

Exhibit No.: 209
Issue: Depreciation
Witness: Guy C. Gilbert, PE, RG
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2008-0318
Date Testimony Prepared: October 14, 2008

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

GUY C. GILBERT, MS, PE, RG

UNION ELECTRIC COMPANY d/b/a

AMERENUE

CASE NO. ER-2008-0318

*Jefferson City, Missouri
October 2008*

*STAFF Exhibit no. 209
Case No(s) ER-2008-0318
Date 11-24-08 Rptr KF*

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OF
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UNION ELECTRIC COMPANY d/b/a
AMERENUE
CASE NO. ER-2008-0318

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1 testimony filed on behalf of OPC that AmerenUE's current depreciation rates for its nuclear
2 production plant accounts should be reduced to account for a postulated overaccrual of
3 depreciation reserve attributable to those accounts.

4 That postulated overaccrual is based on the Commission's determination in
5 AmerenUE's last rate case, Case No. ER-2007-0002, to use, for depreciation purposes, a
6 sixty-year life for AmerenUE's Callaway Nuclear Power Station Unit 1 rather than the
7 forty-year life that had been used until then. Mr. William W. Dunkel proposes the
8 Commission adjust downward the current depreciation rates for AmerenUE's nuclear
9 production plant accounts on the premise that there is now an excess in AmerenUE's
10 depreciation reserve because in the past depreciation reserve attributable to AmerenUE's
11 nuclear production plant accounts was based on a forty-year life rather than a sixty-year life
12 and, therefore, AmerenUE's depreciation reserve is now too high. The difference between
13 OPC and the current annual depreciation accrual in the present case is a reduction in the
14 nuclear plant accounts depreciation accruals of approximately \$7,063,093. Although this
15 difference is material in itself from a stand-alone rate case adjustment perspective, it amounts
16 to much less than what is even remotely close to a significant minority of the total annual
17 accrual amount.

18 Q. What is the Staff's response?

19 A. It is the Staff's recommendation that a change in depreciation accrual of this
20 magnitude should only be made in the context of a complete depreciation study when the over
21 or under accrual of the depreciation reserve can be examined for all of the plant accounts.
22 The Staff does not believe a change in depreciation rates for one type of plant that results in a
23 reduction of \$7 million out of an annual depreciation accrual of over \$300 million for all plant

1 accounts is appropriate without the full review that occurs during a complete depreciation
2 study.

3 Q. What is Staff's recommendation in the current case?

4 A. Without having conducted a depreciation study of all the accounts of
5 AmerenUE's investment, it is premature to make any changes to depreciation. Staff is
6 concerned that a reduction in depreciation accrual now as proposed by OPC may be
7 premature given the risk of reducing the accrual for nuclear plant accounts now to only
8 discover in the near future in the context of a full depreciation study that depreciation rates
9 need to be increased.

10 **POSITION**

11 Q. When does the Staff believe it would be appropriate to conduct a complete
12 depreciation study?

13 A. A complete depreciation study requiring an actuarial analysis of the complete
14 mortality records for all plant account assets owned by the company was performed in
15 AmerenUE's last rate case, ER-2007-0002. The depreciation rates that resulted from that case
16 have only been in affect since June 1, 2007, less than 17 months. The total amount of plant in
17 service exceeds \$11.6 billion of which the nuclear plant accounts are \$2.7 billion, or only
18 about 23%. An analysis of only 23% of Ameren's plant accounts and 19% of the annual
19 depreciation accrual does not yield a complete picture of the Company's net depreciation
20 requirements.

21 Furthermore, I do not believe it is a timely use of resources to conduct a complete
22 depreciation study in the current rate case. By Commission Rule the Company is required to
23 submit a depreciation study within at least three years of the filing of a rate case or at a

1 minimum every five years. In the absence of an event that would significantly change the
2 annual depreciation accrual, the Staff believes the frequency required by the Commission
3 Rule is sufficient. During my tenure as a Commission Staff member, I am not aware of the
4 Commission having changed depreciation rates outside the context of a full and
5 comprehensive depreciation study unless so mandated by law.

