

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

In the Matter of Union Electric Company d/b/a)
AmerenUE for Authority to File Tariffs)
Increasing Rates for Electric Service Provided)
to Customers in the Company's Missouri)
Service Area)

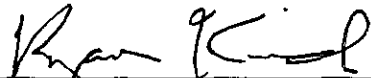
Case No. ER-2008-0318

AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ryan Kind, of lawful age and being first duly sworn, deposes and states

- 1 My name is Ryan Kind. 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




Ryan Kind

Subscribed and sworn to me this 5th day of November 2008



JERENE A. BUCKMAN
My Commission Expires
August 10, 2009
Cole County
Commission #05754036



Jerene A. Buckman
Notary Public

My commission expires August 10, 2009

SURREBUTTAL TESTIMONY
OF
RYAN KIND
UNION ELECTRIC COMPANY
CASE NO ER-2008-0318

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

2 A Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P O Box 2230
3 Jefferson City, Missouri 65102.

4 **Q** **ARE YOU THE SAME RYAN KIND THAT HAS PREVIOUSLY FILED DIRECT TESTIMONY IN**
5 **THIS CASE REGARDING REVENUE REQUIREMENT ISSUES AND DIRECT TESTIMONY**
6 **REGARDING CLASS COST OF SERVICE (CCOS) AND RATE DESIGN ISSUES AND**
7 **REBUTTAL TESTIMONY REGARDING REVENUE REQUIREMENT AND RATE DESIGN**
8 **ISSUES?**

9 A. Yes

10 **Q.** **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A The purpose of this testimony is (1) to address the rebuttal testimony of various witnesses
12 regarding the Class Cost of Service issue and (2) to respond to the rebuttal testimony
13 remarks of Union Electric Company (UE) witness Shawn Schukar in the areas of off-
14 system sales (OSS) margins on asset-based and non-asset based wholesale power
15 marketing transactions and the imputation of OSS margins to hold customers harmless
16 from the impacts of UE's Faurm Sauk disaster. This testimony includes the results of an
17 updated OPC class cost of service study.

Surrebuttal Testimony of
Ryan Kind

1
2 I. Class Cost of Service (CCOS) Study

3 **Q DID UE AND OTHER PARTIES IN THIS CASE PROVIDE COMMENTS ON THE CCOS**
4 **STUDY THAT YOU PRESENTED IN YOUR DIRECT TESTIMONY REGARDING CCOS AND**
5 **RATE DESIGN ISSUES?**

6 **A** Yes CCOS witnesses from UF (William Warwick and Wilbon Cooper) Staff (David
7 Roost MILEC (Maurice Brubaker) Noranda (Donald Johnstone) and the Commercial
8 Group (Richard Baudino) criticized some of the analytical approaches that OPC used in
9 its CCOS study

10 **Q. HAVE ANY OF THE PARTIES RAISED ADDITIONAL ISSUES ABOUT OPC'S CCOS STUDY**
11 **BEYOND THOSE THAT WERE RAISED IN THE ABOVE CITED REBUTTAL TESTIMONY?**

12 **A** Yes In UE's third series of data requests to OPC that were issued last week UE raised
13 as additional issue about the financial data that OPC used in its study

14 **Q PLEASE EXPLAIN THE ISSUE ABOUT OPC'S CCOS STUDY THAT WAS RAISED BY UE'S**
15 **RECENT DATA REQUEST**

16 **A** DR No UE-OPC 21 requests information regarding the manner in which OPC's CCOS
17 study used financial data in the areas of Depreciation Expense, Gross Plant and
18 Depreciation In DR No UE-OPC 21 UE implies that OPC has used data from a test
19 year ending June 30 2006 rather than utilizing data pertinent to the test year for the
20 current rate case

Surrebuttal Testimony of
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1 **Q. HAVE YOU REVIEWED THE WORKPAPERS THAT SUPPORT OPC'S CCOS STUDY IN**
2 **RESPONSE TO ISSUES RAISED IN REBUTTAL TESTIMONY AND TO SEE IF YOU**
3 **INADVERTENTLY USED FINANCIAL DATA FROM A TEST YEAR ENDING JUNE 30, 2006**
4 **RATHER THAN UTILIZING DATA PERTINENT TO THE TEST YEAR FOR THE CURRENT**
5 **RATE CASE?**

6 **A. Yes. I have reviewed the workpapers for OPC's CCOS study and I did not find the old**
7 **test year data that UE alleged was used in OPC's study in this case**

8 **Q. THERE HAVE BEEN TWO "SETTLEMENT/TECHNICAL" CONFERENCES IN THIS CASE**
9 **SINCE THE TIME THAT DIRECT CCOS TESTIMONY WAS FILED IN THIS CASE. DID UE**
10 **RAISE ANY OF THESE CCOS ISSUES DURING THOSE CONFERENCES?**

11 **A. No. Mr. Kind was available to discuss his CCOS study and supporting workpapers at the**
12 **two technical conferences but UE did not make any inquiries about OPC's CCOS study**
13 **and supporting workpapers at that time**

14 **Q. DO YOU HAVE ANY OTHER REMARKS ABOUT OPC'S CCOS STUDY?**

15 **A. Yes. As I was reviewing the workpapers for my CCOS study in response to issues raised**
16 **in rebuttal testimony and to see if I inadvertently used data from a test year ending June**
17 **30, 2006 rather than utilizing data pertinent to the test year for the current rate case, I**
18 **noticed that the class cost of service allocator (allocator number 5 in OPC's CCOS**
19 **workpapers) did not pull in all of the cost data that I had intended for it to use in making**
20 **the CCOS allocator calculator. I then changed the calculations that were made to create**
21 **this allocator so that it included additional cost input data after becoming aware of the**
22 **problem with the CCOS allocator. Changes to the cost input data for this calculator had a**
23 **small impact on the value of this allocator for the classes that were used in my study**

