Exhibit No.:
Witness: James T. Selecky
Type of Exhibit: Surrebuttal Testimony
Issue: Depreciation
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2007-0002

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

Surrebuttal Testimony of

James T. Selecky
on
Book Depreciation

On behalf of

Missouri Industrial Energy Consumers

BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

Project 8632
February 27, 2007

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

STATE OF MISSOURI)
) **SS**
COUNTY OF ST. LOUIS)

Affidavit of James T. Selecky

James T. Selecky, being first duly sworn, on his oath states:

1. My name is James T. Selecky. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2007-0002.

3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things it purports to show.

James T. Selecky

Subscribed and sworn to before this 27th day of February, 2007.

CAROL SCHULZ
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Feb. 26, 2008

Notary Public

My Commission Expires February 26, 2008.

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Surrebuttal Testimony of James T. Selecky

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James T. Selecky. My business address is 1215 Fern Ridge Parkway, Suite 208, St. Louis, Missouri 63141-2000.

Q ARE YOU THE SAME JAMES T. SELECKY WHO HAS PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A Yes. I have previously filed Direct and Rebuttal Testimony on book depreciation rates and expense.

Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A The purpose of my surrebuttal testimony is to address the rebuttal testimony of William M. Stout and John F. Wiedmayer filed on behalf of AmerenUE.

Response to Rebuttal Testimony of AmerenUE Witness William M. Stout

Q IN YOUR DIRECT YOU STATE THAT IF PROJECTIONS OF FUTURE INFLATION ARE UTILIZED AS OPPOSED TO HISTORICAL LEVELS OF INFLATION, AMERENUE'S PROPOSED NET SALVAGE RATIOS SHOULD BE REDUCED BY 55%. DOES MR. STOUT ADDRESS THIS IN HIS REBUTTAL TESTIMONY?

A Yes. Mr. Stout states in his rebuttal testimony that because I have overstated the average age of historical retirements I have removed too much inflation from the historical net salvage percentages. To demonstrate this point, Mr. Stout creates an example where he compares cumulative inflation at 4% for 20 years with the cumulative inflation of 2.6% for 46 years. Using this example, Mr. Stout contends that the net salvage should be increased – not decreased.

Q PLEASE BRIEFLY DISCUSS MR. STOUT'S ANALYSIS THAT YOU REFERRED TO IN YOUR PREVIOUS ANSWER.

A The example prepared by Mr. Stout compares the cumulative inflation associated with the average age of retirements with the cumulative inflation associated with the average service life. Mr. Stout states that the average age of all of the transmission, distribution and general plant accounts' retirement is 19.7 years. The 46-year average service life represents the average service life of those same assets. It is my understanding that the average age of retirements is based on a dollar weighted average of the retirements over the studied period. The average age of the retirements is then escalated at 4% to develop a cumulative inflation factor of 2.191%. This factor is compared to the cumulative inflation factor of 3.257, which is developed by escalating the average service life of 46 years by 2.6%. Mr. Stout then compares

these two cumulative inflation factors to reach the conclusion that the net salvage factor should be increasing.

Q DO YOU HAVE ANY COMMENTS REGARDING MR. STOUT'S ANALYSIS?

A Yes. Mr. Stout's analysis is misleading, confusing and illogical.

Mr. Stout's comparison is misleading because he compares the average age of retirements to average service life. It appears that Mr. Stout is either saying that on a going forward basis the average age of the retirements will be 46 years or that there will be no inflation. It is inflation that reduces the average age of retirement to something less than the average service life.

In the case of no inflation, Mr. Stout should have produced an escalation factor for the future cumulative inflation factor of 1.0 (1 + 0)^46. Comparing the 1.0 factor to Mr. Stout's historical cumulative inflation factor of 2.191 indicates that AmerenUE has overstated its inflation adjustments by approximately 55% (1 - (1.000/2.191)).