6 **OBSERVATIONS**

7 Q. Are there any other observations that you would like to make at this time?

8 A. AmerenUE is engaged in investing (in aggregate) hundreds of millions of
9 dollars for new and enhancement upgrades across its production fleet, and transmission and
10 distribution systems. Part of this capital investment is AmerenUE's Project Power On. This
11 single project (currently underway) will increase AmerenUE's depreciable plant by nearly
12 \$800 million. This amount of plant investment alone, based on a current composite
13 depreciation rate of 2.7% for all plant accounts, will soon result in a requirement of some
14 \$21.6 million of additional annual depreciation accrual. This emerging requirement for
15 additional depreciation accruals is roughly treble the reduction in depreciation accruals
16 proposed by OPC in the current case. The Staff sees this continuing significant investment by
17 the Company and the resulting affect on the annual depreciation accrual as further evidence
18 that only a complete review of all the plant accounts is appropriate.

19 **SUMMARY**

20 Q. Would you summarize your testimony for the record?

21 A. Yes, it is my testimony that it is premature to only adjust depreciation rates for
22 some accounts based on a partial analysis without benefit of a complete depreciation study,

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1 particularly given the knowledge that there will soon be very significant plant additions to
2 other plant accounts.

3 Q. Does this conclude your prepared rebuttal testimony?

4 A. Yes, it does.

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CASE PARTICIPATION

**GUY C. GILBERT,
MS, PE, RG**

Date Filed	Issue	Case Number	Exhibit	Case Name
17-Jun-94	Modernization	TO-93-309		Farber Telephone
17-Nov-95	Certificate (Sewer) - Case dismissed	SA-94-54		Osage County Water (sewer)
01-Oct-94	Certificate	GA-94-127		Southern MO Gas Company
12-Oct-94	Transfer of assets	GM-94-252		Missouri Public Service
30-Aug-94	HB 360 & extr. ret.	TAO 992		Holway Telephone
30-Aug-94	Extraordinary retirement amortization	TAO 993		New Florence Telephone
03-Jan-95	Waiver from Rule	GO-95-104		Fidelity Natural Gas
11-Jul-95	Purchase of GTE exchanges	TM-95-134		Ozark Telephone
11-Jul-95	Purchase of GTE exchanges	TM-95-135		BPS Telephone
11-Jul-95	Purchase of GTE exchanges	TM-95-142		Modern Telecommunications
19-Sep-95	General rate case	WR-95-145		St. Louis County Water
11-Jul-95	Purchase of GTE exchanges	TM-95-163		Cass County Telephone
22-Mar-96	Certificate	SA-96-40		Taneycomo Highlands (Sewer)
14-Feb-96	Certificate	SA-96-91		S.T. Ventures (Sewer)
09-May-96	Certificate (Water & Sewer)	WA-96-96		Emerald Pointe Utilities
24-Sep-96	Certificate	GA-96-264		Ozark Natural Gas
31-Jul-96	General rate case (Water)	WR-96-407		Taney County
16-Jan-96	Depreciation rates & amortization	TAO 998		Fidelity Telephone
16-Jan-96	Depreciation rates & amortization	TAO 999		Bourbeuse Telephone
31-Jan-96	Depreciation rates	TAO 1001		Northeast Missouri Rural Tel