Surrebuttal Testimony of
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1 **Q DID THE CHANGE IN THE VALUE OF THIS ALLOCATOR CAUSE A CHANGE IN THE**
2 **RESULTS OF OPC'S CCOS STUDY?**

3 A Yes. The changed value for the CCOS allocator caused small changes in the results
4 calculated in OPC's CCOS study when either the time of use (TOU) or 4CP Average and
5 Peak (A & P) production cost allocator is used. The revised results of OPC's study are
6 presented in Attachment A. Tables 1 and 2 in Attachment A contain updated results that
7 replace the results shown Tables 1 and 2 on page 6 of my direct testimony regarding
8 CCOS and rate design issues.

9 **Q HAVE THE REVISED RESULTS OF OPC'S CCOS STUDY CAUSED YOU TO CHANGE THE**
10 **RATE DESIGN RECOMMENDATION THAT YOU MADE ON PAGE 7 OF YOUR DIRECT**
11 **TESTIMONY?**

12 A No. Based on the results of OPC's revised CCOS study, I still do not believe any revenue
13 neutral class shifts should be made in this case.

14 II. Financial Hedging - Net Margins

15 **Q BEGINNING AT LINE 12 ON PAGE 22 AND CONTINUING THROUGH PAGE 26 OF HIS**
16 **REBUTTAL TESTIMONY, UE WITNESS SHAWN SCHUKAR ADDRESSED OPC'S**
17 **RECOMMENDATION ABOUT INCLUDING UE'S FINANCIAL NET MARGINS IN THE**
18 **CALCULATION OF UE'S TOTAL NET MARGINS IN THE OFF-SYSTEM SALES (OSS) AREA.**
19 **WHAT IS YOUR RESPONSE TO MR. SCHUKAR'S COMMENTS?**

20 A Mr. Schukar strenuously objects to including any of the margins that UE reflects in its
21 calculation of Financial Hedging - Net Margins on its Performance Scorecards for its
22 power marketing operations. Mr. Schukar goes on to mischaracterize my testimony by
23 accusing me at line 18 on page 23 of misrepresenting the budgeted value added

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1 number. Mr. Schukar further states that he is misrepresenting that number because it is
2 not an additional budgeted item over and above the off-system sales that were already
3 budgeted.”

4 **Q. DID YOU MAKE STATEMENTS IN YOUR DIRECT TESTIMONY CLAIMING THAT THE**
5 **FINANCIAL HEDGING – NET MARGINS WERE “AN ADDITIONAL BUDGETED ITEM OVER**
6 **AND ABOVE THE OFF-SYSTEM SALES THAT WERE ALREADY BUDGETED?”**

7 **A.** No. It appears that Mr. Schukar should have read my direct testimony on this subject
8 more closely. My direct testimony stated at line 1 on page 9 that

9 if the Commission decided to use the OSS margins on energy sales from
10 either the Staff’s or the Company’s production cost models as part of the
11 basis for determining UE’s current period revenue requirement in this
12 case, then it needs to add additional margins on energy sales to reflect the
13 additional earnings that UE’s Asset Management & Trading group (in
14 2008 this internal UE group began performing the wholesale marketing
15 functions formerly done at Ameren Energy) is making through forward
16 sale wholesale transactions and financial hedging.

17 Despite Mr. Schukar’s allegations to the contrary, my testimony does not recommend
18 adding UE’s Financial Hedging – Net Margins to the figures that UE has for its 2008
19 budget or UE’s April 15, 2008 reforecast of its 2008 budget. Instead, the approach that I
20 recommended in my direct testimony was to either use UE’s April 15, 2008 reforecast of
21 its 2008 budgeted Gross Margin in the OSS area or, if the Commission chose instead to
22 rely on either the Staff or Company fuel model runs for the determination of energy
23 margins from OSS, then it should add the Financial Hedging – Net Margin average
24 amount for 2006 and 2007 to these OSS energy margins. I emphasized this approach
25 again in my direct testimony at line 21 on page 9 where I stated that these 2006 and 2007
26 figures represent “earnings in the OSS area that will not be reflected in the production
27 cost model calculations performed by Staff and UE.”

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1 **Q** **AT LINE 14 ON PAGE 24 OF HIS TESTIMONY, MR SCHUKAR STATES "THIS FINANCIAL**
2 **MARGIN – THE VALUE ADDED BY AM & T REFLECTED ON THE 2006 AND 2007**
3 **SCORECARDS MR KIND REFERENCES HAS ALREADY BEEN INCLUDED IN MY**
4 **RECOMMENDED LEVEL OF OFF-SYSTEM SALES." DO YOU AGREE WITH THIS**
5 **STATEMENT?**

6 **A** No. There is at least one component of the Financial Hedging - Net Margins figures for
7 2006 and 2007 that are not included in Mr. Schukar's recommended level of off-system
8 sales. Mr. Schukar's responses to OPC DR Nos. 2165 and 2166 (see Attachment B)
9 admitted that the short-term and long-term non-asset based (Spec) trading components of
10 Financial Hedging - Net Margins are not included in his recommended level of off-
11 system sales.

