

Exhibit No:
*Issue: Normalization of Overtime
Costs*
Witness: Roberta A. Grissum
Type of Exhibit: Surrebuttal Testimony
Case No: ER-2008-0318
Date Testimony Prepared: November 5, 2008

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

ROBERTA A. GRISSUM

UNION ELECTRIC COMPANY

dba AMERENUE

CASE NO. ER-2008-0318

Jefferson City, Missouri
November 5, 2008

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1 **SURREBUTTAL TESTIMONY**

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3 **ROBERTA A. GRISSUM**

4 **UNION ELECTRIC COMPANY**

5 **dba AMERENUE**

6 **CASE NO. ER-2008-0318**

7 Q. Please state your name and business address.

8 A. My name is Roberta A. Grissum. My business address is 9900 Page Avenue,
9 Suite 103, Overland, Missouri 63132.

10 Q. Are you the same Roberta A. Grissum who is identified as participating in the
11 preparation of the Cost of Service Report included with the Missouri Public Service
12 Commission (Commission) Staff's (Staff) direct filing in Case No. ER-2008-0318?

13 A. Yes, I am.

14 **EXECUTIVE SUMMARY**

15 Q. What is the purpose of your surrebuttal testimony?

16 A. The purpose of my surrebuttal testimony is to respond to rebuttal testimony
17 filed by Union Electric Company dba AmerenUE (Company or AmerenUE) witness,
18 Lynn M. Barnes, regarding the issues of normalization of overtime hours.

19 **NORMALIZATION OF OVERTIME HOURS**

20 Q. Does Company witness Barnes accurately describe Staff's proposed overtime
21 normalization in her rebuttal testimony?

1 A. No. Ms. Barnes correctly states that Staff recommends normalizing the test
2 year overtime labor costs included in the Company's cost of service by performing a five-year
3 averaging of AmerenUE's overtime labor hours. However, Staff also adjusted the overtime
4 labor to remove costs related to storms and the maintenance that occurs during the refueling
5 of the Callaway I Nuclear Power Plant (Callaway I). Below is a summary of all storm events
6 and refueling events occurring in Calendar Years 2003-2007. Events shaded designate those
7 for which Staff makes an adjustment to the overtime labor hours for purposes of its five-year
8 averaging:

Date of Event	Description of Event
May 2003	Storm
December 2003	Storm
Spring 2004	Callaway Refueling
5/30/04	Storm
7/4/04 & 7/5/04	Storm
8/13/05	Storm
9/19/05	Storm
Fall 2005	Callaway Refueling
3/9/06	Storm
4/2/06	Storm
4/29/06	Storm
6/11/06	Storm
7/19/06	Storm
9/22/06	Storm
11/30/06	Storm
1/13/07	Storm
Spring 2007	Callaway Refueling
8/13/07	Storm
Forecasted for Fall	Callaway Refueling

9
10 Overtime labor costs related to Callaway I refueling maintenance have been
11 separately normalized by both the Company and the Staff in the current and prior AmerenUE
12 rate cases. This normalization of the overtime labor and other maintenance costs is required
13 to recognize that the refueling of Callaway I is not an annual cost, rather it is an event that
14 only occurs every 18 months.

1 Q. Please explain the adjustments Staff made to the historical overtime labor costs
2 to recognize the occurrence of storms.

3 A. Staff makes adjustments to remove overtime labor costs related to the
4 September 19, 2005 storm event. Recovery of costs related to this storm event was previously
5 authorized through rates set in AmerenUE's previous rate case, Case No. ER-2007-0002.
6 Staff also makes adjustments to remove overtime labor costs related to all calendar year 2006
7 storm events. In AmerenUE's previous rate case the Company's recovery of costs associated
8 with these storm events was deemed to have occurred through the retention of revenues
9 collected from the sale of SO₂ credits. The Commission's Report and Order in Case
10 No. ER-2007-0002, specifically, states:

11 Decision:

12 The Commission concludes that AmerenUE's 2006 storm related
13 operating and maintenance costs shall be offset against its 2006 SO₂
14 allowance sales revenue. Thereafter, the company's 2006 storm related
15 operating and maintenance costs shall not be considered in any manner
16 in any future rate proceeding.

17 Finally, Staff makes an adjustment for overtime labor costs associated with the
18 January 13, 2007 storm event. Costs associated with this storm event were deferred through
19 an Accounting Authority Order authorized by the Commission in Case No. EU-2008-0141.

20 Q. Ms. Barnes states that Staff's five-year averaging is inappropriate. Do you
21 agree?

22 A. No. An examination of the test year level of overtime is a routine part of the
23 Staff's audit. Abnormal levels of overtime need to be adjusted to prevent a distortion of the
24 ongoing cost of service. The five-year averaging technique is used by the Staff to smooth
25 fluctuating expense levels and calculate a normalized level of expense related to overtime.

1 Q. How does Company witness Lynn M. Barnes support her assertion that the test
2 year level of overtime labor cost is a more appropriate representation of ongoing levels?

