Exhibit No.:	
Issues:	Taum Sauk Error; Osage Headwater Benefits; Environmental Expense; Rate Case Expense; AMS Allocations; Amortizations; Test Year Storm Costs; Ash Handling Expense; Metro East Transfer
Witness:	Gary S. Weiss
Sponsoring Party:	Union Electric Company
Type of Exhibit:	Rebuttal Testimony
Case No.:	ER-2007-0002
Date Testimony Prepared:	January 31, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2007-0002

REBUTTAL TESTIMONY

OF

GARY S. WEISS

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

St. Louis, Missouri
January, 2007

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REBUTTAL TESTIMONY
OF
GARY S. WEISS
CASE NO. ER-2007-0002

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Gary S. Weiss. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63166-6149.

Q. Are you the same Gary S. Weiss that filed Direct Testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your Rebuttal Testimony in this proceeding?

A. The purpose of my Rebuttal Testimony is to address the impact on the Company's revenue requirement of removing two Taum Sauk-related costs that were inadvertently included in the Company's September 29, 2006 Supplemental Filing.[1] This error was explained to all the parties in the October 20, 2006 letter from Thomas M. Byrne to Steven Dottheim.

In addition, I address various issues contained in the direct testimony of MPSC Staff ("Staff") witnesses Edward Began, John Cassidy, Jeremy Hagemeyer, Lisa Hanneken and Greg Meyer; Attorney General/State of Missouri ("State") witnesses Michael Brosch and Steven Carver; and Office of Public Counsel ("OPC") witness Ryan Kind. Finally, I briefly address the reclassification of an operating and maintenance ("O & M") expense relating to NOx reduction at the Sioux Plant.

Q. On what specific issues are you providing rebuttal testimony?

[1] The Company updated its revenue requirement analysis on September 29, 2006, as ordered by the Commission, to reflect actual data for the months of April through June 2006, which replaced budgeted data for those months used in its original July 7, 2006 filing.

A. Specifically, my testimony addresses the following issues: (1) The treatment of Osage Plant headwater benefits, in rebuttal to Mr. Began and Mr. Brosch; (2) The amount of rate case expenses, in rebuttal to Mr. Began and Mr. Carver; (3) Several adjustments to expenses for dues and donations proposed by Mr. Hagemeyer; (4) Ms. Hanneken's adjustment to the Ameren Services Company ("AMS") expenses allocated to AmerenUE; (5) Mr. Cassidy's adjustment to the environmental expense; (6) The treatment of certain amortizations by Mr. Carver; (7) The use of the future expiration of amortizations to offset increased tree trimming expenses and the reduction in test year storm costs, in rebuttal to Mr. Meyer; (8) Mr. Brosch's adjustment to ash handling expense; and (9) Mr. Kind's adjustments relating to the Metro-East transfer.

II. REBUTTAL ISSUES

a. <u>Taum Sauk Adjustments to Revenue Requirement</u>

Q. Please explain Taum Sauk costs that were inadvertently included in the Company's supplemental filing?

A. In June 2006, the Company booked $10 million to operating expenses to reflect an estimated amount to be paid to the Federal Energy Regulatory Commission ("FERC") related to the Taum Sauk incident. The Company properly omitted this $10 million expense in its original July 7, 2006 filing, and it was the Company's intention to eliminate all costs related to the Taum Sauk incident from its revenue requirement in this case. However, in developing the revenue requirement for the Company's supplemental filing, this $10 million payment was accidentally not eliminated. In further discussions with Staff and the State, an additional $1.2 million of AMS labor charges related to the Taum Sauk incident that had also been inadvertently included in the Company's revenue requirement calculations were discovered. The Company agrees that the $1.2 million of AMS labor charges should also be excluded from its revenue requirement.

Q. What is the impact on the Company's revenue requirement of eliminating these Taum Sauk expenses?

A. The Company's revenue requirement, as reflected in its supplemental filing, is reduced by $11.2 million to reflect the exclusion of these Taum Sauk related expenses.

b. <u>Osage Headwater Benefits</u>

Q. What is the Osage headwater adjustment?

A. Section 101(f) of the Federal Power Act ("FPA") authorizes the FERC to assess annual charges to be paid by the owners of non-federal hydropower projects (of which the Osage Plant is one) that benefit from the construction of federal headwater projects. The benefits received are in the form of increased energy production as a result of regulated river flows from federal headwater storage projects. The Company's Osage Plant receives headwater benefits and has been paying an annual assessment to reflect these benefits since 1961. In 1986, the FERC completed a study of Osage headwater benefits and based on that study set interim assessments for the Osage headwater benefits. The interim assessment for the Osage benefits was set at $272,261 beginning in 1987. In 1996, the FERC found that two significant changes had occurred in the Osage River Basin since the 1986 study and initiated a new headwater benefits analysis. An agreement was reached with the FERC in September 2006 resulting in a FERC determination that found the Company owed an additional $4,332,442 for headwater benefits received since 1986. In addition, the annual assessment for the Osage headwater benefits, starting in 2006, was increased to $409,731. No party disputes the inclusion of this new assessment in the Company's revenue requirement. The issue other parties have raised relates to the treatment of the $4,332,442 additional assessment required by FERC for the headwater benefits already received by the Osage Plant.