12 **Q.** **HOW DID YOU DISCOVER THAT UE'S CALCULATION OF FINANCIAL HEDGING – NET**
13 **MARGINS INCLUDES A NON-ASSET BASED (SPEC) TRADING COMPONENT?**

14 **A** UE's responses to OPC DR Nos. 2107 and 2112 (See Attachment C) listed the various
15 components that are included in the Financial Hedging - Net Margins category and both
16 responses included non-asset based (Spec) trading. The response to OPC DR No. 2112
17 listed the following components that are included in the Financial Hedging – Net Margins
18 category for UE's Asset Management & Trading (AM & T) group:

- 19 • Long Term Dynamic
- 20 • Long Term Spec
- 21 • Short Term Spec
- 22 • Short Term Hedge Financial
- 23 • Short Term Hedge Physical
- 24 • Real Time
- 25 • Basis

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- 1 • Capacity Sales
- 2 • Ancillary Sales
- 3 • Sioux Coal Blending Savings
- 4 • Regulation Optimization
- 5 • Real Time CTG Management and
- 6 • CTG Congestion Management

7 **Q IN YOUR DIRECT TESTIMONY, YOU DISCUSSED THE OSS MARGINS THAT UE MAKES**
8 **FROM ITS SPECULATIVE (NON-ASSET BASED) TRADING ACTIVITIES ON PAGES 10 AND**
9 **11. HAS YOUR RECOMMENDATION FOR REFLECTING THESE MARGINS IN UE'S**
10 **REVENUE REQUIREMENT CHANGED SINCE THE TIME THAT YOUR DIRECT TESTIMONY**
11 **WAS FILED?**

12 **A Yes** In my direct testimony, I stated at the top of page 11 that

13 Public Counsel is not making that recommendation [to include margins
14 from non-asset based trading in UE's revenue requirement] at this time
15 and we are still exploring the issue. We do however dispute UE's
16 contention in its response to OPC DR No. 67 that these revenues and
17 expenses should be excluded from consideration in Missouri PSC rate
18 cases because of UE's assertion that there is a FERC regulation that
19 requires "below the line" treatment in FERC proceedings.

20 After learning more about this issue, and seeing that the margins from these activities are
21 not being included in UE's recommended level of off-system sales despite Mr. Schukar's
22 mistaken assertion at line 14 on page 24 of his rebuttal testimony, I am now
23 recommending that the margins associated with UE's non-asset based trading activities
24 be included in the calculation of OSS margins for UE's revenue requirement in this case.
25 The statement that I made in my direct testimony at line 10 on page 9 about the earnings
26 generated from UE's AM & T group in the Financial Hedging - Net Margins category is
27 also applicable to this component of that category. Beginning at line 10 on page 9 of my
28 direct testimony I stated

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1 These earnings are generated by UE employees using regulated utility
2 facilities that are also supported by revenues from ratepayers

3 The questions that I raised at lines 10 - 20 on page 10 of my rebuttal testimony should
4 also be addressed if UE attempts to shield the non-asset based trading portion of its
5 margins in the OSS area from inclusion in its revenue requirement by asserting that this
6 part of its UE operations is not subject to cost of service regulation by the Missouri
7 Commission

8 **Q WHAT IS THE AMOUNT OF MARGINS FROM UE'S NON-ASSET BASED TRADING**
9 **ACTIVITIES THAT OPC RECOMMENDS BE INCLUDED IN THE CALCULATION OF OSS**
10 **MARGINS FOR UE'S REVENUE REQUIREMENT IN THIS CASE?**

11 A Public Counsel recommends that ** ** be included as the margins from UE's
12 non-asset based trading activities. This figure represents the non-asset based trading
13 margins that UE has actually generated for the year ending September 30, 2008. I
14 calculated this annual amount from the spreadsheet titled "OPC 2178 and 2179.xls" that
15 UE provided in its responses to OPC DR Nos. 2178 and 2179. The response to OPC DR
16 No. 2178 contains this spreadsheet and is attached as Attachment D. Attachment E
17 shows the calculation that I made to sum the amounts of monthly non-asset based trading
18 margins for the year ending September 30, 2008.

19 **Q IS PUBLIC COUNSEL STILL RECOMMENDING THAT AN AVERAGE OF THE 2006 AND**
20 **2007 AMOUNTS FOR THE OTHER COMPONENTS FINANCIAL HEDGING - NET MARGINS**
21 **CATEGORY BE ADDED TO THE FUEL RUN ESTIMATES OF OSS MARGINS FROM ENERGY**
22 **SALES?**

23 A No. While OPC still believes that the margins from the other components of the
24 Financial Hedging - Net Margins category should be reflected in UE's revenue

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1 requirement, we believe that additional time and information is required to assess all of
2 the different components to make sure that they would not already be reflected in UE's
3 revenue requirement through fuel run estimates of OSS margins from energy sales
4 OPC's decision to drop our recommendation with respect to the components of Financial
5 Hedging -- Net Margins other than the non-asset based trading component has also been
6 influenced by our decision to recommend that the Commission use actual OSS margin
7 results from the year ending September 30, 2008 in place of OPC's prior direct testimony
8 proposal to use UE's 2008 budget projections for OSS margins

9 III. Overall OSS Margins

10 **Q. DID MR. SCHUKAR ADDRESS OPC'S RECOMMENDATION TO USE AN UPDATED UE**
11 **OSS BUDGET PROJECTION IN HIS REBUTTAL TESTIMONY?**

12 A Yes beginning at line 8 on page 10 and continuing through page 14, Mr Schukar
13 addresses the recommendations made by OPC and by MIEC to use UE's budget
14 projections for OSS margins in 2008. In his testimony, Mr Schukar cites a number of
15 issues that he has with using UE's budget projections including (1) the small mismatch
16 between calendar year 2008 budget information and the historical test year and true up
17 period and (2) the uncertainty of the budgeted values. As I read Mr Schukar's statement
18 at line 21 on page 10 of his rebuttal testimony, it became clear that he did not fully
19 understand the OPC proposal that he was attempting to criticize. At line 21 he stated

20 I will address the **energy sales** recommendations of Mr Dauphinais and
21 Mr. Kind, now, and will address Mr Kind's proposed miscellaneous
22 additions later in my rebuttal testimony [Emphasis added]

23 Somehow Mr Schukar interpreted OPC's proposal to use of UE's overall OSS budget
24 estimate as a proposal to use the 2008 budget estimate solely as a measure of the **energy**
25 sales portion of UE's OSS margins. This is mistaken. My direct testimony contained

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1 proposals for adding additional current period margins from capacity sales (see page 8
2 line 16) and Financial Hedging Net Margins (see page 9 line 21) **only** if the
3 Commission chose to use results from the Staff or Company's fuel model rather than
4 using the overall budgeted OSS margin figure being recommended by OPC.