Alternatively, if we assume that the average age of the historical retirements of 19.7 years will be the same in the future, this produces a forecasted cumulative inflation factor of 1.671 (1 + 0.026)^20. Using the average age of retirement figures for both calculations indicates that AmerenUE's TD&G depreciation rates are overstated by approximately 25% (1 - (1.671/2.191)).

Q DO YOU HAVE ANY OTHER OBSERVATIONS TO MAKE ABOUT MR. STOUT'S ANALYSIS?

A Yes. It should be remembered that Mr. Stout is saying that the average age of retirements based on historical data is 19.7 years. He utilizes that database to produce an average age of 46 years for the TD&G assets. Assuming that Mr. Stout believes on a going forward basis, that the average age of the retirements will be 46 years as opposed to the historical 19.7 years, it can be concluded that AmerenUE may have substantially understated the average service life of its TD&G plant accounts and overstated its depreciation rates.

Response to Rebuttal Testimony of AmerenUE Witness John F. Wiedmayer

Q HAS MR. WIEDMAYER CALCULATED REVISED DEPRECIATION RATES FOR THE STEAM GENERATING PLANTS?

A Yes. Mr. Wiedmayer developed depreciation rates assuming estimated retirement dates for the steam plant as follows:

1) Meramec – 2021;
2) Sioux – 2027;
3) Labadie – 2033;
4) Rush Island – 2037.

These result in life spans for the various units slightly in excess of 60 years. This is a substantial change in AmerenUE's proposed retirement dates for its steam production units. In its direct case, a retirement date of 2026 was used for all steam production units.

Q DO YOU HAVE ANY COMMENTS REGARDING THE REVISED DEPRECIATION RATES CALCULATED BY AMERENUE?

A Yes. First, the revised life estimates are more appropriate and less arbitrary than the life estimates used in the prefiled testimony. Second, as indicated in my direct testimony, the net salvage values that AmerenUE has utilized to calculate its revised steam production depreciation rates are excessive for the reasons discussed in my direct testimony.

Q WHY DO YOU TAKE EXCEPTION TO AMERENUE'S PROPOSED NET SALVAGE RATES THAT ARE USED TO CALCULATE THE STEAM PRODUCTION DEPRECIATION RATES?

A In the Empire Electric order, Case No. ER-2004-570, which was cited in my direct testimony, the Commission indicated that the treatment of terminal salvage of production plant has generally not allowed the accrual of this item. The Commission states that one of the reasons for this position is that the retirement dates are purely speculative. The fact that over the last 12 months, AmerenUE has dramatically changed the retirement dates for these units is a clear indication that the AmerenUE proposed retirement dates are speculative. Therefore, the Commission should reject AmerenUE's proposed net salvage values for its steam production plant accounts and utilize the net salvage values contained in my prefiled testimony.

Q HAVE YOU DEVELOPED REVISED STEAM PRODUCTION DEPRECIATION RATES UTILIZING YOUR PROPOSED NET SALVAGE RATIOS AND AMERENUE'S PROPOSED STEAM PRODUCTION DEPRECIATION LIVES AND SURVIVOR CURVES?

A Yes. The revised depreciation rates are shown on my attached Schedule JTS-17.

Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A Yes, it does.