Q. How is the Company reflecting this additional $4,332,442 assessment in its revenue requirement?

A. The Company believes that since the ratepayers have already received the increased benefits of additional low cost generation from the Osage Plant, a five-year amortization ($866,484 annually) of these additional Osage headwater benefits is appropriate. Recovering these costs over just the next five years will more closely match the costs associated with these benefits to the customers who have received the benefits. Since this additional payment is accruing during a rate case, the Company did not feel it was necessary to request an Accounting Authority Order.

Q. What is Mr. Began's recommended treatment of the Osage headwater benefits payment?

A. Mr. Began is recommending a 25-year amortization of the FERC additional assessment. This inordinately long amortization period is very unfair to the Company, which has already paid the full amount. In addition, by using such a long amortization period, a much greater mismatch between ratepayers who received the benefits and those who will pay the amortization is created. This results in greater intergenerational inequities than the amortization period proposed by the Company.

Q. How does Mr. Brosch recommend the additional Osage headwater benefit assessment be handled?

A. Mr. Brosch recommends that the Company not be allowed to collect any of the additional Osage headwater benefit assessment. Basically, his argument is that the headwater benefit is just one of many items that have increased or decreased in the past, and it is inappropriate to selectively adjust rates to reflect this one item. His arguments ignore the fact that the Osage headwater benefit assessment was never a fixed cost not subject to later revision. Rather, when the FERC set the rate starting in 1987, based upon the FERC's 1986 study, the rate was expressly set as an *interim* rate, subject to later change at the time of the next study. The new rate set for 2006 is also an interim assessment and will be subject to an additional assessment in the future. Consequently, it is appropriate that the ratepayers who are receiving the benefits of the additional Osage Plant generation which is enabled by the headwater benefits should pay the full cost of that generation.

c. <u>Rate Case Expense</u>

Q. How is the Company treating rate case expense in its revenue requirement?

A. The Company has calculated its expected total rate case expenses for the combined electric and gas rate cases. Based on the relative size of the Company's electric operations and gas operations, 90% of the rate case expenses are assigned to the electric case. The Company is recommending amortizing the rate case expense over three years. The Company's electric revenue requirement includes $1,525,500 for rate case expense.

Q. What level of rate case expense is Mr. Began recommending be included in the Company's revenue requirement?

A. Mr. Began is only including actual rate case expenses incurred through June 30, 2006, of $554,513. Through December 31, 2006, the actual rate case expenses incurred have increased to $1,871,498. During the first quarter of 2007, the rate case expenses will increase greatly, as I discuss in more detail below. Thus, the level of rate case expense included by Mr.

Began at the very least needs to be updated at the time of the evidentiary hearings set to occur in this case in March.

Q. Does Mr. Began question the level of rate case expense the Company has included in its revenue requirement?

A. Mr. Began states on page 19, lines 6 and 7 of his testimony, "The Staff has some concerns with the amount the Company has estimated for rate case expense and the cost of outside consultants to be charged to ratepayers."

Q. Why is the level of rate case expense included by the Company appropriate?

A. This is the largest rate increase filing ever in Missouri. The difference between the Company's and the Staff's positions is approximately $500 million. There are numerous large, complicated issues in this case. There are also an unprecedented number of parties (fifteen non-Company parties) that have intervened in the electric case. Moreover, more parties have prepared comprehensive revenue requirement analyses and have proposed revenue requirement adjustments than normal. The case also involves much more important and complicated issues than have typically been at issue in the past, including issues relating to off-system sales and the adoption of a fuel adjustment clause. Just responding to the over 1,500 (and counting) data requests propounded to the Company has been and continues to be a challenge to the Company.

The Company does not maintain a staff of experts in all the areas being addressed in this rate case. In addition, the Company does not have a staff that is exclusively devoted to rate case processing and, properly, does not have a staff to meet its peak demand for services as this would simply increase ongoing expenses each and every year. In short, it would be inefficient and too costly to maintain a staff large enough to handle the rate case completely without the assistance of outside attorneys and consultants. If you compare the $1.5 million annual amortization of rate case expense to the $500 million annual impact at issue in this case, the rate case expense is only 0.3%. If you compare the $1.5 million annual amortization of rate case expense to the Company's current revenues of $2 billion, the percent is only 0.08%.

Q. What does Mr. Carver recommend for the rate case expense?

A. Mr. Carver recommends that the rate case expense be updated to actual amounts later in this proceeding and then amortized over four years.

