

Exhibit No.:
Issue(s): Class Cost Of Service
Witness: William M. Warwick
Sponsoring Party: Union Electric Company
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2011-0028
Date Testimony Prepared: March 25, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2011-0028

REBUTTAL TESTIMONY

OF

WILLIAM M. WARWICK

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

**St. Louis, Missouri
March, 2011**

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **WILLIAM M. WARWICK**

4
5 **CASE NO. ER-2011-0028**

6 **Q. Please state your name and business address.**

7 A. My name is William M. Warwick. My business address is One Ameren
8 Plaza, 1901 Chouteau Avenue, St. Louis, MO 63103.

9 **Q. Are you the same William M. Warwick who filed direct testimony in this**
10 **case?**

11 A. Yes, I am.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of my rebuttal testimony is to discuss several differences in the
14 class cost of service studies (“CCOSS”) presented by the Missouri Public Service
15 Commission Staff (“Staff”), the Office of Public Counsel (“OPC”) and the Missouri
16 Industrial Energy Consumers (“MIEC”). The fact that I am not addressing all of the
17 differences between Ameren Missouri’s CCOSS and those performed by the other parties
18 should not be construed as an endorsement of the allocation methods producing additional
19 differences by those parties.

20 **Q. Did any other parties, other than those mentioned above, present class**
21 **cost of service studies in this proceeding?**

22 A. No.

1 **Q. What are the primary factors which drive the differences in the cost**
2 **based class revenue requirements CCOSS presented by the Company, Staff and**
3 **MIEC?**

4 A. The primary differences among the Company, Staff and MIEC CCOSS are
5 related to the classification of non-fuel production operation and maintenance (“O&M”)
6 expenses between fixed (demand-related) and variable (energy-related) components. More
7 specifically, the classification of three categories of cost -- “Operations Expense – Other,”
8 “Maintenance Expense – Labor,” and “Maintenance Expense – Other” – are at issue. MIEC
9 classified these three categories of cost as demand-related and allocated them based on
10 MIEC’s fixed production plant allocator. The Staff’s method of classification of these costs
11 seems to follow an approach prescribed in the National Association of Regulatory Utility
12 Commissioners (“NARUC”) Electric Utility Cost Allocation Manual. In contrast, the
13 Company classified these three categories of cost as variable and allocated them based on the
14 Company’s energy allocator. This approach is consistent with the method the Company has
15 traditionally used to allocate these costs in its jurisdictional cost of service studies.

16 **Q. Have you prepared a summary that shows the differences among the**
17 **positions of the Company, the Staff and the MIEC with respect to the split of non-fuel**
18 **production O&M expenses between fixed and variable?**

19 A. Yes, the following table is a summary of the positions taken by those parties.

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FIXED AND VARIABLE SPLIT OF PRODUCTION O&M EXPENSE								
	Company			Staff			MIEC	
	Fixed	Variable		Fixed	Variable		Fixed	Variable
Operations								
Labor	100%	0%		100%	0%		100%	0%
Other	0%	100%		75%	25%		100%	0%
Total Operations (Weighted)	66%	34%		94%	6%		100%	0%

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Maintenance								
Labor	0%	100%		22%	78%		100%	0%
Other	0%	100%		18%	82%		100%	0%
Total Maintenance (Weighted)	0%	100%		20%	80%		100%	0%

Total Non-Fuel Prod O&M (Weighted)	30%	70%		54%	46%		100%	0%
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Q. Do you agree with MIEC witness Maurice Brubaker’s statement that “the vast majority of these O&M costs do not vary in any appreciable way with the number of kWh generated, but occur as a function of the existence of the plants, the hours of operation and the passage of time”?

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A. While it is true that some of these costs are incurred due to the mere existence of the plants and passage of time, it is also true that some of these costs vary with the hours of operation and the output of the generators. MIEC does not provide any support for or quantification of the phrase “vast majority.” One could argue that it may be appropriate to classify the labor component of these maintenance costs as fixed, I would suggest however it is not the “vast majority” of such costs. Using an automobile as an analogy, the automobile would require significantly less maintenance if it were to remain in a garage versus being driven every day.

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Q. What would the effect be on the Company’s CCROSS if the Commission were to adopt MIEC’s classification of production expense between fixed and variable?