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15-Nov-96	Variance from prior order	GO-97-30		Southern Missouri Gas
12-Dec-96	HB360 rates	TAO 1004		Kingdom Telephone
31-Jan-97	Extraordinary retirement of COE	TAO 1005		Iamo Telephone
28-Mar-97	Depreciation of Plant	EC97362	Direct	UtiliCorp United, Inc. d/b/a MO Public Service
28-Mar-97	Depreciation of Plant	EO97144	Direct	UtiliCorp United, Inc. d/b/a MO Public Service
16-Sept-97	Depreciation of Plant	ER97394	Direct	Missouri Public Service, A Division of UtiliCorp United, Inc.
30-Sept-97	Sale of Plant	GM97435	Rebuttal	Missouri Public Service, A Division of UtiliCorp United, Inc.
17-Oct-97	Depreciation of Plant	ER97394	Rebuttal	UtiliCorp United, Inc. d/b/a MO Public Service
21-Nov-97	Amortization of accounts, Depreciation, Depreciation Recommendations	ER97394	Surrebuttal	UtiliCorp United, Inc. d/b/a MO Public Service
15-May-98	Depreciation	GA98227	Rebuttal	Ozark Natural Gas Company, Inc.
8-Oct-98	Depreciation of Plant	EC98573	Direct	St. Joseph Light and Power Company
30-Nov-98	Depreciation of Plant	WA97410	Rebuttal	George Hoesch
13-May-99	Depreciation of Plant	ER99247	Direct	St. Joseph Light & Power Company
13-May-99	Depreciation of Plant	EC98573	Direct	St. Joseph Light & Power Company
8-Aug-2000	Depreciation of Plant	GR2000512	Direct	Union Electric Company d/b/a AmerenUE
4-Nov-04	Depreciation of Plant	ER-2004-0570	Rebuttal	The Empire District Electric Company
18-May-05	Minimum Depreciation Rates	TU-2005-0358	Staff Recommendation	Alma Telephone Company
5-Jan-06	Minimum Depreciation Rates	TO-2006-0239	Staff Recommendation	Miller Telephone Company
11-Sept-06	Depreciation of Plant	GR-2005-0387	Direct	Atmos Energy Company

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11-Dec-06	Depreciation of Plant	GR-2005-0422	Rebuttal	Missouri Gas Energy
31-July-07	Depreciation of Plant	WR-2007-0216	Surrebuttal	Missouri-American Water Company
11-Sept-08	Depreciation of Plant	IO-2009-0032	Recommendation	Citizens Telephone Company

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PROFESSIONAL EXPERIENCE

*State of Missouri, Public Service Commission
Utility Regulatory Engineer I, 1994 -2000, 2004-present*

Prepare depreciation studies, cost studies, valuations and engineering analysis of utility assets.

Conduct special projects in conjunction with the FCC and the FERC.

*Linn State Technical College
Chair, Civil / Construction Engineering Management Technology Department
Director, Material and Safety Institute
2000 - 2004*

Department Chair and faculty instructor for courses in civil engineering technology, construction methods and techniques, surveying, engineering economics, materials, material testing, estimating, scheduling and project management.

Directed and managed activities of the Material and Safety Institute that provides resources and training for business and industry in the areas of quarry/materials acceptance certification as mandated by the Federal Highway Administration and OSHA/MSHA safety training.

*State of Illinois, Department of Energy and Natural Resources
Project Engineer 1991 - 1994*

Managed Clean Coal Technology Demonstration projects; often in concert with U.S.DOE projects. Represented Illinois in over \$1.1 billion of projects ranging from pre-combustion technologies to combustion and post combustion technologies. Performed cost benefit analysis of the environmental and economic impacts and procured benefits to the state.

*CW3M Company, Inc.
Consulting Project Engineer 1993 -1994 (part time contract)*

Conducted geotechnical evaluation of leaking underground storage tank sites. Designed equipment for containment and treatment of contaminated ground water.

*Illinois Commerce Commission
Management Analyst 1988 - 1991*

Managed consultant conducted comprehensive management audits of operational aspects of public utilities. Assessed least cost planning programs of public utilities and provided recommendations on risk assessment and cost estimating of various externalities. Have reviewed and provided recommendations to utilities within the management function

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areas of Operations, Operations Planning, Power Production (fossil and nuclear), Fuels Management (fossil and nuclear), Transmission and Distribution (electric and gas), Engineering and Construction (electric, gas, and telephone), Gas Supply, Network Operations Planning, Network Operations and Information Services.

Freeman United Coal Mining Company (General Dynamics)
Assistant to the Superintendent 1982 - 1987

Produced annual mining plans and budget for 2+ million ton per year underground mining facility. Assessed geologic aspects of the mine environment to optimize safety and productivity. Prepared economic feasibility studies and justification for new and alternative capital expenditures. Developed and implemented microcomputer based on site operations information systems encompassing maintenance, materials, manpower, and costs. Administered UMWA-BCOA Labor Agreement: grievance procedures, attendance control and benefits programs. Special projects involving production methods, structures, ventilation, and materials engineering. Provided certification of operating compliance with Federal and State regulations as required.