Q. What is the Company's position on a three-year or four-year amortization of the rate case expense?

A. The Company would consider moving to a four-year amortization of the rate case expense if a fuel adjustment clause is authorized in this proceeding. This would synchronize the amortization of rate case expense with the period during which rates set in this case would be effective (four years) in light of the requirement in Senate Bill 179 that a rate proceeding occur every four years when a fuel adjustment clause is in place.

d. <u>Dues and Donations</u>

Q. Please explain the adjustments made by Staff witness Hagemeyer to dues and donations that you disagree with.

A. Mr. Hagemeyer's adjustments S-6.6, S-12.5, S-15.5 and S-17.5 on Staff's Accounting Schedule 10 remove various dues and donations paid by the Company during the test year totaling $1,451,483. I disagree with the elimination of many of the items that comprise Mr. Hagemeyer's adjustments. Specifically, I believe the Edison Electric Institute ("EEI"), the Nuclear Energy Institute ("NEI"), the Ameren Power Up Grants, Teacher Grants and the professional/trade memberships of employees should not be eliminated.

Q. Why does Mr. Hagemeyer eliminate the EEI dues?

A. According to Mr. Hagemeyer's January 10, 2007 deposition testimony, he considers EEI to be a lobbying group.

Q. Do you agree that EEI is 100% a lobbying group?

A. No, and neither does the National Association of Regulatory Utility Commissioners ("NARUC"). According to an "Audit Report of the Expenditures of The Edison Electric Institute" issued by NARUC in June 2001, over 40% of EEI's expenses fall in the categories of "Utility Operations & Engineering" and "Finance, Legal, Planning and Customer Service." (See Schedule GSW-E-39-2). The first category includes "engineering and standards, fossil and synfuels, nuclear power and environment," and does not include costs for activities related to legislative or regulatory advocacy or research. (Schedule GSW-E-39-5). The second category of EEI expenses includes the costs of "acquisition, compilation, categorization and dissemination of information useful in the improvement of the quality and value of service rendered to customers." (Schedule GSW-E-39-6).

NARUC is an impartial body whose membership includes all 50 state public service commissions, including this Commission. Consequently, its determination should be conclusive of this matter. The Company charged just 44% of its EEI dues to operating expense in its revenue requirement in this case, or $305,127. This full amount should be included as legitimate, non-lobbying expenses that benefit ratepayers.

Q. Can you elaborate on some of the current EEI projects that benefit ratepayers?

A. Yes. EEI is an authoritative source of information and insights for regulatory and industry trends across the energy supply, delivery and service segments of the electric utility industry. EEI maintains a professional staff that focuses on industry issues and risks and shares their information with the member utilities. Some current activities include EEI's leadership in assisting the electric utility industry with the transition of the North American Reliability Council into the Electric Reliability Organization ("ERO") with enforceable reliability standards. In this regard, EEI recently held a meeting, with 100 company representatives, on what companies must do to get ready to comply with the ERO mandatory standards. EEI has also led the effort to create an industry-wide Transformer Sharing Agreement to help address the increased risk of the loss of major transmission-level transformers. Another project involves EEI's efforts to develop Memoranda of Understanding with various federal agencies to help facilitate industry operations in the event of terrorism, epidemics, or disasters, and to make improvements in the mutual assistance program.

EEI and its members have also committed to working with state regulators to help advance energy efficiency, demand response, and advanced consumer products. EEI will be focusing on five key action areas to help promote energy efficiency: (1) Helping to foster more energy-efficient buildings; (2) Promoting the development and deployment of more energy-efficient electric appliances, consumer electronics, and other technologies; (3) Accelerating the development and use of "smart," or advanced, electric meters; (4) Supporting the development of innovative electric ratemaking and rate design that promote efficiency and allow customers to control their electricity bills; and (5) Helping to commercialize plug-in hybrid electric vehicles that will improve transportation efficiency, reduce fuel costs, improve the environment, and help to reduce dependence on foreign oil. All of these areas of energy efficiency will be of benefit to the ratepayers. These EEI activities are supportive of NARUC's endorsement (during NARUC's Summer 2006 committee meetings) of the National Action Plan for Energy Efficiency, an important new initiative to save electricity and natural gas.

Q Please summarize the benefits of EEI membership.

A. In addition to the specific current EEI projects, EEI membership allows the Company's employees to keep current on industry developments, allows the Company to participate in and reap the benefits of industry-specific surveys and other knowledge sharing mechanisms and, overall, reduces the cost to individual members of providing these benefits. Without such EEI benefits, the Company would either have to do without needed information and services or it would have to pay the entire cost of the needed information and services itself. The types of benefits AmerenUE derives from EEI membership are identical to those which I imagine are derived by members of the regulatory community that attend NARUC meetings. The full amount of EEI dues included in the Company's revenue requirement in this case is of benefit to the ratepayers.