1 A. The table below shows the shift in class revenues, per the Company’s original
2 CCOSS filing, using MIEC’s method of classifying production expenses between fixed and
3 variable. As shown, MIEC’s proposed method increases the class cost of service-based
4 revenue requirement of the Residential class by approximately \$30.0 million or 2.8%.

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Class Revenue Requirements Shift per Company’s Class-Cost-Of-Service (\$1000’s)				
	Original	Per MIEC Percent Split	Difference	% Difference *
RES	\$1,304,840	\$1,335,121	\$ 30,281	2.8%
SGS	\$ 283,817	\$ 287,945	\$ 4,128	1.5%
LGS/SPS	\$ 715,401	\$ 704,697	\$(10,704)	-1.5%
LPS	\$ 195,146	\$ 185,505	\$ (9,641)	-5.3%
LTS	\$ 159,480	\$ 144,643	\$(14,837)	-10.6%
LTG	\$ 42,370	\$ 43,141	\$ 771	2.5%

* As a percent of as filed current revenues.

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7 **Q. What are the primary factors which drive the differences in the CCOSS**
8 **presented by the Company and OPC?**

9 A. It appears the primary factor driving the difference between the CCOSS
10 presented by the Company and OPC are the different fixed production plant allocators used
11 in the two studies. The differences between those fixed production plant allocation factors
12 will be addressed by Company witness Wilbon L. Cooper in his rebuttal testimony.

13 **Q. Briefly, what method did OPC employ to develop its fixed production**
14 **plant allocator?**

15 A. OPC utilized a 4 CP version of the Peak and Average (“P & A”) method as set
16 forth on pages 57-59 of the NARUC Electric Utility Cost Allocation Manual (“Manual”) that
17 gives weight to both: a) adjusted class peak demands, and b) class energy consumption.

1 **Q. What are OPC’s resulting class allocators for fixed production plant?**

2 A. OPC’s results appear below.

RES	SGS	LGS/SPS	LPS	LTS	Lighting
43.2%	9.8%	29.5%	8.6%	8.9%	N/A

3
4 **Q. Does OPC’s weighting of the average portion and the peak portion of its**
5 **fixed production plant allocator follow the two examples in the NARUC Manual for this**
6 **allocation method?**

7 A. No. On page 5 OPC witness Barbara Meisenheimer’s direct testimony states
8 that a measure of load factor (“LF”) was used as the weight assigned to the average portion
9 of the allocator and 1-LF was used as the weight assigned to the peak portion of the allocator.
10 However the examples from the NARUC Manual, as provided as Schedule 1 of OPC witness
11 Barbara Meisenheimer’s direct testimony, clearly state that the portion of production plant
12 classified as demand-related is calculated by dividing the annual system peak demand by the
13 sum of the annual system peak demand plus the average system demand. Conversely, the
14 percentage classified as energy-related is calculated similarly by dividing the average system
15 demand by the sum of the annual system peak demand plus the average system demand. The
16 NARUC method for determining the demand-related and energy –related portions of
17 production plant is clearly described in the note that appears at the bottom of Schedule 1 of
18 OPC witness Barbara Meisenheimer’s direct testimony, which is an excerpt of pages 57 and
19 58 of the NARUC Manual.

20 **Q. What are the results of the 4 CP P & A allocation method using the**
21 **weighting method prescribed in the NARUC Manual?**

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1 A. The resulting allocation factors appear below.

RES	SGS	LGS/SPS	LPS	LTS	Lighting
45.5%	9.8%	28.5%	8.0%	8.1%	N/A

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3 **Q. Does this conclude your rebuttal testimony?**

4 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 Increasing Rates for Electric)	Case No. ER-2011-0028
Service Provided to Customers in the)	
Company's Missouri Service Area.)	

AFFIDAVIT OF WILLIAM M. WARWICK

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

William M. Warwick, being first duly sworn on his oath, states:

1. My name is William M. Warwick. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Managing Supervisor of Rate Engineering.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Ameren Missouri consisting of 6 pages, all of which have 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.

William M. Warwick

William M. Warwick

Subscribed and sworn to before me this 25 day of March, 2011.

Amanda Tesdall

Notary Public

My commission expires:

