

Exhibit No.
Issues: Rate Design
Witness: Petree Eastman
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Municipal Group
St. Louis County Municipal League
City of O'Fallon
City of Creve Coeur
City of University City
City of Olivette
City of St. Ann
City of Kirkwood
City of Bellefontaine Neighbors
City of Florissant
City of Richmond Heights
City of Twin Oaks
City of Ballwin
City of Brentwood
Village of Riverview Gardens
City of St. John
City of Sunset Hills

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER 2011-0028

REBUTTAL TESTIMONY

OF

PETREE A. EASTMAN

ON BEHALF OF

**THE MUNICIPAL GROUP:
ST. LOUIS COUNTY MUNICIPAL LEAGUE
CITY OF O'FALLON, CITY OF CREVE COEUR, CITY OF UNIVERSITY CITY,
CITY OF OLIVETTE, CITY OF ST. ANN, CITY OF KIRKWOOD,
CITY OF BELLEFONTAINE NEIGHBORS, CITY OF FLORISSANT,
CITY OF RICHMOND HEIGHTS, CITY OF TWIN OAKS,
CITY OF BALLWIN, CITY OF BRENTWOOD, VILLAGE OF RIVERVIEW,
CITY OF ST. JOHN AND CITY OF SUNSET HILL**

March 25, 2011

1 **Rebuttal Testimony of Petree A Eastman**

2 **Case No. ER-2011-0028**

3 **State your name and address.**

4 Petree Eastman, 560 Warren Ave. University City MO 63130

5 **What is the purpose of your testimony?**

6 To offer rebuttal testimony to the testimony and recommendation by Missouri Public Service
7 Commission Staff, Mr. Michael S. Scheperle contained on page 19 of his direct testimony.

8 **What does Mr. Scheperle recommend?**

9 Mr. Scheperle recommends that in addition to the across the board system average increase that
10 the Lighting Class be charged an additional one percent (1%).

11 **What is the basis of the recommendation?**

12 Presumably because the cost of providing service to the Lighting Class exceeds the revenues
13 previously charged by Ameren.

14 **Why do you object to this recommendation?**

15 There are two reasons for the objection of the Municipal Group. First, Mr. Scheperle does not
16 acknowledge or make an adjustment for the fact that Ameren has asked for a 22% increase the
17 rates for the 5M customer sub-class due to the spreading of pre-1988 pole installation charges
18 currently being charged to some 5M class members to the entire 5M class.

19 **Please explain.**

20 While discussed at length in my direct testimony at pages 5 – 11, the primary concern of the
21 Municipal Group is that Ameren seeks approximately \$34.5 million for the Lighting Class,
22 which equates to a 10.8% increase to the entire class. However, the 5M customers, which make
23 up 89.6% of the class in terms of revenue, will have their individual rates go up by a full 22%

24 (\$2.85 million) to offset the supposed elimination of the pre-1988 pole installation charges for
25 some customers in the sub-class. In other words, while Ameren claims to have eliminated the
26 charges, it has in fact merely spread them in the 5M rates for individual light types. The result of
27 this maneuver is that lighting customers that pre-paid for their pole installations after 1988 will
28 now bear the burden of charges for pre-1988 pole installation. This is fundamentally unfair and
29 unreasonable.

30 **Why did Mr. Scheperle not address this?**

31 I really do not know, but unless he actually compared the current 5M tariff sheet to the proposed
32 5M tariff sheet and calculated the difference in rates, Mr. Scheperle would not have known the
33 real impact of Ameren's accounting trick. In fact, if one only read the testimonies of Mr. Cooper
34 and Mr. Difani of Ameren, one would think that Ameren had removed the pre-1988 pole
35 installation charges altogether. They did not. They simply took the \$2,850,278 and buried it in
36 the individual 5M rates.

37 **How does the Municipal Group suggest dealing with the pre-1988 pole installation**
38 **charges?**

39 Our proposal is simple. Truly eliminate the \$2.85 million for pre-1988 pole installation charges
40 and then apply the system average increase. This will insure that all 5M customers get rate
41 increases of only the system average and not one artificially increased by hidden charges. This is
42 what Ameren said it did in the Direct Testimony of its witnesses Cooper and DiFani and it
43 should be held to it.

44 **How does this relate to Mr. Scheperle's recommendation?**

45 If Mr. Scheperle's recommendation were adopted an even greater injustice would be in store for
46 cities that pre-paid for their pole installations after 1988.

47 **What was your second objection to Mr. Scheperle's recommendation?**

48 While we acknowledge that the rates paid by the Lighting Class do not necessarily cover its
49 costs, unlike any other class, the electricity for street lighting benefit every class and every
50 person who resides in, works in, visits in and passes through Ameren territory in Missouri.
51 Street lighting provides for safe passage on streets, highways, and sidewalks. And yet, no city
52 can make them more efficient or turn them off when not in use. Cities are faced with only one
53 choice to reduce its expense for street lighting: be at the mercy of Ameren and the PSC for rates
54 or eliminate the street lights altogether. There is a moral imperative that should in fact be
55 considered by the PSC that Mr. Scheperle simply does not address. Cities are in dire straights
56 due to the overall economy that affects its primary revenue stream. Continued and sustained rate
57 increases may indeed force cities to cut other expenses such as fire, police and other essential
58 personnel.

59 **What is the Municipal Group's recommendation as it relates to the across the board system**
60 **increase?**

61 As stated in my earlier testimony, it is the Municipal Group's recommendation that before any
62 across the board system average increase is applied to the Lighting Class that the \$2,850,159 in
63 pre-1988 pole installation charges be permanently removed from the current revenue figures.
64 We also object to any additional percentage increase beyond the across the board system average
65 increase as a many of public safety.

66 **Does this conclude your testimony?**

67 Yes.