5 **Q PLEASE DESCRIBE OPC'S NEW PROPOSAL FOR CALCULATING THE CURRENT PERIOD**
6 **OSS MARGINS THAT SHOULD BE REFLECTED IN UE'S REVENUE REQUIREMENT IN THIS**
7 **CASE.**

8 A OPC recommends that current period OSS margins be based on the overall level of
9 **actual** margins that UE earns for the year ending September 30, 2008 adjusted for the
10 energy and capacity OSS margins forgone due to the Taum Sauk outage.

11 **Q. HOW DOES OPC RECOMMEND THAT THE CURRENT PERIOD OSS MARGINS BE**
12 **CALCULATED?**

13 A OPC recommends calculating these margins in the same manner that UE uses to calculate
14 margins on the performance scorecards for the AM & T group. UE's response to OPC
15 DR No. 2109 (See Attachment F) describes how the AM & T margin is calculated. UE's
16 response to OPC DR No. 2109 states:

17 The AM&T Gross Margin is calculated as revenues minus cost from all
18 of the following activities: excess sales of generation after native sales,
19 bilateral net sales, swaps, options, capacity net sales, and non-asset based
20 trading.

21 **Q. WHAT AMOUNTS WOULD NEED TO BE ADDED TO THE AM&T GROSS MARGIN IN**
22 **ORDER TO MAKE ADJUSTMENTS FOR THE ENERGY AND CAPACITY OSS MARGINS**
23 **FORGONE DUE TO THE TAUM SAUK OUTAGE?**

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1 A OPC recommends that (1) the difference between the value of OSS energy margins
2 calculated by the Staff or Company fuel runs done with and without Taum Sauk be used
3 for the forgone energy margins and (2) the Taum Sauk hold harmless adjustment shown
4 in Table 2 on Attachment C to my direct testimony ** **, be added to reflect
5 the forgone current period capacity sales due to the Taum Sauk outage

6 **Q. WOULD OPC'S PRIOR PERIOD TAUM SAUK HOLD HARMLESS ADJUSTMENT BE ADDED**
7 **TO THE CURRENT PERIOD OSS MARGIN CALCULATION THAT YOU HAVE DESCRIBED**
8 **ABOVE?**

9 A Yes OPC's recommendation for a prior period Taum Sauk hold harmless adjustment
10 presented in my direct testimony has not changed

11 **Q HAS PUBLIC COUNSEL ATTEMPTED TO OBTAIN THE INFORMATION THAT IS**
12 **NECESSARY TO CALCULATE THE AM & T GROSS MARGIN?**

13 A Yes OPC DR No 2146 requested this information for the year ending September 30,
14 2008 and OPC DR No 2147 requested this same information for the year ending
15 September 30, 2007 UE's response to these DRs (see Attachment C) stated that it had
16 "not performed the requested analysis" for the time period specified in the DRs.

17 **Q WERE YOU SURPRISED BY UE'S RESPONSES TO OPC DR NOS 2146 AND 2147?**

18 A Yes It's difficult to see how UE could have determined whether or not its power
19 marketing group would be eligible to receive incentive compensation without performing
20 the analysis requested by OPC For example, UE's response to OPC DR No 2086
21 included quarterly performance scorecards for UE's power marketing agent, Ameren
22 Energy for the years 2006 and 2007 These scorecards contained quarterly calculations

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1 for Ameren Energy's Gross Margin that presumably were used as the basis for awarding
2 (or not awarding) incentive compensation during those years. OPC will try to resolve this
3 discovery issue with the Company so that we can provide the Commission with an actual
4 figure (not adjusted for the Taum Sauk outage) for UE's OSS margins for the year ending
5 the year ending September 30, 2008.

6 **Q DO YOU HAVE ANY OTHER INFORMATION ABOUT THE METHOD THAT UE USES TO**
7 **CALCULATE THE GROSS MARGIN FIGURES THAT ARE PART OF THE PERFORMANCE**
8 **SCORECARDS FOR AMEREN ENERGY AND THE NEW AM & T DIVISION OF UE?**

9 A Yes. UE's responses to OPC DR Nos. 2106 and 2111 (See Attachment H) show the
10 basic framework that UE uses to perform the calculations of the Gross Margin figures.

11 **Q. DOES OPC HAVE A "PLACEHOLDER" RECOMMENDATION FOR OSS MARGINS WHILE**
12 **IT IS WAITING TO RECEIVE INFORMATION FROM UE IN RESPONSE TO OPC DRs NOS.**
13 **2146 AND 2147?**

14 A I am reluctant to recommend a "placeholder" since there is no comparable calculation
15 that takes a comprehensive look at UE's OSS margins. A "placeholder" would need to
16 take an alternative approach to adding together all of the components in an attempt to
17 gauge OSS margins in a manner as comprehensive as the Gross Margin calculations
18 requested in OPC DRs Nos. 2146 and 2147. The framework for performing these
19 calculations that is shown in UE's response to OPC DR No. 2111 could be used to
20 replicate the calculations that UE performs to determine the comprehensive assessment of
21 OSS margins that is included in the "Gross Margin" figure on AM & T's performance
22 scorecard.

