Exhibit No.:	
Issue(s):	Interim Rates
Witness:	Gary S. Weiss
Sponsoring Party:	Union Electric Company
Type of Exhibit:	Rebuttal Testimony
Case No.:	ER-2010-0036
Date Testimony Prepared:	November 17, 2009

MISSOURI PUBLIC SERVICE COMMISSION

Case No. ER-2010-0036

REBUTTAL TESTIMONY ON INTERIM RATES

OF

GARY S. WEISS

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

St. Louis, Missouri
November, 2009

REBUTTAL TESTIMONY ON INTERIM RATES

OF

GARY S. WEISS

CASE NO. ER-2010-0036

Q. Please state your name and business address.

A. My name is Gary S. Weiss. My business address is 1901 Chouteau Avenue, Saint Louis, Missouri 63103.

Q. Are you the same Gary S. Weiss who filed direct testimony on July 24, 2009 and also direct testimony on interim iates on October 20, 2009 in this case?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony on interim rates?

A. The purpose of my rebuttal testimony on interim rates is to respond to the direct testimonies filed on November 3, 2009 by Staff witness Stephen Rackers and by Missouri Industrial Energy Consumer's ("MIEC") witness Michael Gorman.

Q. What are your comments regarding Staff witness Stephen Rackers' testimony?

A. Mr. Rackers' testimony simply verifies my calculations of net plant additions and the depreciation, return and income tax rates that I used to calculate the revenue requirement that underlies the Company's interim rate increase request. Mr. Rackers' testimony indicates that the Staff takes no issue with the Company's calculations.

Q. What are your comments concerning MIEC witness Michael Gorman's testimony?

A. First, Mr. Gorman has characterized AmerenUE's request for interim rates as an effort to "eliminate all aspects of regulatory lag." (Gorman Interim Rates Direct, p. 11, line 22). This is simply not true. AmerenUE's request to implement interim rates (subject to refund with interest) in an amount that reflects the revenue requirement associated with the cost of facilities it has already placed in service only addresses a small part of the regulatory lag the Company is experiencing. For the last twelve months (October 2008 through September 2009) the Company has fallen short of the return on equity ("ROE") authorized by the Commission just nine months ago by an average of 437 basis points, or approximately $200 million. See Schedule GSW-E24 attached to this testimony.[1] However, the Company is only requesting less than one-fifth of that amount – just $37.3 million – in its interim rate request.[2]

Q. Mr. Gorman argues that regulatory lag is beneficial. Is he correct?

A. To a certain degree, yes. As AmerenUE witness Warner L. Baxter acknowledged in his direct testimony on interim rates, regulatory lag can help focus utility management on cost containment. But an excessive amount of regulatory lag, like the level of regulatory lag AmerenUE is experiencing, discourages investment and is detrimental to both the utility and its customers.

[1] These numbers also demonstrate the fallacy of a suggestion made by Mr. Gorman at page 7, lines 1-5, of his direct testimony on interim rates. Mr. Gorman suggests that my numbers understate the returns because, in his words, "AmerenUE's revenue collection are more heavily weighted in the third quarter . . .." The earned returns I report are all 12-moonth rolling averages, which means that all such returns already include a third quarter. Moreover, even after fully accounting for the results for the 3rd quarter of *this* year, AmerenUE's earned returns continue to fall far short of its authorized return. In fact, AmerenUE's average earned returns for the 3rd quarter were just 5.88%, versus 5.97% for the entire first nine months of 2009.

[2] In fact, given the delay in implementing interim rates, the potential amount the Company could recover from interim rates in this case is far less than the $37.3 million request, which would be the amount recovered over a 12-month period.

Q. Mr. Gorman argues that your comparison of AmerenUE's actual earned return on equity with the last authorized return on equity does not support the Company's request for interim rate relief. Is he correct?

A. No. The fact the AmerenUE's earned returns on equity consistently fall far short of its authorized returns indicates that the Company is being hurt by excess regulatory lag and that the Company does not have a reasonable chance to earn a fair rate of return.

Q. Will the actual earned rates of return exactly match the authorized returns?

A. No. Mr. Gorman is correct regarding the general principle that actual earned rates of return over any given period will not exactly match the authorized return. As Mr. Gorman points out there are some differences—cost disallowances from the last rate case, Taum Sauk lost revenues, annualization of the rate increase, non-recurring events—that would explain part of the difference between the AmerenUE's earned and authorized returns. But as I discuss below, there are other items, not mentioned by Mr. Gorman, that suggest that the difference between AmerenUE's earned ROE and its Commission authorized ROE should be greater. In fact, even if all of the items Mr. Gorman mentions are taken into account, there remains a very substantial difference between the Company's adjusted earned returns and its recently authorized return.

Q. Have you calculated the impact of the factors identified by Mr. Gorman?

A. Yes. I have made upward adjustments to the AmerenUE earned returns for each of the twelve month ending periods of October 2008 through September 2009 to reflect the following items: (i) a full twelve months of the rate increase; (ii) additional revenues that would have existed if the Taum Sauk plant had been in operation (which I had already taken into account in my direct testimony on interim rates); (iii) the impact of the January 2009 ice storm on operations and maintenance ("O&M") expense; (iv) revenues from Noranda Aluminum, Inc. assuming normal load; and (v) an adjustment to account for the $14 million in disallowances from the trued-up test year expenses from the last rate case that were identified by Mr. Gorman in his direct testimony on interim rates.

Q. What is the impact of those adjustments on AmerenUE's earned rate of return?

A. These one-way adjustments would only raise the average earned return on equity for the twelve monthly periods ending October 2008 through September 2009 from 6.16% to 7.70%. See Schedule GSW-E25 attached to this testimony. This adjusted average earned return on equity is still 282 basis points below the authorized returns. This equates to an approximately $130 million per year shortfall between the Company's actual earnings and the earnings that would have been realized at the Company's authorized ROE, a difference that is far greater than the Company's modest $37.3 million interim rate increase request.

Q. Mr. Gorman also argues that you should take into account the reduction in the Company's common equity ratio since the last case. Do you agree?

A. No. The Company's parent corporation recently issued new common stock and made a substantial equity contribution to the Company using proceeds from that stock issuance. Insofar as the Company's capital structure is one of the items that will be adjusted in the true-up phase of this case, it is anticipated that the Company's capital structure at the time of the true-up will be close to the capital structure in the last case. Thus Mr. Gorman's claim that the Company's cost of equity has declined is incorrect. Consequently, the adjustment argued for by Mr. Gorman is inappropriate.

Q. Mr. Gorman identified adjustments that go one direction – that would increase earned returns if taken into account. Are there any material adjustments that go the other way and that would decrease earned returns if taken into account in the twelve months ended September 2009?

A. Yes, there are several examples of items that go the other way that are not mentioned by Mr. Gorman and that resulted in higher earned ROEs than would have otherwise occurred. For example, in April 2008 O&M expenses were reduced by $12.6 million to reflect an estimated amount for the Accounting Authority Order issued by the Commission for a 2007 ice storm. Also, in December 2008, O&M expenses were reduced by $26.0 million to reflect O&M expenses being moved to a regulatory asset for amortization over a period of time pursuant to the Commission's order in Case No. ER-2008-0318. Another such item is the December 2008 reduction in O&M expenses by $12.2 million to reflect the Commission's resolution in Case No. ER-2008-0318 of the Midwest ISO revenue sufficiency guarantee issue. The above-discussed reductions to O&M expenses, which total more than $50 million annually (approximately 100 basis points) resulted in higher actual earned returns on equity than would have existed had they been taken in account. The point is that it is common to have various adjustments and non-recurring items that can either increase or decrease the actual earned rate of return and that if items like those identified by Mr. Gorman that tend to increase earned returns are to be taken into account, items like these that go the other way must also taken into account.

Q. Do all of these items need to be taken into account?

A. No. AmerenUE is experiencing an extended period where there exists a large and systemic shortfall between its earned returns and its authorized returns. Adjusting for isolated items that may increase or decrease the earned returns over a short period of time does not change this basic fact -- that AmerenUE has consistently been unable to earn anywhere near its authorized return. The Company's interim rate request would implement interim rates that are subject to refund, meaning that when all relevant factors are taken into account (including the kinds of items identified by Mr. Gorman and items that go the other way as I address above), customers will ultimately be charged appropriate rates.

Q. So I take it that you disagree with Mr. Gorman's contention that "all other aspects of [AmerenUE's] overall cost of service" must be considered before setting interim rates?

A. Yes, I do disagree. If all aspects of the cost of service had to be taken into account, the Commission would never be able to set interim rates without completing a full rate case. In this case, where AmerenUE is consistently unable to earn anywhere near its authorized return due to regulatory lag, and where final rates are likely to be in excess of the interim rates requested, and where customers are fully protected because the interim rate increase is fully refundable with interest, it is perfectly appropriate for the Commission to allow an interim rate increase to cover the cost of plant already in service. As noted, if after considering all other factors the Commission determines that this interim rate increase is not warranted, it can simply provide refunds to the customers with interest.

Q Does this conclude your rebuttal testimony on interim rates?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company	)	Case No. ER-2010-0036
d/b/a AmerenUE's Tariffs to Increase its	)	Tracking No. YE-2010-0054
Annual Revenues for Electric Service.	)	Tracking No. YE-2010-0055

AFFIDAVIT OF GARY S. WEISS

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

Gary S. Weiss, being first duly sworn on (his/her) oath, states:

1. My name is Gary S. Weiss. I am employed by Union Electric Company d/b/a AmerenUE as Manager, Regulatory Accounting.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on Interim Rates on behalf of AmerenUE, consisting of 6 pages (and Schedules GSW-E24 through GSW-E25), 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.

Gary S. Weiss
Gary S. Weiss

Subscribed and sworn to before me this 17th day of November, 2009.

