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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2014-0258

REBUTTAL TESTIMONY

OF

DAVID N. WAKEMAN

ON

BEHALF OF

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

**St. Louis, Missouri
January 2015**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **DAVID N. WAKEMAN**

4
5 **FILE NO. ER-2014-0258**

6 **I. INTRODUCTION**

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

8 A. My name is David N. Wakeman. My business address is One Ameren Plaza,
9 1901 Chouteau Avenue, St. Louis, MO 63103.

10 **Q. By whom and in what capacity are you employed?**

11 I am employed by Union Electric Company d/b/a Ameren Missouri (“Ameren
12 Missouri” or “Company”) as Senior Vice President of Operations and Technical Services. I
13 have held this position since April of 2014.

14 **Q. Please describe your employment history with Ameren Missouri.**

15 A. In 1982, I was hired as a Mechanic’s Helper in the Company’s Motor
16 Transportation Department. After receiving my bachelor’s degree in Electrical Engineering
17 in 1988, I became an Assistant Engineer in the Company’s Substation Operating Department
18 where I performed software development work related to engineering applications on the
19 Company’s Distribution SCADA system. In 1994, I transferred to the Service Test
20 Department and performed Power Quality work and other activities. In 1999, I was
21 promoted to Supervising Engineer of the Reliability Support Group. In 2003, I was
22 promoted to Manager of Distribution Operating. In December of 2009, I was promoted to
23 Vice President Energy Delivery - Distribution Services. I was promoted to Senior Vice
24 President of Operations and Technical Services in April of 2014.

1 **Q. Please describe your duties and responsibilities as Senior Vice President**
2 **of Operations and Technical Services.**

3 A. In my current position, I am responsible for engineering, construction,
4 operations and maintenance of Ameren Missouri's gas and electric distribution systems.
5 There are three senior directors and nineteen directors in my organization. In addition to the
6 activities associated directly with the gas and electric distribution systems, my organization is
7 responsible for the safety of approximately 1,450 Ameren Missouri personnel as well as the
8 contractors working on our systems.

9 **Q. Please describe your educational background.**

10 A. I received a Bachelor of Science in Electrical Engineering from Washington
11 University of St. Louis in 1988. I received a Masters in Business Administration from
12 Washington University of St. Louis in 2013.

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

14 A. The purpose of my rebuttal testimony is to: a) respond to portions of the
15 direct testimony of Staff witness Lisa Hanneken and Missouri Industrial Energy Consumers
16 ("MIEC") witness Greg Meyer regarding the continuation of the Company's vegetation
17 management and infrastructure inspection cost trackers, as well as Mr. Meyer's testimony
18 regarding the Company's storm tracker; b) respond to portions of the direct testimony of
19 IBEW Local 1439 witness Mike Walter; c) respond to portions of the direct testimony of the
20 City of O'Fallon's witness Steve Bender and the City of Ballwin's witness Robert Kuntz
21 regarding their request that the Commission force the Company to sell certain assets; and d)
22 respond to the recommendation of the Staff regarding the safety component of the
23 Company's Executive Incentive Plan for Officers ("EIP-O").

1 trackers ensure that difference is tracked so the Commission is able to return any difference
2 to customers in a future rate case. The trackers thus mitigate the risk of continued execution
3 of these programs for both customers and the Company without any significant downside for
4 either the Company or its customers. The trackers are appropriate and should be continued.

5 **III. TWO-WAY MAJOR STORM EXPENSE TRACKER**

6 **Q. When was the two-way major storm expense tracker established?**

7 A. The Commission approved the two-way storm tracker just over two years ago
8 when it issued its *Report and Order* in the Company's last rate case, File No. ER-2012-0166.
9 All of the reasons that justified the Commission's approval of the storm tracker two years ago
10 remain valid today. As the Commission stated in its *Report and Order*:

11 Major storm restoration costs are particularly well suited for inclusion in a two-
12 way tracker. Ameren Missouri has no control over whether major storms
13 occur and has very little ability to control its restoration cost when such storms
14 do hit its service territory. Such major storm costs can have a significant
15 impact on the company's overall costs and ability to earn a reasonable return
16 on its investment. Furthermore, for whatever reason, major storm events
17 seem to have increased in frequency and intensity in recent years.¹

18 **Q. Staff witness Kofi Boateng and Mr. Meyer argue the major storm**
19 **expense tracker does not represent a large component of Ameren Missouri's ongoing**
20 **expenses and should therefore be discontinued. Do you agree?**

21 A. I do not. Although the expenses tracked in the major storm tracker may not
22 (depending on the year and the number and magnitude of storms) represent a large
23 component of Ameren Missouri's ongoing expenses, major storm costs are uncontrollable
24 expenses that vary dramatically year-to-year. Moreover, they represent expenses the

¹ *Report and Order*, File No. ER-2012-0166, p. 96.

1 Company has no choice but to incur.² Major storm restoration is an extremely important part
2 of our business, and prompt restoration of service is critical to the customers and the
3 communities we serve. Our customers, including business owners and community leaders,
4 as well as the Commission, expect we will react to these events promptly and professionally,
5 and that our response will safely and efficiently restore service as quickly as possible. These
6 expectations are not mitigated if a faster response requires the expenditure of significantly
7 more funds than would be necessary if we were less aggressive in responding to storm
8 damage. We take this responsibility very seriously, and I believe our customers understand
9 the value of our prompt response and the associated costs.

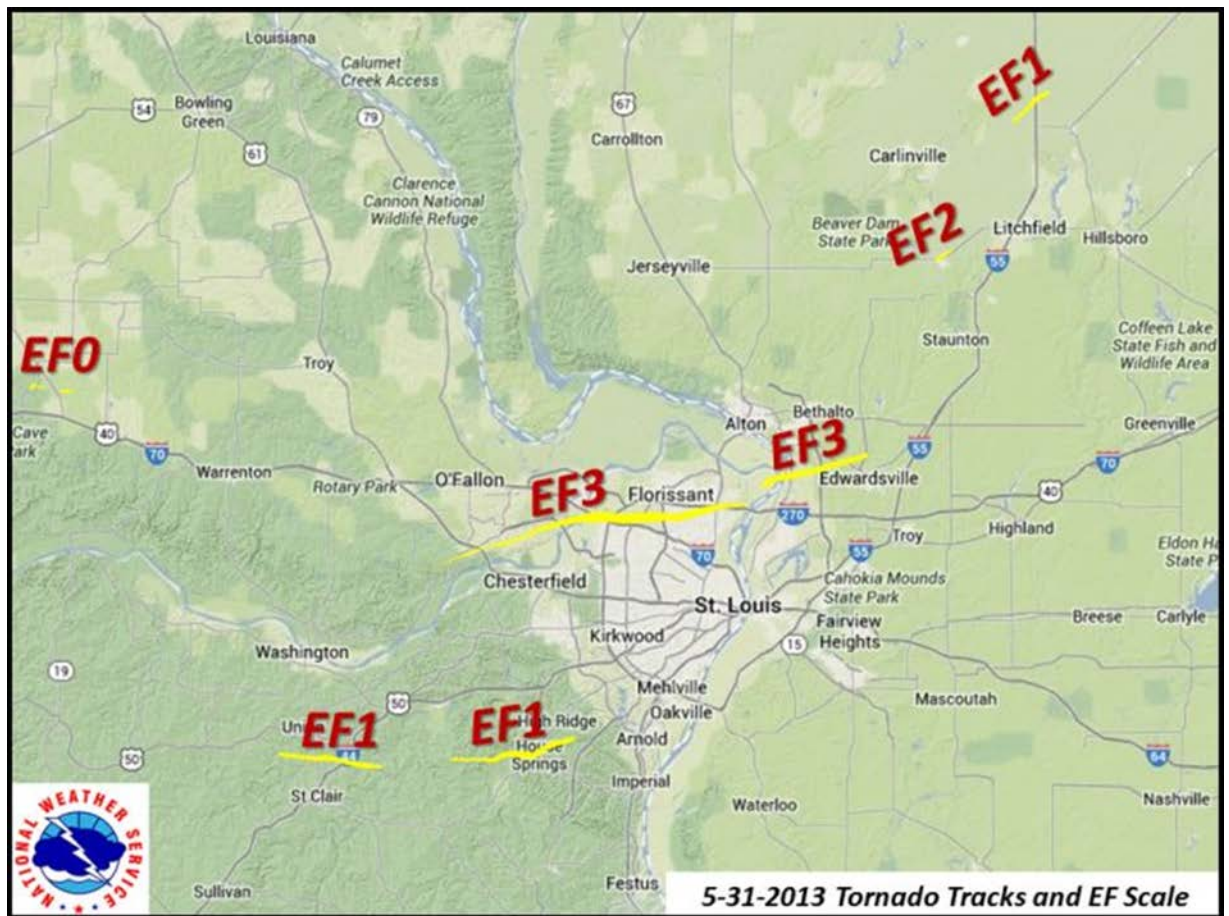
10 **Q. What types of storms does the Company's service territory experience?**