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1 Q. PLEASE DISCUSS SOME OF THE MAJOR COMPONENTS THAT ARE SHOWN IN THE
2 FRAMEWORK FOR CALCULATIONS PROVIDED IN UE'S RESONSE TO OPC DR NO.
3 2111.

4 A First UE's actual OSS revenues and costs associated with its sales of energy, capacity,
5 and ancillary services would need to be determined. UE's third supplemental response to
6 Staff DR No. 0242 contains this information for the year ending September 30, 2008.
7 This response indicates that UE's actual OSS margins for the year ending September 30,
8 2008 was **. ** This figure appears to include actual margins on capacity
9 sales and ancillary services but does not include the additional energy and capacity sales
10 margins that would have been possible if Taum Sauk was still in service. Public Counsel
11 also does not expect this figure to include many of the other components of OSS margins
12 that are included in the category that UE defines as Financial Hedging - Net Margins
13 (e.g. non-asset based trading margins) so some of these components would also probably
14 need to be added to the **. ** figure to arrive at a total that reflects all of
15 the OSS margins for the year ending September 30, 2008.

16 Q. WHY HAS OPC CHOSEN TO CHANGE ITS PROPOSAL FOR OSS MARGINS AT THIS
17 TIME?

18 A This change was made in response to my review of Mr. Schukar's rebuttal testimony
19 regarding the use of budgeted OSS margin data and a review of the Commission's
20 decision about the OSS margin issue in Empire's most recent rate case (Case No. ER-
21 2008-0093). In the recent Empire case, the Commission agreed with Public Counsel that
22 the level of OSS margins earned in the most recent 12-month period (the update period
23 went through February 29, 2008) was the "best indicator of the margins it will likely be
24 able to earn in the coming years" (July 30, 2008 Report and Order in Case No. FR-2008-
25 0093, pages 56 and 57).

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1 Like Empire, UE has experienced a number of recent changes that impact the level of
2 OSS margins it achieves. A couple of those major recent changes include the termination
3 of the joint dispatch agreement (JDA) less than two years ago and the creation of the new
4 AM & T group at the start of 2008. At line 19 on page 22 of his rebuttal testimony, Mr.
5 Schukar states that this new division of UE is "charged with maximizing energy and
6 capacity sales from UE's generating units. Many of the other recent changes that have
7 impacted UE's ability to earn OSS margins were discussed at pages 4 - 6 of my direct
8 testimony in UE's last rate case, Case No. ER-2007-0002. In that direct testimony, I
9 recommended the use of an OSS tracker since UE's recent OSS results would not have
10 been indicative of the level of margins that it was likely to earn in future years. Now that
11 we have a couple of years of experience subsequent to the occurrence of many of the
12 changes that impact UE OSS margins, I am recommending that we reflect the results of
13 that recent experience in UE's revenue requirement.

14 IV. Imputation of Taum Sauk Hold Harmless Capacity Sales

15 **Q WHAT IS YOUR RESPONSE TO THE TESTIMONY OF UE WITNESS SHAWN SCHUKAR**
16 **REGARDING THE CAPACITY SALES ADJUSTMENTS THAT OPC HAS PROPOSED TO**
17 **HOLD CUSTOMERS HARMLESS FROM THE TAUM SAUK DISASTER?**

18 A. Mr. Schukar addresses OPC's **current** period hold harmless adjustment recommendation
19 at pages 20 - 22 of his rebuttal testimony and he addresses OPC's **prior** period hold
20 harmless adjustment recommendation on page 27. He criticizes both of OPC's
21 recommendations based on his argument that since the Company has been unable to sell
22 all of its excess monthly capacity, it does not make sense to assume that UE could make
23 the additional annual sales of capacity that OPC uses as the basis for its current and prior
24 period capacity revenue imputation recommendations. Specifically, at lines 6 through 10
25 on page 21, Mr. Schukar states:

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1 if AmerenUE could not even sell all of its available capacity for the
2 entire year (i.e., from generating units that were in fact in operation), it is
3 obviously unreasonable to assume that the Company could sell additional
4 capacity if the Taum Sauk Plant had been available

5 With regard to OPC's recommended prior period adjustment, Mr. Schukar states at lines
6 4 through 9 on page 27 that

7 At the time AmerenUE made the final calculation of rates on January 1,
8 2007, AmerenUE had not sold all of the capacity that was available for
9 sale in any month. Thus, had Taum Sauk been available at the time of the
10 last rate case, there would not have been any additional capacity sales
11 made, and the rates set in the last rate case would have been exactly the
12 same as the rates that were actually set in that case.

13 **Q. WHAT IS YOUR RESPONSE TO THE LOGIC APPLIED BY MR. SCHUKAR IN THE TWO**
14 **PASSAGES THAT YOU QUOTED IN YOUR PRECEDING ANSWER?**

15 **A.** Mr. Schukar has ignored a couple of important points in the logic that he used to reach the
16 conclusions that UE would not be able to sell additional annual capacity if the
17 Company's 440 MW Taum Sauk facility was still in service. First, Mr. Schukar ignores
18 the fact that having the Taum Sauk unit in service would mean that the Company would
19 have additional capacity to sell during the summer months of June through September
20 when this capacity is most valuable. Second, Mr. Schukar ignores the fact that having the
21 Taum Sauk unit in service would mean that the Company would have additional capacity
22 to package into calendar strip products that provide capacity over a series of months like
23 an annual product or the series of summer months when capacity is most valuable. In
24 addition, Mr. Schukar's argument is premised upon the assumption that the inability to
25 sell all available excess capacity during the spring and fall shoulder months is an
26 indication that UE would not be able to sell more capacity when demands are the highest
27 in the summer and winter months.