Q. What is the Nuclear Energy Institute?

A. The Nuclear Energy Institute is the policy organization of the nuclear energy and technologies industry, both nationally and world-wide. NEI has over 280 corporate members in 15 countries. They include companies that operate nuclear power plants, design and engineering firms, fuel suppliers and service companies, universities and research laboratories and others related to the nuclear field. The board of directors includes representatives from the nation's 27 nuclear utilities. The NEI was organized after the Three Mile Island accident. NEI is the technical interface between the nuclear industry and the Nuclear Regulatory Commission ("NRC").

Q. What are some of the key issues of importance to NEI?

A. Some issues of importance to the NEI include: maintaining excellence in safe and reliable nuclear power plant operations; attaining an integrated used fuel disposal program and flexible low-level waste management approach; and building the next generation of nuclear power plants and technologies.

Q. Does the Company have extensive participation with NEI?

A. Yes, Mr. Naslund, the Company's Chief Nuclear Officer, is on a committee and attends meetings regularly every month or two. In addition, the Callaway Plant's Security Officer has been involved with an ongoing effort of NEI to develop the necessary security changes required at nuclear plants as a result of September 11 and the possibility of further terrorists' attacks. The Company also participates on NEI's fire protection subcommittee.

Q. Do AmerenUE and its ratepayers receive benefits from membership in the Nuclear Energy Institute?

A. Absolutely. By providing the technical interface with the Nuclear Regulatory Commission, NEI saves the Company time and expenses. The Company could not economically perform all of this required technical research by itself. Much like membership in EEI, NEI membership allows the Company's employees to keep current on nuclear industry developments, allows the Company to participate in and reap the benefits of industry-specific surveys and other knowledge sharing mechanisms and, overall, reduces the cost to individual members of providing these benefits. Without such NEI benefits, the Company would either have to do without needed information and services or it would have to pay the entire cost of the needed information and services itself. The full amount of the NEI dues included in the Company's revenue requirement in this case of $362,218 should be allowed as it is of direct benefit to the ratepayers.

Q. Please explain the Ameren Power Up Grants and Teacher Grants.

A. The Ameren Power Up Grants and Teacher Grants provide equipment and money to schools and teachers to provide educational materials they otherwise would not have available. Electronic white boards were furnished to classrooms. These electronic white boards provide the teachers an advanced technology to assist in the educational process. Through the electronic white boards they can call up websites. They were encouraged to visit the Ameren website and use the safety lessons. Providing schools, teachers and students educational materials benefits all ratepayers. The full amount of the Ameren Power Up Grants and Teacher Grants included in the Company's revenue requirement in this case of $166,491 should be allowed as it benefits ratepayers.

Q. What is the last adjustment to dues and donations made by Mr. Hagemeyer that you think is inappropriate?

A. The last adjustment is for the professional/trade membership dues of employees. The professional memberships include fees for CPA license renewals, CPA organizations, for professional engineers, and for Bar Association dues, etc.

Q. Does Mr. Hagemeyer agree that the above types of professional/trade memberships would be allowed?

A. Yes, in his January 10 deposition, Mr. Hagemeyer indicated that such membership dues such as CPA license renewals and memberships in CPA organizations and professional organizations should be allowed if identified. This identification was supplied to Mr. Hagemeyer, and it is my understanding the he is making an adjustment to include professional/trade membership dues in the Company's revenue requirement. If this adjustment is not made by Mr. Hagemeyer, I reserve the right to present additional support for these expenditures in surrebuttal testimony to be filed on February 27, 2007.

Q. Please summarize the total impact of the items you have identified the Mr. Hagemeyer inappropriate eliminated from dues and donations?

A. The total revenue impact of the EEI dues, the NEI dues, the Ameren Power Up Grants and Teacher Grants, and the professional/trade memberships of employees that should not be eliminated is $902,498.

e. <u>Ameren Services Allocation to AmerenUE</u>

Q. Do you agree with the adjustment made to the allocation of Ameren Services Company expenses to AmerenUE proposed by Ms. Hanneken?

A. No. Ms. Hanneken's testimony that if additional companies are acquired by Ameren Corporation (and consequently share services from AMS with other subsidiaries), then the AMS costs allocated to AmerenUE will decline, is generally correct. However, Ms. Hannekan mistakenly relies on an allocation percentage from just one month to allocate AMS costs for an entire year.