Debby Anzalone
Notary Public

My commission expires: ______________

Debby Anzalone - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #06435722
My Commission Expires 5/4/2010

AmerenUE
Earned Regulatory Return on Equity
Missouri Retail Electric
October 2008 Through September 2009

Month	Year	Mo. Electric Rate Base	Mo. Electric Operating Income	Return on Rate Base	Return on Equity	Allowed ROE	Variation
October	2008	6,002,477,409	378,454,012	6.30%	7.08%	10.20%	-3.12%
November		6,118,937,710	356,182,643	5.82%	6.15%	10.20%	-4.05%
December		6,158,150,109	383,946,700	6.23%	6.94%	10.20%	-3.26%
January	2009	6,169,143,105	382,758,987	6.20%	6.88%	10.20%	-3.32%
February		6,224,863,979	361,752,402	5.81%	6.13%	10.20%	-4.07%
March (1)		6,019,494,000	353,605,000	5.87%	6.02%	10.76%	-4.74%
April		6,019,642,000	336,030,000	5.58%	5.46%	10.76%	-5.30%
May		6,037,599,000	341,673,000	5.66%	5.61%	10.76%	-5.15%
June		6,038,441,000	352,331,000	5.83%	5.95%	10.76%	-4.81%
July		6,083,856,000	342,577,000	5.63%	5.56%	10.76%	-5.20%
August		6,091,596,000	354,246,000	5.82%	5.91%	10.76%	-4.85%
September		5,940,022,000	353,804,000	5.96%	6.18%	10.76%	-4.58%
Average					6.16%		-4.37%

Capitalization Per Order

	ER-2007-0002		ER-2008-0318	
	Percent	Weighted Cost	Percent	Weighted Cost
Equity	52.224%	5.330%	52.010%	5.596%
Peferred Stock	2.017%	0.110%	1.740%	0.090%
Lont-Term Debt	44.964%	2.460%	45.530%	2.627%
Short-Term Debt	0.795%	0.040%	0.720%	0.024%
Total	100.000%	7.940%	100.000%	8.337%
Total Ecluding Equity		2.610%		2.741%

Notes:

The Rate Base and Operating Income are per the filed Monthly MPSC Survelliance Reports.

The Regulatory Return On Equity is calculated using the capitalization and weighted cost from MPSC Case No. ER-2007-0002 through February 2009 and the capitalization and weighted cost from MPSC Case No. ER-2008-0213 starting in March 2009.

(1) The March 2009 Survelliance Report is the new Quaterly Survelliance Report filed since the Company's FAC became effective on March 1, 2009. The Total is now only Total Electric.

AmerenUE
Missouri Retail Electric Earned Regulatory Return on Equity
Adjusted For Taum Sauk, Rate Case Disallowances, Nornada, Annualized Rate Increase and Jan 2009 Ice Storm
October 2008 Through September 2009

Month		Year	Mo. Electric Rate Base	Mo. Electric Operating Income	Return on Rate Base	Return on Equity	Allowed ROE	Variation
October		2008	6,002,477,409	409,849,264	6.83%	8.08%	10.20%	-2.12%
November			6,118,937,710	393,429,517	6.43%	7.31%	10.20%	-2.89%
December			6,158,150,109	428,146,285	6.95%	8.32%	10.20%	-1.88%
January		2009	6,169,143,105	439,561,345	7.13%	8.65%	10.20%	-1.55%
February			6,224,863,979	425,959,480	6.84%	8.11%	10.20%	-2.09%
March	(1)		6,019,494,000	425,927,820	7.08%	8.33%	10.76%	-2.43%
April			6,019,642,000	374,499,854	6.22%	6.69%	10.76%	-4.07%
May			6,037,599,000	383,367,337	6.35%	6.94%	10.76%	-3.82%
June			6,038,441,000	396,928,852	6.57%	7.37%	10.76%	-3.39%
July			6,083,856,000	391,105,160	6.43%	7.09%	10.76%	-3.67%
August			6,091,596,000	406,592,177	6.67%	7.56%	10.76%	-3.20%
September			5,940,022,000	409,734,984	6.90%	7.99%	10.76%	-2.77%
Average						7.70%		-2.82%

Capitalization Per Order

	ER-2007-0002		ER-2008-0318	
	Percent	Weighted Cost	Percent	Weighted Cost
Equity	52.224%	5.330%	52.010%	5.596%
Peferred Stock	2.017%	0.110%	1.740%	0.090%
Lont-Term Debt	44.964%	2.460%	45.530%	2.627%
Short-Term Debt	0.795%	0.040%	0.720%	0.024%
Total	100.000%	7.940%	100.000%	8.337%
Total Ecluding Equity		2.610%		2.741%

Notes:

The Regulatory Return On Equity is calculated using the capitalization and weighted cost from MPSC Case No. ER-2007-0002 through February 2009 and the capitalization and weighted cost from MPSC Case No. ER-2008-0213 starting in March 2009.

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