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1 **Q. CAN YOU PROVIDE AN EXAMPLE OF ANOTHER PRODUCT OR SERVICE THAT INCREASES**
2 **IN VALUE WHEN IT IS AVAILABLE ON A CALENDAR STRIP BASIS AND DURING THE**
3 **MONTHS WHEN IT IS MOST VALUABLE?**

4 A Yes I will use the example of owning two beach front rental houses in Maine to
5 demonstrate this. Assume that one is available to rent out year round for all twelve
6 months and the other house is available in all months except for July and August. I would
7 expect the house that is available in all 12 months, including the most desirable months of
8 July and August to be much easier to rent. I would not assume that if I had more rental
9 houses that are available in all months I might have difficulty renting some of them just
10 because I had experienced difficulty renting my house that was available in all months
11 except for July and August.

12 Here is another example that is relevant to Mr. Schukat's arguments. Again assume that
13 I have a couple of rental houses and that both houses are rented for the entire year except
14 for the months of November and April. I would not assume that if I had more rental
15 houses that are available in all months I might have difficulty finding someone to rent
16 them during most months of the year just because I had experienced difficulty renting my
17 other houses in the months of November and April.

18 **Q WHEN YOU LOOK AT THE BAR GRAPH THAT APPEARS ON PAGE 21 OF MR.**
19 **SCHUKAR'S TESTIMONY, DOES IT APPEAR THAT THE LACK OF ADDITIONAL CAPACITY**
20 **TO SELL IN JULY AND AUGUST IS LIMITING THE CALENDAR STRIP SALES THAT COULD**
21 **OTHERWISE BE SOLD ON AN ANNUAL OR SEMI-ANNUAL BASIS?**

22 A Yes. The level of calendar strip sales that UE was able to make in months preceding and
23 following July and August appears to be limited by the amount of capacity that UE has
24 available in July and August. I believe that if Taum Sauk were still in service and its

Surrebuttal Testimony of
Ryan Kind

1 capacity was available for sales in July and August of 2006 - 2009, it would enable
2 additional sales of calendar strip capacity products that included these months and other
3 adjoining months.

4 **Q. ARE THERE OTHER ISSUES RELATED OPC'S PRIOR PERIOD TAUM SAUK HOLD**
5 **HARMLESS ADJUSTMENT THAT YOU WOULD LIKE TO ADDRESS?**

6 A. Yes As I mentioned earlier in this testimony, Mr Schukar's argument that the
7 Commission should not approve OPC's adjustment was that as of January 1, 2007 (the
8 end of the UE update period in Case No ER-2007-0002) AmerenUE had not sold all of
9 the capacity that was available for sale in any month. While the above discussion of the
10 attractiveness of calendar strip products goes against the logic that Mr Schukar relies on
11 to assume that it would have made no additional capacity sales even if Taum Sauk was
12 still available, there are some additional factors that limited UE's sale of additional
13 capacity during 2006 and 2007. These additional factors include (1) UE's decision not
14 to participate in the September 2006 Illinois Auction where it could have sold products
15 that combined capacity and energy (like the sales made by its unregulated affiliate
16 Ameren Energy Marketing (AEM)), (2) the limited authority that UE's marketing agent,
17 Ameren Energy, had for selling long term energy and capacity products, (3) the limited
18 experience and counter-party recognition that Ameren Energy had at the time, (4)
19 possible limitations on the effectiveness of Ameren Energy's marketing efforts during
20 2006 due to affiliate conflict of interest issues.

21 **Q PLEASE EXPLAIN THE FIRST ISSUE THAT YOU IDENTIFIED ABOVE REGARDING THE**
22 **ILLINOIS AUCTION.**

23 A It's unclear why Ameren Energy began taking steps to participate in the Illinois auction
24 but then chose not to do so. OPC still has a number of overdue outstanding data requests

Surrebuttal Testimony of
Ryan Kind

1 related to the Illinois Auction so we may need to supplement our testimony in this area
2 UE's response to OPC DR No 2194 (see Attachment I) identified the Ameren personnel
3 that made the decision for UE not to participate in the Illinois auction. However, the
4 information provided in UE's DR response appears to be inconsistent with information
5 that UE provided in response to staff interrogatory request No. 15 in Case No. FR-2008-
6 0015 (see Attachment J).

7 OPC has a concern that since Andy Serrin was the head of both AEM and Ameren Energy,
8 he may have had an incentive to limit the participation in the Illinois Auction so that
9 AEM could try and make sales for the maximum amount of tranches available to Ameren
10 affiliates. AEM was ultimately successful in submitting winning bids for 46 of the
11 maximum 50 tranches that Ameren affiliates could obtain (see page 118 of the December
12 6, 2006 NFRA report to the Illinois Commerce Commission (ICC) available at
13 [http://www.illinois-auction.com/resources/ruling_Auction_Manager_Public_Post-
14 Auction_Report_Dec_6_2006.pdf](http://www.illinois-auction.com/resources/ruling_Auction_Manager_Public_Post-Auction_Report_Dec_6_2006.pdf)). Obviously, if Ameren Energy had been successful in
15 submitting winning bids for more than 4 tranches, it would have limited the number of
16 winning bids that Ameren affiliates could obtain under the Illinois Auction association
17 rules.