Q. Why is this a mistake?

A. Illinois Power Company d/b/a AmerenIP, which was acquired by Ameren Corporation in September 2004, was initially integrated into the AMS process in April 2005. It was fully integrated in September 2005. Ms. Hanneken makes the assumption that some months of the test year did not reflect this full integration of AmerenIP and thus concludes that the AmerenUE AMS allocations were overstated. The total monthly level of AMS costs and the amount allocated to any company receiving services from AMS varies up and down. Ms. Hanneken looked at the monthly amount and percentage of AMS cost allocated to AmerenUE for the full test year and compared it to the allocation of AMS costs to AmerenUE in just one month (June 2006), the last month of the test year. She saw that the total test year percentage of AMS costs allocated to AmerenUE was 39.39% compared to the June 2006 AMS allocation to AmerenUE of 38.59%. She then made an adjustment to lower the test year level of AMS cost allocated to AmerenUE to the June 2006 level of 38.59%. However, if you look at the percent of AMS costs allocated to AmerenUE for all 12 months of 2006, it is 38.95%. This is lower than the test year percent of 39.39% included in the revenue requirement that underlies the Company's case, but greater than the 38.59% from just one month used by Ms. Hanneken. It is inappropriate to use only a one-month allocation to reflect a full twelve months. This is especially true since the amount and percent is not constant each month but varies month-to-month. If any adjustment is made to the AMS cost allocation to AmerenUE, the percentage for all of 2006 (38.95%) is far more correct and appropriate than the use of a percentage from just the one month of June 2006. If any adjustment were made, it would not equal Staff's originally proposed adjustment of $3.3 million, but rather, would be only $1.7 million.

f. <u>Environmental Expense</u>

Q. What adjustment is Mr. Cassidy proposing be made to the environmental expense?

A. Mr. Cassidy is proposing to reflect the Company's environmental expenses on a cash basis instead of the accruals shown on the Company's books. However, in developing his adjustment, Mr. Cassidy included some accrual items that were not charged to expense. It is my understanding that Mr. Cassidy is correcting his adjustment to environmental expense to remove the accrual items that were not included in expense. By doing so, this issue is resolved. I reserve the right to file surrebuttal testimony on this issue if Mr. Cassidy does not correct the calculation of the environmental adjustment.

g. <u>Amortization of Missouri Merger Costs and Year 2000 Implementation Costs</u>

Q. What is the adjustment proposed by Mr. Carver to the amortization of the Missouri merger costs and the Year 2000 ("Y2K") implementation costs?

A. In Case No. EM-96-149 (the Union Electric Company/Central Illinois Public Service Company merger case), AmerenUE was authorized to amortize certain costs related to the merger over a ten-year period starting January 1998 and ending December 2007. Likewise, AmerenUE was allowed in Case No. EC-2002-1 to amortize the Y2K implementation costs over six years starting in April 2002 and ending March 2008. Mr. Carver is proposing that the unamortized balances of these two items be amortized over an additional four-year period, which effectively changes, to the Company's detriment, the ratemaking treatment already prescribed by the Commission and relied upon by the Company in settling both of the above-referenced cases.

Q. Do you agree with Mr. Carver's proposal to extend these amortization periods?

A. No, this is inappropriate both because it changes the treatment prescribed by the Commission and relied upon by the Company in settling these cases, and as a matter of regulatory policy. The test year is the twelve months ended June 30, 2006, with true-up of certain items through January 1, 2007. The expiration dates of these amortization amounts are beyond the true-up period and even beyond the date new rates will become effective in this case. By the time these two amortizations expire, the majority of the costs included in the revenue requirement will have increased. It is contrary to sound regulatory policy to go beyond the test year and true-up period to only reflect a reduction in two costs while ignoring all the other costs that will have also changed by this time. I doubt, for example, that Mr. Carver would support allowing an adder for inflation beyond the true-up period. The adjustments proposed by Mr. Carver to the amortization of the Missouri merger cost and Y2K implementation costs should therefore be denied.

Q. Is Staff witness Meyer also proposing an adjustment that involves the Missouri merger cost amortization?

A. Yes, Mr. Meyer is proposing that the amortization of the Missouri merger costs which is ending December 31, 2007, be used to fund tree trimming expenses. Mr. Meyer assigned a $4,164,900 value to the Missouri merger cost. However, the actual Missouri merger cost amortization in the test year is only $3,329,000. Like Mr. Carver, Mr. Meyer improperly seeks to reach beyond the test year true-up period, and beyond even the effective date of the new rates to be set in this case, to grab one future cost reduction to offset a current cost without including future expenses that would exist at that time. The revenue requirement approved in a rate case should reflect the cost level at the time the new rates become effective. In June 2007, the effective date of new rates in this case, the Company's cost will include the $3,329,000 Missouri merger cost amortization and tree trimming expenses at a $45 million annual amount. If the Company is to have any chance of achieving the allowed rate of return during the first full year of the new rates, its full revenue requirement must be reflected in its rates. It is not appropriate to offset the current tree trimming expenses by a future cost reduction, particularly where future cost increases are totally ignored.

Q. Do you believe an adjustment should be made to the test year storm costs as proposed by Meyer?

A. No. Mr. Meyer is removing the cost of all storms but one that occurred in the test year. He is only allowing $2.7 million in storm cost for that one storm. The storm cost for 2003, 2004, and 2005 were $3.3 million, $3.4 million, and $3.7 million respectively. These are all in excess of the $2.7 million Mr. Meyer is saying is appropriate for the test year level. The Company is experiencing an increase in the number and severity of storms. The Company believes the $7.2 million of storm cost in the test year is appropriate and no adjustment is required.

h. <u>Ash Handling Expense</u>

Q. State witness Brosch has recommended a reduction for ash handling expenses at the Company's Labadie Plant. Is this adjustment appropriate?

