factor customers and benefit from the economies of scale and off-system sales
22 opportunities created by sharing production facilities with smaller lower load factor
23 customers.

1 Q. MR. COOPER AND MR. BRUBAKER RAISE THE SPECTER OF DOUBLE COUNTING
2 ENERGY IN DETERMINING THE A&4CP ALLOCATOR. IS THIS A FAIR
3 CRITICISM?

4 A. No. The A&CP method is intentionally designed to give weight to both the class
5 share of average demand and the class share of the system peak. This does not
6 constitute double counting but is simply a different theoretical basis for the allocator
7 than is used in the 4NCP A&E method. The Average and Peak components of the
8 allocator represent two distinctly different considerations. The Average component
9 reflects that a portion of demand is not sensitive to factors that change throughout
10 the year while the Peak component represents the allocation associated with factors
11 that do change throughout the year such as weather. Considering the characteristics
12 of four "like" periods, each of which is a potential peak period, recognizes that the
13 characteristics of demand may vary by class depending on exactly when the peak
14 demand occurs.

15 The cost of shared production facilities cannot be attributed with precision to
16 particular customer classes. Therefore, the goal in developing a method for
17 allocating these costs between customer classes is to assign a reasonable portion of
18 costs to classes based on cost causative considerations. The A&4CP produces an
19 allocation that assigns a reasonable portion of costs based on characteristics of
20 average energy use and a reasonable portion based on characteristics of peak use.
21 As discussed in my direct testimony, under my allocation method, the Residential
22 Class would be allocated 43.23% of production costs. This is less than the 50.19%
23 share that would be allocated to the Residential Class using a pure peak allocation
24 method such as the sum of the 4CP, but it is more than the 37.88% share that would

1 result from an allocation based solely on average annual energy use. In contrast, the
2 Company and MIEC Average and Excess (A&E) allocator is heavily weighted
3 toward assigning costs based on peak resulting in a disproportionate assignment of
4 production costs to the Residential Class. I strongly believe that A&4CP allocation
5 method results in a reasonable balance in cost assignment that meaningfully reflects
6 both average energy use and peak demand considerations in allocating production
7 costs among customer classes.

8 **Q. IS THE A&E ALLOCATOR PROPOSED BY MR. COOPER AND MR. BRUBAKER**
9 **MORE GROUNDED IN REALITY THAN THE A&4CP ALLOCATOR?**

10 A. No. The A&4P allocator attempts to mirror peak use that actually occurs on the
11 system. On the other hand the A&E method proposed by MIEC and the Company
12 allocates the Excess Demand portion of the allocator based on non coincident peaks
13 that may exceed the actual maximum demand ever experienced on the system in the
14 test year.

15 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

16 A. Yes.