18 **Q WHY DO YOU BELIEVE THERE MAY HAVE BEEN AFFILIATE CONFLICT OF INTEREST**
19 **ISSUES DURING 2006?**

20 A The email that I have attached as Attachment K shows that **

21
22
23
24 **

Surrebuttal Testimony of
Ryan Kind

1

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

2

A Yes



Results From OPC's Revised CCOS Study

Table 1 - Results of OPC's CCOS Study Using the TOU Production Allocator

	Res	SGS	LGS/SPS	LPS	LTS	System
Revenue Shift	(\$17,925,385)	(\$23,038,154)	(\$12,638,115)	\$23,910,850	\$30,594,804	\$0
% Revenue Shift	-1.99%	-9.98%	-2.04%	14.70%	23.41%	0.00%

Table 2 - Results of OPC's CCOS Study Using the 4 CP A & P Production Allocator

	Res	SGS	LGS/SPS	LPS	LTS	System
Revenue Shift	(\$1,076,206)	(\$17,289,885)	(\$15,177,269)	\$17,546,269	\$15,997,089	\$0
% Revenue Shift	-0.12%	-7.21%	-2.44%	10.79%	12.24%	0.00%

Ameren's Response to
OPC Data Request
MPSC Case No ER-2008-0318
AmerenUE's Tariff Filing to Increase Rates for Electric Service
Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2165

On page 24 on Shawn Schukar's testimony at lines 14 through 17 he states "This financial margin - the value added by AM&T reflected on the 2006 and 2007 scorecards Mr Kind references (Mr Kind just averages the value added for those two years) - has already been included in my recommended level of off-system sales " Does Mr Schukar believe that his "recommended level of off-system sales" already includes the financial margin associated with the "long term spec" category identified in UE's response to OPC DR No 2112? Please explain your answer

Response

No Margins, whether positive or negative, associated with non-asset based speculative transactions are not included in my recommended level of off-system sales, nor are such transactions modeled, consistent with the treatment in ER-2007-0002

Prepared By Shawn Schukar
Title Vice President, Strategic Initiatives
Date October 21, 2008

Kind Surrebuttal
Attachment B
Page 1 of 2

Ameren's Response to
OPC Data Request
MPSC Case No ER-2008-0318
AmerenUE's Tariff Filing to Increase Rates for Electric Service
Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2166

On page 24 on Shawn Schukar's testimony at lines 14 through 17 he states "This financial margin - the value added by AM&T reflected on the 2006 and 2007 scorecards Mr Kind references (Mr Kind just averages the value added for those two years) - has already been included in my recommended level of off-system sales " Does Mr Schukar believe that his "recommended level of off-system sales" already includes the financial margin associated with the "short term spec" category identified in UE's response to OPC DR No 2112? Please explain your answer

Response

No Margins, whether positive or negative, associated with non-asset based speculative transactions are not included in my recommended level of off-system sales, nor are such transactions modeled, consistent with the treatment in ER-2007-0002

Prepared By Shawn Schukar
Title Vice President, Strategic Initiatives
Date October 21, 2008

Ameren's Response to
 OPC Data Request
 MPSC Case No ER-2008-0318
 AmerenUE's Tariff Filing to Increase Rate for Electrical Service
 Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2107

UE's response to OPC DR No 2086 contains the Ameren Energy Performance Scorecard for December 2007. Please provide a copy of workpapers that show the performance figure for "Financial Hedging- AE Net Margin (\$M)" shown under the column entitled "2007 Performance" in this scorecard is calculated.

Response

A	B	C
1	Year-To-Date 2007	
2	YTD MWh's	YTD Value over Market
3	Margin Before Expenses	
4	Bilaterals Sold	
5	Bilaterals Bought	
6	Trading	
7	Gas Trading (Spark Spreads)	
8	Interface Sales	
9	Bid vs Forecast DA Load	
10	Capacity Sales	
11	Ancillary Sales	
12	Option Premium Collected/(Paid)	
13	Options struck	
14	Real Time CTG Management	
15	Coal Blending	
16	2008 Capacity Sales sold in 2007	
17		
18	Total Margin Before Expenses	=SUM(B4:B16) =SUM(C4:C16)
19	Expenses	
20	MISO Admin on Trading Transactions	
21	AE Transmission Actual	
22	AE Transmission Est	
23	Marginal G&A expense	
24	Trading salaries & expenses	
25	Broker Fees	
26		
27		
28	Total Expenses	=SUM(C21:C27)
29	Other Expenses	
30	FTR Offset	
31		
32		
33	Total Other	=SUM(C31:C32)
34	AE Trading Net Margin	=+C18-C28-C33

Prepared By Shawn Schukar
 Title Vice President, Strategic Initiatives
 Date September 26, 2008

Ameren's Response to
 OPC Data Request
 MPSC Case No ER-2008-0318
 AmerenUE's Tariff Filing to Increase Rate for Electrical Service
 Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2112

UE's response to OPC DR No 2087 contains the AmerenUE Asset Management & Trading Performance Scorecard as of June 30, 2008. Please provide a copy of workpapers that show the performance figure for "Financial Hedging- AM&T Net Margin (\$M)" shown under the column entitled "YTD" in this scorecard is calculated.