A. No. In his direct testimony filed on December 15, 2006, Mr. Brosch is correct in describing the installation of a cement plant by Charah, Inc., at the Company's Labadie Plant that will allow Charah, Inc., to manufacture cement using bottom and fly ash from the Labadie Plant. However, Mr. Brosch is incorrect in alleging annual savings in fly ash disposal cost of $924,000. The annual disposal cost savings are *future* cost savings. The test year revenue requirement analysis filed by the Company does not include any bottom and fly ash disposal costs because there were no such costs at Labadie during the test year. Rather, the Labadie Plant used its ash pond during the test year to handle the bottom and fly ash and did not incur disposal costs. The construction of the cement facility will mean that the Labadie Plant ash pond will not fill up as quickly as it otherwise would have, thus reducing and delaying future expenditures. Since there are no bottom and fly ash disposal costs in the test year, the adjustment proposed by Mr. Brosch is not appropriate because it purports to reverse or disallow an expense item that does not exist.

i. <u>Compliance with Metro East Transfer Order</u>

Q. In his Direct Testimony, Public Counsel witness Ryan Kind argues that AmerenUE has failed to comply with a number of conditions imposed by the Commission in its "Report and Order on Rehearing" in Case No. EO-2004-0108, the proceeding in which

AmerenUE was authorized to transfer its Illinois facilities to AmerenCIPS. Do you agree with Mr. Kind's position on this issue?

A. Absolutely not. Mr. Kind first accuses AmerenUE of violating the condition that "pre-closing liabilities that are directly assignable to UE's Illinois retail operations, or to the transferred assets, must transfer to CIPS as a condition of the Commission's approval of the transfer." (Direct Testimony of Ryan Kind, p. 7). AmerenUE believes that it is in full compliance with this condition. It has transferred all of the directly assignable pre-closing liabilities of which it is aware to AmerenCIPS. Mr. Kind has identified no such liabilities which have not been transferred, and his unfounded contention on this point must be rejected.

Q. What other conditions of the Metro East order does Mr. Kind allege that AmerenUE has failed to comply with?

A. Mr. Kind next argues that AmerenUE has failed to comply with a number of conditions in the order which say that a series of different types of costs—(a) 6% of the unknown generation-related liabilities associated with the generation that was formerly allocated to AmerenUE's Metro East service territory, (b) 6% of any costs incurred by AmerenUE in the Sauget remediation, and (c) 6% of any liabilities arising from pre-closing events and conditions—will be excluded from rates unless AmerenUE proves by a preponderance of the evidence that the benefits of the Metro East transfer to Missouri ratepayers outweigh the costs. At this point, there is no doubt that the benefits of the Metro East transfer to Missouri ratepayers clearly outweigh the costs. AmerenUE has calculated that fuel savings associated with the Metro East transfer in the test year alone amount to $22.3 million. In addition, now that the Joint Dispatch Agreement has terminated, sales of electricity that would otherwise have gone to Metro East customers are now generating off-system sales margins, to the benefit of Missouri customers. (See Schedule GSW-

E-40 (Data Request OPC 2019)). Six percent of the costs in the categories enumerated in the Commission's order are only $138,303, and pale by comparison to the savings**.**

Q. Does Mr. Kind allege that AmerenUE has violated any other conditions of the Metro East order?

A. Yes. Mr. Kind also alleges that AmerenUE violated the provision of the order that precludes AmerenUE from recovering in rates any portion of any increased costs due solely to transmission charges for the use of the transmission facilities transferred to AmerenCIPS to the extent that the costs in question would not have been incurred had the facilities not been transferred.

Q. Is AmerenUE attempting to recover any such costs in its rates?

A. No. Consequently, AmerenUE is not in violation of this provision of the order.

j. O & M Expense Related to NOx at Sioux Plant

Q. Please describe the expense reclassification mentioned earlier in your rebuttal testimony.

A. In the Company's original and Supplemental Filing, urea costs at the Sioux Plant totaling $4,244,000 were included and classified as a fuel expense. As AmerenUE witness Timothy D. Finnell explains in his rebuttal testimony, urea is used as part of NOx reduction efforts at the Sioux plant and more properly should be classified as an O & M expense. I have also determined that the urea expenses included in the Company's earlier filings were slightly overstated, and should be reduced to $3,515,000. Consequently, a $729,000 reduction to the Company's revenue requirement is required.