3 A. AmerenUE witness Barnes identifies a number of factors she believes supports
4 her contention that the current test year level of overtime labor costs is a better measure of the
5 ongoing levels that AmerenUE will experience in the future. These factors include:

- 6 1) increasing customer expectations and Company's obligation to comply
7 with Commission rules addressing vegetation management,
8 infrastructure inspection and repair and reliability;
- 9 2) inability to fill positions with qualified personnel in both distribution
10 and power plants;
- 11 3) limited outside contractor resources; and
- 12 4) desires to preserve longer intervals between major outages at plants.

13 Q. Have mechanisms been proposed to track the incremental cost increases for
14 vegetation management and infrastructure inspections?

15 A. Yes. Both Staff witness Daniel I. Beck and Company witness Ronald Zdellar
16 support tracking for the incremental increases associated with vegetation management and
17 infrastructure inspections. If the Company experiences incremental increases in overtime to
18 provide these programs, Staff is supporting a mechanism that could provide recovery of
19 that cost.

20 Q. Does the Staff agree with Ms. Barnes' discussion regarding qualified personnel
21 for distribution and power plants?

22 A. No. Despite Ms. Barnes' claim regarding the inability to fill qualified
23 positions within the Company, the Company states in its response to Staff Data Request
24 No. 351, "While AmerenUE is generally able to retain a relatively stable workforce, we will
25 be faced with the same retirement scenario as other utility companies and we will have to

1 compete to both attract and retain our talent.” In addition, my analysis, which I will discuss in
2 more detail later in this testimony, shows that even though this situation purportedly existed
3 during the period I analyzed, in some years the Company’s overtime levels declined on both
4 an unadjusted and an adjusted basis.

5 Q. Are Ms. Barnes rebuttal testimony statements regarding limited outside
6 contractors supported by the testimony of Company witness Zdellar?

7 A. No. Company witness Zdellar, on pages 10 through 13 of his rebuttal
8 testimony, discusses AmerenUE’s continuing reliance on the use of outside contractors to
9 supplement the Company’s workforce. At no point in his discussion does Mr. Zdellar
10 indicate any concern regarding the Company’s ability to obtain the outside contractor
11 resources that may be required to meet the Company’s future needs.

12 Q. Ms. Barnes lists the desire to preserve longer intervals between major outages
13 at plants as a need to maintain the high overtime levels experienced during the test year. Has
14 there been a change in the intervals for major plant outages?

15 A. No. Company witness Mark C. Birk provides a chart in his rebuttal testimony
16 attesting to the improved equivalent availability of AmerenUE coal plants for the period
17 1998-2008. According to Mr. Birk’s rebuttal testimony, there has been little change in the
18 level of equivalent availability since 2005.

19 Q. Has Ms. Barnes provided any documentation or other support for her
20 statements?

21 A. No. Ms. Barnes has not provided any support for her statements, nor has she
22 specifically quantified the effect any of these factors may have on the level of overtime the
23 Company has experienced or will experience in the future.

1 Q. Have you performed any analysis of the level of overtime experienced by the
2 Company?

3 A. Yes.

4 Q. What does your analysis show?

5 A. My analysis reveals that AmerenUE's overtime hours do not show a consistent
6 upward trend. In fact, my analysis shows that on an adjusted basis, overtime hours were
7 declining in 2005 and 2006, before drastically increasing during 2007.

8 Below is a table that compares the Company's unadjusted paid overtime hours with
9 Staff's adjusted paid overtime hours:

	Unadjusted O&M Paid OT	Adjusted O&M Paid OT
2003	456,690	456,690
2004	620,815	469,050
2005	577,616	451,323
2006	619,833	348,990
2007	<u>664,933</u>	<u>493,487</u>
5-yr Average	587,977	443,908

10 Source: AmerenUE Report PD7330 (UEC ONLY) and Staff workpaper, respectively

11 As illustrated in this table, both unadjusted and adjusted overtime hours fluctuate
12 during the five year period. Given the extent of these fluctuations, the Staff contends a
13 five-year averaging of overtime hours is a more appropriate measure of the ongoing levels for
14 AmerenUE overtime hours, than the current test year level.

15 Q. Does this conclude your surrebuttal testimony?

16 A. Yes, it does.

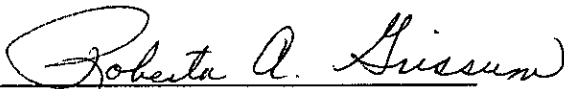
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File Tariffs) Case No. ER-2008-0318
Increasing Rates for Electric Service)
Provided to Customers in the Company's)
Missouri Service Area.)

AFFIDAVIT OF ROBERTA A. GRISSUM

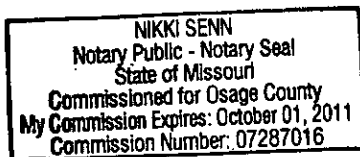
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Roberta A. Grissum, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Roberta A. Grissum

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





Notary Public