Response

A	B	C
		Calculation
	Margin Before Expenses:	
6	Long Term Dynamic	
7	Long Term Spec	
8		
9		
10		
11	Short Term Spec	
12	Short Term Hedge Financial	
13	Short Term Hedge Physical	
14	Real Time	
15	Basis	
16	Capacity 2008	
17	Capacity 2009	
18	Capacity 2010	
19	Ancillary Sales	
20	Sioux Coal Blending Savings	
21	Regulation Optimization	
22	Real Time CTG Management	
23	CTG Congestion Mgmt	
24		
25		
26		
27		
28	Total Margin Before Expenses	=SUM(C6:C23)
29		
30	Expenses:	
31		
32	Miso Admin	
33	Miso RSG charges	
34	PJM Operating Reserves	
35	Marginal G&A expense	
36	Trading salaries and expenses	
37	Broker Fees	
38		
39		
40		
41	Total Expenses	=SUM(C32:C37)
42		
43		
44	Trading Net Margin	=C28-C41

Prepared By Shawn Schukar
 Title Vice President, Strategic Initiatives
 Date September 26, 2008

Kind Surrebuttal
Attachment D
has been deemed
“Highly Confidential”
in its entirety

Kind Surrebuttal
Attachment E
has been deemed
“Highly Confidential”
in its entirety

Ameren's Response to
OPC Data Request
MPSC Case No ER-2008-0318
AmerenUE's Tariff Filing to Increase Rate for Electrical Service
Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2109

UE's response to OPC DR No 2087 contains the AmerenUE Asset Management & Trading Performance Scorecard as of June 30, 2008. Please provide a complete description of how the performance figure for "AM&T Gross Margin (\$M)" shown under the column entitled "YTD" in this scorecard is calculated.

Response

The AM&T Gross Margin is calculated as revenues minus cost from all of the following activities excess sales of generation after native sales, bilateral net sales, swaps, options, capacity net sales, and non-asset based trading.

Prepared By Shawn Schukar
Title Vice President, Strategic Initiatives
Date September 26, 2008

Kind Surrebuttal
Attachment F

Ameren's Response to
OPC Data Request
MPSC Case No ER-2008-0318
AmerenUE's Tariff Filing to Increase Rates for Electric Service
Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2146

Please provide UE's total off-system sales margin for the year ending 9/30/08 which is calculated from revenues minus cost from all of the following activities excess sales of generation after native sales, bilateral net sales, swaps, options, capacity net sales, and non-asset based trading For each of the listed activities, please provide separate figures for the revenues and costs associated with each activity

Response

AmerenUE has not performed the requested calculation for the 12 months ending 9/30/08

Prepared By Shawn Schukar
Title Vice President, Strategic Initiatives
Date: October 22, 2008

Kind Surrebuttal
Attachment G
Page 1 of 2

Ameren's Response to
OPC Data Request
MPSC Case No ER-2008-0318
AmerenUE's Tariff Filing to Increase Rates for Electric Service
Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2147

Please provide UE's total off-system sales margin for the year ending 9/30/07 which is calculated from revenues minus cost from all of the following activities excess sales of generation after native sales, bilateral net sales, swaps, options, capacity net sales, and non-asset based trading For each of the listed activities, please provide separate figures for the revenues and costs associated with each activity

Response

AmerenUE has not performed the requested analysis for the 12 months ending 9/30/07

Prepared By Shawn Schukar
Title Vice President, Strategic Initiatives
Date October 22, 2008

Kind Surrebuttal
Attachment G
Page 2 of 2

Ameren's Response to
 OPC Data Request
 MPSC Case No ER-2008-0318
 AmerenUE's Tariff Filing to Increase Rate for Electrical Service
 Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2106

UE's response to OPC DR No 2086 contains the Ameren Energy Performance Scorecard for December 2007. Please provide a copy of workpapers that show the performance figure for "AE Gross Margin (\$M)" shown under the column entitled "2007 Performance" in this scorecard is calculated.

Response

2007		
A	B	C
ACTUALS		Calculation
4	UEC	
5	Revenues	
6	Hedging	Physical Sales
7		Financial Hedges
8		Financial Options
9	Speculative	Physical Sales
10		Financial Trades
11		FTRs
12	Ancillary	
13	Capacity	
14	Make Whole Payments	
15	Total Revenues	=SUM(D6 D14)
16		
17	Cost of sales	
18	Generated	
19	Purchased	
20	Total Cost of Sales	=SUM(D18 D19)
21		
22	Other Expenses	Transmission Charges
23		Broker Fees
24		
25	GROSS MARGIN	=D15-D20-D22-D23

Prepared By Shawn Schukar

Title Vice President, Strategic Initiatives

Date September 26, 2008

Ameren's Response to
 OPC Data Request
 MPSC Case No ER-2008-0318
 AmerenUE's Tariff Filing to Increase Rate for Electrical Service
 Provided to Customers in the Company's Missouri Service Area

Requested From Ryan Kind

Data Request No OPC 2111

UE's response to OPC DR No 2087 contains the AmerenUE Asset Management & Trading Performance Scorecard as of June 30, 2008. Please provide a copy of workpapers that show the performance figure for "AM&T Gross Margin (\$M)" shown under the column entitled "YTD" in this scorecard is calculated.

Response

2008				
A	B	C		D
	ACTUALS			Calculation
4	UEC			
5	Revenues			
6		Hedging	Physical Sales	
7			MISO DA Sales Bought Back	
8			Financial Hedges	
9			Financial Option Premiums	
10		Speculative	Financial Trades	
11	Make Whole	Payments		
12		Capacity		
13		Total Revenues		=SUM(D6 D12)
14				
15	Cost of sales			
16	Generated			
17	Purchased			
18		Total Cost of Sales		=SUM(D16 D17)
19				
20		Volume		
21		Generated		
22		Purchased		
23		Total Volume		
24				
25	GROSS MARGIN			=D13-D18

Prepared By Shawn Schukar
 Title Vice President, Strategic Initiatives
 Date September 26, 2008

Kind Surrebuttal
 Attachment H
 Page 2 of 2

Kind Surrebuttal
Attachment I
has been deemed
“Highly Confidential”
in its entirety

Kind Surrebuttal
Attachment J
has been deemed
“Highly Confidential”
in its entirety

Kind Surrebuttal
Attachment K
has been deemed
“Highly Confidential”
in its entirety