Q. Does this conclude your Rebuttal Testimony?

A. Yes, it does.

AUDIT REPORT ON THE EXPENDITURES

OF THE

EDISON ELECTRIC INSTITUTE

(For the 12 month period ended December 31, 1999)

JUNE 2001

COMMITTEE ON
UTILITY ASSOCIATION OVERSIGHT

National Association of
Regulatory Utility Commissioners
1101 Vermont Avenue; Suite 200
Washington, D.C. 20005

Telephone No. (202) 898-2200

SCHEDULE GSW-E-39-1

EDISON ELECTRIC INSTITUTE
SUMMARY OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1999

EXPENSE CATEGORY	PERCENTAGE
1) Legislative Advocacy	15.57%
2) Legislative Policy Research	7.55%
3) Regulatory Advocacy	12.58%
4) Regulatory Policy Research	7.35%
5) Advertising	3.52%
6) Marketing	7.52%
7) Utility Operations & Engineering	8.89%
8) Finance, Legal, Planning and Customer Service	31.94%
9) Public Relations	5.08%
TOTAL	100.00%

Note: The table above was prepared by the Staff Subcommittee on Utility Association Oversight and should be read in conjunction with the audited financial statements and schedules contained within this report. The expense categories listed above relate to audit definitions found on page VII-1 herein.

Edison Electric Institute
Audit Definitions of Accounts Used
For NARUC Reporting Requirement

LEGISLATIVE ADVOCACY (LA) - EEI defines the term "legislative advocacy" consistent with the definition of the term "lobbying" in IRC Section 162 (e). Title 26 USC 162 (e) (see Page I-4)

LEGISLATIVE POLICY RESEARCH (LP) - The cost of all efforts spent on research or the preparation of general or specific background information, studies, or analysis of proposed or potential legislation to determine its scope and potential impact, for use by EEI or its member companies. This account shall also include the cost of researching and responding to ALL inquiries regarding the potential impact, proper implementation, or effect of proposed or potential legislation but shall not include costs for legislative advocacy.

Legislative Policy Research begins when resources are expended for the purposed described in the above areas.

REGULATORY ADVOCACY (RA) - The cost of all written and oral communications with Federal or State regulatory agencies intended to influence the actions of such agencies and the cost of other expenditures which contribute in a general manner to furthering an EEI or member company position on a regulatory or administrative matter.

REGULATORY POLICY RESEARCH (RP) - Includes all costs divided into the following categories:

(1) Federal - The cost of studying and responding to notices of inquiry or proposed Federal rulemaking or administrative or regulatory proceedings, including the filing of comments on proposed regulatory or administrative actions; discussions with federal regulatory agencies to determine the status or timing of activities, or procedures of the agencies; the preparation of general or specific background information, studies or analysis, for use by EEI or its member companies to determine the scope and potential impact of proposed, or potential federal regulatory or administrative action; the cost of researching and responding to ALL inquiries regarding the potential impact, proper implementation, or effect of, proposed or potential federal regulatory or administrative actions; and the cost of monitoring existing federal government programs.

(2) State - All direct and indirect costs which are incurred for the purpose of an EEI or member company response to a State notice of inquiry or proposed State rulemaking or administrative, or regulatory proceeding, including the filing of comments on proposed regulatory, or administrative actions.

ADVERTISING (A1) - All costs, including costs of development (both direct and indirect), of paid and public service advertising in newspapers, magazines, radio, television and billboards and similar displays.

Advertising costs include the following categories:

(1) **Conservation** -Identifies conservation techniques, benefits, demonstrates conservation methods including peak clipping, valley filling or load shifting;

(2) **Safety** - Promotes safety, e.g., informing customers of hazards;

(3) **Customer education** - Informs about ways to reduce costs; promotes use of efficient appliances; promotes efficient use of utility service; optional payment plans; financial assistance, etc.

(4) **Legally required** - Is required by law or other governmental requirement;

(5) **Promotes consumption** - Promotes continued or increased sales; i.e., maintaining or increasing sales to present or prospective customers;

(6) **Institutional** - Enhances the image of EEI or of the utility industry as a business entity;

MARKETING AND DEMAND SIDE MANAGEMENT (M1) - The cost of all efforts (with the exception of advertising) to influence the demand for or sales of electricity. This account shall include the cost of research, publications, conferences, training sessions, meetings with trade allies, committee meetings or other efforts undertaken for the purpose of influencing the demand for or sales of electricity. Demand Side Management and marketing costs include the following:

(1) **Strategic Conservation** - expenses related to exploration, development, analysis and implementation of means by which load shape might be modified by a reduction in sales as well as a change in the pattern of use;

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(2) **Peak Clipping** - expenses related to explorations, development, analysis and implementation of means by which load shape might be modified by the reduction of peak load;

(3) **Valley Filling** - expenses related to exploration, development, analysis and implementation of means by which load shape might be modified by increasing off-peak loads.

(4) **Load Shifting** - expenses related to exploration, development, analysis and implementation of means by which load shape might be modified by shifting loads from on-peak to off-peak periods;

(5) **Strategic Load Growth** - expenses related to exploration, development, analysis and implementation of means by which load shape might be modified by a general increase in sales;

(6) **Flexible Load Shape** - expenses related to exploration, development, analysis and implementation of means by which load shape might be modified temporarily.

UTILITY OPERATIONS AND ENGINEERING (UE) - The cost of collecting and providing information on utility operations and engineering issues to member companies, other utilities, and other utility organizations. For purposed of this definition, operations and engineering shall include engineering and standards, fossil and synfuels, nuclear power, and environment. This category shall not include costs for activities related to legislative advocacy or research, regulatory advocacy or research, surveys and analysis of State laws and regulation, public relations, or litigation.

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FINANCE, LEGAL, PLANNING, AND CUSTOMER SERVICE (FL) - The cost of collecting and providing information on finance, legal and planning issues to member companies, other utilities and other utility organizations.

For purposes of this definition, finance, legal and planning shall include accounting, finance and regulation, legal, strategic planning, human resource management, information and administration, and information systems and library services. Customer Service and Support Information include expenses relating to the acquisition, compilation, categorization and dissemination of information useful in the improvement of the quality and value of service rendered to customers.

This category shall not include costs for activities related to legislative advocacy, legislative policy research, regulatory advocacy, regulatory policy research, surveys and analysis of State laws and regulation, sales promotion, public relations or litigation.

PUBLIC RELATIONS (PR) - The cost of developing and promoting reciprocal understanding and goodwill between EEI or its member companies and the various publics with which they interact including but not limited to the cost of developing and advancing an EEI or member company relationship or position with the media and the costs associated with responding to media inquiries. Public Relations shall include the costs associated with public opinion research which seeks to enhance the image of EEI, its member companies, or of the utility industry as a business entity or otherwise seeks to influence public opinion on matters not relating to legislative or regulatory issues.

The cost of public relations shall also include the costs associated with EEI employee time charges for time donated to outside organizations other than EEI member companies and any other expenses whose ultimate purpose if to develop goodwill or enhance the image of EEI, its member companies, or of the utility industry as a business entity, which do not more properly relate to other categories.

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GENERAL AND ADMINISTRATIVE (GA) - Administrative expenses (subscriptions, membership fees to professional organizations, travel, etc.) for all divisions, except the Administrative and Treasury Division (A&T), and the Human Resource Department (HR) were allocated to the various NARUC categories in proportion to direct salary dollars within the respective divisions. Administrative expenses in the A&T Division were allocated in proportion to direct salary dollars.

OVERHEAD (OO) - Corporate-wide expenses allocated to the various NARUC categories in proportion to total company direct salary dollars. Overhead consists primarily of General Office (rent, depreciation, communications, maintenance, office supplies, postage, insurance, etc.) expenses.

AmerenUE's Response to
OPC Data Request
MPSC Case No. ER-2007-0002
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 2019

Ordered paragraph number 7 in the Commission's ¿Report and Order on Rehearing¿ issued February 10, 2005 in Case No. EO-2004-0108 states that ¿AmerenUE may seek recovery in a future rate proceeding (a rate increase or an excess earnings complaint) of up to 6% of the unknown generation-related liabilities associated with the generation that was formerly allocated to AmerenUE's Metro East service territory, if it proves by a preponderance of the evidence that the sum of the Missouri ratepayer benefits attributable to the transfer in the applicable test year is greater than the 6% of such unknown generation-related liabilities sought to be recovered.¿ If UE's response to OPC DR No. 2018 was anything other than an unqualified ¿no¿, please verify (and provide documentation that supports the verification) that UE has complied with the portion of the order quoted in the preceding sentence. If UE is unable to provide an unqualified verification of compliance or the requested supporting documentation, please fully explain why.

Response:

The only unknown generation-related liabilities occurring since the metro-east transfer are the new Asbestos Cases and new Worker's Comp. Cases. The new Asbestos Cases totaled $1,450,000 with 6% being $87,000. The new Worker's Comp. Cases totaled $848,170 with 6% being $50,890. 6% of the total new generation-related liabilities is $137,890. This $137,890 is more than off-set by fuel cost savings in the test year of $22,340,000 due to the metro-east transfer. The $22,340,000 savings does not include the millions of dollars of additional off-system sales margins due to the elimination of the JDA. See the attached work papers.

Prepared By: Gary Weiss

Title: Manager Regulatory Accounting

Date: December 11, 2006

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-2007-0002

AFFIDAVIT OF GARY S. WEISS

STATE OF MISSOURI)
) **ss**
CITY OF ST. LOUIS)

Gary S. Weiss, being first duly sworn on his oath, states:

1. My name is Gary S. Weiss. I work in St. Louis, Missouri and I am employed by Ameren Services Company as Manager of Regulatory Accounting.

2. Attached hereto and made a part hereof for all purposes is my rebuttal Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 19 pages and Schedules GSW-E39 and GSW-E40, which has been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Gary S. Weiss
Gary S. Weiss

Subscribed and sworn to before me this 30th day of January, 2007.

Carolyn J. Woodstock
Notary Public

My commission expires: May 19, 2008

CAROLYN J. WOODSTOCK
Notary Public - Notary Seal
STATE OF MISSOURI
Franklin County
My Commission Expires: May 19, 2008