

John B. Coffman Acting Public Counsel

Office of the Public Counsel Governor Office Building 200 Madison Street, Suite 650 P.O. Box 7800 Jefferson City, Missouri 65102 Telephone: 573-751-4857 Facsimile: 573-751-5562 Web: http://www.mo-opc.org Relay Missouri 1-800-735-2966 TDD 1-800-735-2466 Voice

May 7, 2002

Mr. Dale H. Roberts Secretary/Chief Regulatory Law Judge Public Service Commission P. O. Box 360 Jefferson City, MO 65102

### RE: Union Electric Company, Case No. EM-96-149

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and eight copies Direct **Testimony of Mark Burdette, Ryan Kind (Proprietary and Non-Proprietary versions) and Ted Robertson (Proprietary and Non-Proprietary versions).** I have on this date mailed, faxed, and/or hand-delivered the appropriate number of copies to all counsel of record. Please "file" stamp the extra enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

John B. Coffman Acting Public Counsel

JBC:jb

cc: Counsel of Record

Bob Holden Governor

### **CERTIFICATE OF SERVICE**

I hereby certify that the foregoing document has been either faxed, mailed, or handdelivered to the following counsel of record on this 7<sup>th</sup> day of May 2002:

Steven R. Dottheim General Counsel Missouri Public Service Commission P. O. Box 360 Jefferson City, MO 65102

Robert C. Johnson Lisa Langeneckert Peper Martin Jensen Maichel & Hetlage 720 Olive Street 24th Floor St. Louis, MO 63101

Gary W. Duffy/James Swearengen Brydon, Swearengen & England, P.C 312 East Capitol Avenue, Box 456 Jefferson City, MO 63102

Paul H. Gardner Goller, Gardner & Feather 131 East High Street Jefferson City, MO 65101 James J. Cook Union Electric Company 1901 Chouteau Box 66149 (M/C 1310) St. Louis, MO 63166-6149

Robin E. Fulton R Scott Reid Schnapp Fulton Fall McNamara & Silvey LLC 135 East Main Street Fredericktown, MO 63645

Ronald Molteni Office of the Attorney General P. O. Box 899 Jefferson City, MO 65102

Diana M. Vulysteke 211 N. Broadway Suite 3600 St. Louis, MO 63102

Exhibit No.:	
Issue(s):	Adjustment to Common Equity
Witness/Type of Exhibit	it: Burdette/Direct
Sponsoring Party:	Public Counsel
Case No.:	EM-96-149

## **DIRECT TESTIMONY**

## OF

# **MARK BURDETTE**

Submitted on Behalf of the Office of the Public Counsel

## **UNION ELECTRIC**

Case No. EM-96-149

May 7, 2002

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

In the matter of the application of Union)Electric Company for an order authorizing:)(1) certain merger transactions involving)Union Electric Company; (2) the transfer of)certain assets, real estate, leased property,)casements and contractual agreements to)Central Illinois Public Service Company; and)(3) in connection therewith, certain other)related transactions.)

Case No. EM-96-149

#### **AFFIDAVIT OF MARK BURDETTE**

STATE OF MISSOURI ) ) ss COUNTY OF COLE )

Mark Burdette, of lawful age and being first duly sworn, deposes and states:

1. My name is Mark Burdette. I am a Financial Analyst for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my affidavit consisting of pages 1 through 3.

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.

Subscribed and sworn to me this 7<sup>th</sup> day of May 2002.

My commission expires May 3, 2005.

1. State 1.

Bonnie Howard

Bonnie S. Howard Notary Public

1		DIRECT TESTIMONY
2		OF
3		MARK BURDETTE
4		
5		UNION ELECTRIC COMPANY D/B/A AMERENUE
6		CASE NO. EM-96-149
7		
8		
9		INTRODUCTION
10	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
11	А.	Mark Burdette, P.O. Box 7800, Jefferson City, Missouri 65102-7800.
12	Q.	BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?
13	А.	I am employed by the Office of the Public Counsel of the State of Missouri (OPC or Public
14		Counsel) as a Public Utility Financial Analyst. Also, I am an adjunct faculty member with
15		Columbia College. I teach undergraduate Business Finance and graduate-level Managerial
16		Finance.
17	А.	PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.
18	Q.	I earned a Bachelor of Science in Electrical Engineering from the University of Iowa in
19		May 1988. I earned a Master's in Business Administration with double emphases in
20		Finance and Investments from the University of Iowa Graduate School of Management in
21		December 1994.
22	Q.	PLEASE DESCRIBE YOUR CONTINUING EDUCATION.
23	А.	I have attended various regulatory seminars presented by the Financial Research Institute,
24		University of Missouri-Columbia and the National Association of State Utility Consumer