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AMERENUE - ELECTRIC

MIEC Proposed Non-Nuclear Production Depreciation Rates

Line	Acct. No.	Account	Plant Balance 12/31/2005 (1)	Accured Depreciation 12/31/2005 (2)	Remaining Life (Yrs) (3)	Net Salvage (%) (4)	Proposed Depreciation Expense (5)	Proposed Depreciation Rate [1] (6)
		Steam Production Plant:						
		Meramec Steam Production Plant						
1	311	Structures & Improvements	$ 36,285,697	$ 22,227,391	15.2	-0.5%	$ 936,825	2.58%
2	312	Boiler Plant Equipment	403,333,321	154,474,309	14.6	-0.5%	17,183,266	4.26%
3	314	Turborgenerator Units	81,963,286	39,548,627	14.9	-0.5%	2,874,126	3.51%
4	315	Accessory Electrical Equipment	36,268,698	17,732,002	15.1	-0.5%	1,239,605	3.42%
5	316	Miscellaneous Power Plant Equipment	13,521,142	5,442,201	14.4	-0.5%	565,732	4.18%
6		Total Meramec Steam Production Plant	$ 571,372,144	$ 239,424,530			$ 22,799,554	
		Sioux Steam Production Plant						
7	311	Structures & Improvements	$ 25,194,894	$ 13,670,821	20.9	-0.5%	$ 557,419	2.21%
8	312	Boiler Plant Equipment	325,939,982	129,827,766	19.4	-0.5%	10,192,882	3.13%
9	314	Turborgenerator Units	89,835,326	29,665,285	20.1	-0.5%	3,015,881	3.36%
10	315	Accessory Electrical Equipment	34,600,610	11,694,295	20.6	-0.5%	1,120,355	3.24%
11	316	Miscellaneous Power Plant Equipment	7,713,733	2,989,018	19.3	-0.5%	246,802	3.20%
12		Total Sioux Steam Production Plant	$ 483,284,545	$ 187,847,185			$ 15,133,340	
		Labadie Steam Production Plant						
13	311	Structures & Improvements	$ 61,791,585	$ 31,106,297	26.4	-0.5%	$ 1,174,024	1.90%
14	312	Boiler Plant Equipment	556,070,480	255,563,366	23.5	-0.5%	12,905,850	2.32%
15	312.03	Boiler Plant Equipment - Aluminum Coal Cars	121,206,826	35,958,486	12.7	-0.5%	6,760,187	5.58%
16	314	Turborgenerator Units	183,529,904	66,749,855	24.7	-0.5%	4,765,089	2.60%
17	315	Accessory Electrical Equipment	72,780,646	33,352,577	25.9	-0.5%	1,536,370	2.11%
18	316	Miscellaneous Power Plant Equipment	16,724,383	5,884,636	24.0	-0.5%	455,140	2.72%
19		Total Labadie Steam Production Plant	$ 1,012,103,823	$ 428,615,217			$ 27,596,660	
		Rush Island Steam Production Plant						
20	311	Structures & Improvements	$ 52,312,785	$ 24,714,978	30.0	-0.5%	$ 928,646	1.78%
21	312	Boiler Plant Equipment	353,903,249	143,111,478	26.4	-0.5%	8,051,564	2.28%
22	314	Turborgenerator Units	136,041,231	46,488,794	27.7	-0.5%	3,257,496	2.39%
23	315	Accessory Electrical Equipment	32,922,076	12,647,491	29.4	-0.5%	695,211	2.11%
24	316	Miscellaneous Power Plant Equipment	10,112,325	2,901,944	26.9	-0.5%	269,924	2.67%
25		Total Rush Island Steam Production Plant	$ 585,291,666	$ 229,864,685			$ 13,202,840	
		Common						
26	311	Structures & Improvements	$ 1,959,206	$ 289,973	26.8	-0.5%	$ 62,650	3.20%
27	312	Boiler Plant Equipment	37,071,156	5,527,912	24.8	-0.5%	1,279,379	3.45%
28	315	Accessory Electrical Equipment	3,129,975	445,463	26.2	-0.5%	103,060	3.29%
29	316	Miscellaneous Power Plant Equipment	20,843	2,574	24.2	-0.5%	759	3.64%
30		Total Common	$ 42,181,179	$ 6,265,922			$ 1,445,848	
31		**Total Steam Production Plant**	$ 2,694,233,356	$ 1,092,017,539			$ 80,178,242	2.98%

AMERENUE - ELECTRIC

MIEC Proposed Non-Nuclear Production Depreciation Rates

Line	Acct. No.	Account	Plant Balance 12/31/2005 (1)	Accured Depreciation 12/31/2005 (2)	Remaining Life (Yrs) (3)	Net Salvage (%) (4)	Proposed Depreciation Expense (5)	Proposed Depreciation Rate [1] (6)
		Hydraulic Production Plant:						
		Osage Hydraulic Production Plant						
32	331	Structures & Improvements	$ 3,750,644	$ 1,843,375	38.4	-0.5%	$ 50,157	1.34%
33	332	Reserviors, Dams, & Waterways	25,597,635	15,447,912	39.7	-0.5%	258,884	1.01%
34	333	Water Wheels, Turbines, & Generators	19,301,223	6,475,834	38.3	-0.5%	337,386	1.75%
35	334	Accessory Electrical Equipment	4,112,456	1,248,873	32.1	-0.5%	89,849	2.18%
36	335	Miscellaneous Power Plant Equipment	1,699,727	316,061	32.7	-0.5%	42,574	2.50%
37	336	Roads, Railroads, & Bridges*	77,445	42,486	40.5	-0.5%	873	1.13%
38		Total Osage Hydraulic Production Plant	$ 54,539,128	$ 25,374,541			$ 779,723	
		Keokuk Hydraulic Production Plant						
39	331	Structures & Improvements	$ 3,791,127	$ 1,811,913	29.5	-0.5%	$ 67,735	1.79%
40	332	Reserviors, Dams, & Waterways	12,170,523	7,238,534	30.1	-0.5%	165,875	1.36%
41	333	Water Wheels, Turbines, & Generators	58,830,125	11,553,069	29.6	-0.5%	1,607,135	2.73%
42	334	Accessory Electrical Equipment	9,161,004	1,937,515	26.2	-0.5%	277,454	3.03%
43	335	Miscellaneous Power Plant Equipment	2,630,627	585,968	26.2	-0.5%	78,542	2.99%
44	336	Roads, Railroads, & Bridges	114,926	45,598	30.5	-0.5%	2,292	1.99%
45		Total Keokuk Hydraulic Production Plant	$ 86,698,332	$ 23,172,597			$ 2,199,033	
		Taum Sauk Hydraulic Production Plant						
46	331	Structures & Improvements	$ 5,468,208	$ 3,100,747	29.6	-0.5%	$ 80,905	1.48%
47	332	Reserviors, Dams, & Waterways	27,594,082	15,519,625	30.3	-0.5%	403,050	1.46%
48	333	Water Wheels, Turbines, & Generators	37,277,699	13,332,408	29.3	-0.5%	823,607	2.21%
49	334	Accessory Electrical Equipment	4,106,261	1,326,931	26.1	-0.5%	107,274	2.61%
50	335	Miscellaneous Power Plant Equipment	1,620,780	297,631	26.4	-0.5%	50,426	3.11%
51	336	Roads, Railroads, & Bridges*	45,570	24,729	30.5	-0.5%	691	1.52%
52		Total Taum Sauk Hydraulic Production Plant	$ 76,112,599	$ 33,602,071			$ 1,465,954	
53		**Total Hydraulic Production Plant**	$ 217,350,059	$ 82,149,209			$ 4,444,710	
		Other Production Plant:						
54	341	Structures & Improvements	$ 15,310,060	$ 3,498,977	31.2	0.0%	$ 378,560	2.47%
55	342	Fuel Holders, Producers, & Accessories	12,123,101	2,826,700	28.9	0.0%	321,675	2.65%
56	344	Generators	583,555,235	87,823,660	31.8	0.0%	15,589,043	2.67%
57	345	Accessory Electrical Equipment	26,830,796	7,015,500	29.3	0.0%	676,290	2.52%
58	346	Miscellaneous Power Plant Equipment	5,376,474	804,756	32.7	0.0%	139,808	2.60%
59		**Total Other Production Plant**	$ 643,195,666	$ 101,969,593			$ 17,105,376	
60		**Total Production Plant**	$ 3,554,779,080	$ 1,276,136,341			$ 101,728,328	

Note:
(1). Depreciation rates do not reflect the impact of reserve variance.