Peabody Coal Company
Coal Miner, UMWA 1976-1980

EDUCATION:

Bachelor of Science Economics, University of Missouri-Rolla
Bachelor of Science Mining Engineering, University of Missouri-Rolla
National Science Foundation Research Grant participant (NSF GY 9841)
Master of Science, Career & Technology Education, Central Missouri State University
Graduate Speaker, Central Missouri State University
Outstanding Graduate Student Leadership Award, Central Missouri State University

Advisory Board Member, Economics & Finance Department, University of Missouri-Rolla
Facilities and Planning Committee for construction of Calvary Lutheran High School
School Board Member Trinity Lutheran Grade School

Continuing Education

Management Analyst Training
Basic Depreciation Concepts
Models Used In Life and Salvage Studies
Forecasting Life and Salvage
Advanced Topics in Analysis and Forecasting
Business and Technical Writing
Communicating Effectively
Auditing in Telecommunications
Introduction to EDP Auditing

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Network Certification
Asbestos Training for Maintenance Employees, #40 CFR 763.92(a)(2)(i thru iv)
Red Cross First Aid Adult/AED/Child/Infant CPR Instructor, Expired
Redirecting Employee Performance
Basic Supervision
Humboldt Radiation Safety Training Class

CERTIFICATIONS:

by United States Department of Labor

Noise Level Testing
Dust Sampling
Dust Sampling Equipment Calibration
Electricity Low/Medium/High Voltage, Expired
Dam and Refuse Impoundment Inspector
Dam and Refuse Impoundment Inspection Instructor
OSHA Safety Instructor (10 & 30 Hour), Expired

by State of Missouri

State Board of Geologist Registration, member
Registered Professional Engineer, No. EN 026908
Registered Professional Geologist, No. RG 0976
SAVE/SEMA Structural Inspector I
Vocational Teaching Certificate, No. 0238934
Department of Transportation, Trainer Certified Materials Technician Level 1
Department of Transportation, Trainer Certified Level 2 Aggregate
Department of Transportation, Trainer Certified Level 2 Soils
Department of Transportation, Trainer Certified Level 2 Concrete
Department of Transportation, Trainer Certified Profilograph

by State of Illinois

Mine Manager, No. 6634
Mine Examiner, No. 10324
Electrical Hoisting Engineer, No. 2427
Sewage Treatment Plant Operator, Class K
Industrial Wastewater Treatment Works Operator, Class K
State of Illinois Mine Rescue Team, Springfield Station, No. 2
Certified Benchman for Mine Rescue Equipment
Emergency Medical Technician-Ambulance, Expired

Demonstration Projects

- Energy & Environmental Research Corporation - Hennepin Station (GR-SI)
- Energy & Environmental Research Corporation - City Water Light and Power

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- Pircon-Peck Process - Western Illinois University
- Combustion Engineering - Integrated Gasification Combined Cycle (IGCC) - City Water, Light and Power Springfield
- Southern Illinois University Refurbishment Repowering Project
- Tecogen's Development and Testing of a Commercial Scale Coal-Fired Combustion System - Illinois Coal Development Park
- TCS Incorporated's Micronized Coal System at Rochelle Municipal Utilities
- IGT - Kerr-McGee MildGas
- Radian's Characterization of Disposed Wastes from Advanced Coal Combustion Residues

Investigations

- NovaCon Sorbent: U.S. DOE and EERC
- Sargent & Lundy Combustion 2000:
- Tecogen: moving bed copper oxide flue gas cleaning process
- Air Purification's RotorFilter Technology:
- Tampa Electric Company: Use of Illinois high sulfur coal

Management Audits

Central Illinois Light Company, Peoria, Illinois
Commonwealth Edison, Chicago, Illinois
GTE Telephone Company, Dallas, Texas
GTE Data Systems, Tampa Florida