1		Advocates. Also, I attended The Basics of Regulation: Practical Skills for a Changing
2		Environment presented by the Center for Public Utilities, New Mexico State University.
3	Q.	DO YOU HAVE ANY PROFESSIONAL AFFILIATIONS?
4	A.	Yes. I am a member of the Society of Utility and Regulatory Financial Analysts (SURFA).
5	Q.	DO YOU HOLD ANY PROFESSIONAL DESIGNATIONS?
6	A.	Yes. I have been awarded the professional designation Certified Rate of Return Analyst
7		(CRRA) by the Society of Utility and Regulatory Financial Analysts. This designation is
8	:	awarded based upon work experience and successful completion of a written examination.
9 10	Q.	HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION (MPSC OR THE COMMISSION)?
11	А.	Yes.
12	Q.	WHAT IS THE PURPOSE OF THIS TESTIMONY?
13	А.	This testimony will address AmerenUE's (the Company's) addition of prior, after-tax
14		Missouri sharing credits to its common equity balance. The addition of these prior sharing
15		credits acts to increase the level of the common equity account.
16 17	Q.	WHAT IS THE RESULT OF THE ADDITION OF PRIOR SHARING CREDITS TO THE COMMON EQUITY BALANCE?
18	А.	The result of adding back the prior sharing credits is to increase the level of common
19		equity, which lowers the Company's apparent return on equity. This reduction of return on
20		equity places the Company lower in the sharing grid for the next period, which acts to
21		reduce the level of sharing credits calculated.
22 23	Q.	IS THIS AN APPROPRIATE OR STANDARD ADJUSTMENT FOR RATEMAKING PURPOSES?
24	А.	No, it is not. There is no support for this type of adjustment in the Stipulation and
25		Agreement from Case No. EM-96-149, nor the Commission's Report and Order from that

i

i

ļ

I

•

. . . .

\_\_\_\_

1 same	e case, nor, to my knowledge, is there support via any precedent of the MPSC. Also, I
2 can fi	and no support for such an adjustment in any financial literature.
3 Q. WHA	AT IS THE PURPOSE OF THIS ADJUSTMENT?
4 A. This	adjustment serves but one purpose - ultimately, it places the Company lower in the
5 sharir	ng grid, which means a lower level of sharing credits is calculated for the subsequent
6 period	d. Simply, it reduces the amount of money the Company alleges it must give back to
7 ratepa	ayers.
9 MISS	S PUBLIC COUNSEL SUPPORT THE ADDITION OF PRIOR, AFTER-TAX SOURI SHARING CREDITS TO THE COMPANY'S COMMON EQUITY ANCE?
l A. Absol	lutely not. This inappropriate and unsupported adjustment serves no purpose but to
2 reduc	e the calculated level of sharing credits which the Company must return to Missouri's
3 ratepa	ayers. It is, plain and simple, manipulation of the calculated return on equity in order
to red	fuce the money the Company must return.
Q. DOES	S THIS COMPLETE YOUR TESTIMONY?
5 A. Yes, i	it does.
7	
<ul> <li>7 ratepa</li> <li>8 Q. DOES</li> <li>9 MISS</li> <li>9 BALA</li> <li>1 A. Absol</li> <li>2 reduct</li> <li>3 reduct</li> <li>3 to red</li> <li>5 Q. DOES</li> <li>5 A. Yes, i</li> </ul>	Avers. S PUBLIC COUNSEL SUPPORT THE ADDITION OF PRIOR, AFTER-T SOURI SHARING CREDITS TO THE COMPANY'S COMMON EQU ANCE? Autely not. This inappropriate and unsupported adjustment serves no purpose but be the calculated level of sharing credits which the Company must return to Missour ayers. It is, plain and simple, manipulation of the calculated return on equity in or fuce the money the Company must return. S THIS COMPLETE YOUR TESTIMONY?

ļ

÷

· ......