11 A. The Company's service territory experiences a variety of storms, from
12 thunderstorms, to violent tornados, to severe ice storms. The number and severity of storms
13 varies widely from year-to-year, as do the operations and maintenance ("O&M") expenses
14 incurred in response to such storms. Each storm is unique in terms of its location as well as
15 the type and severity of the damage it causes, requiring Ameren Missouri to create a unique
16 response to every event.

17 My testimony regarding the two-way storm tracker refers to the damage caused by
18 major storms, not damage attributable to what are categorized as routine storms, which don't
19 result in significant damage or outages and which are considered to be a part of the
20 Company's normal operations. My testimony on this issue is focused on major storms that
21 cause extensive damage to the Company's electrical distribution system, such as ice storms,

² As the Commission recognized, "the ordinary means by which the company can control costs frequently are not available in major storm restoration situations. For example, the company cannot take the time to obtain competitive bids for services, it cannot limit the overtime worked by its employees, nor can it decide not to hire outside restoration crews." *Report and Order*, File No. ER-2012-0166, p. 96.

1 severe thunderstorms, and tornadoes. For example, on May 31, 2013, we experienced severe
2 thunderstorms and tornados that struck St. Louis, Jefferson, Franklin, and St. Charles
3 Counties. Two EF3 tornados, one of which tracked from St. Charles County to St. Louis
4 city, resulted in significant damage to our infrastructure, including 9 substations, 17 sub-
5 transmission circuits, 75 feeders, and nearly 800 poles. Approximately 2,800 workers,
6 including 1750 line workers, 560 tree clearing workers, and 170 damage assessors were
7 engaged in the restoration effort. Ninety-seven percent of customers affected were restored
8 within 96 hours. The tornado tracker map and the pictures below indicate the type and
9 severity of damage inflicted on our system.



10

Rebuttal Testimony of
David N. Wakeman



1



2

1 **Q. How do you determine what storms are categorized as major storms to**
2 **ensure routine storms, which are considered to be part of the Company's normal**
3 **operations, are not included in the tracker?**

4 A. As I explained when the Commission approved the major storm cost tracker in
5 the Company's last rate case, we use an industry-wide mechanism (developed by the Institute
6 of Electrical and Electronics Engineers ("IEEE")) that applies a consistent methodology and
7 objective data analysis to make that determination. IEEE Standard 1366 is used to identify
8 major events and to classify only weather events that meet these criteria as major storms.
9 The IEEE 1366 method looks at the magnitude of an outage event by examining outage
10 minutes per customer on a daily basis, and compares them to the "normal" range of customer
11 outage minutes based on 5 years of historical, daily customer outage minutes, including days
12 with storms. If the minutes of interruption per customer on a given day are outside the
13 "normal" range, the day is classified as a "Major Event Day" by the IEEE standard, and if the
14 cause was a weather event, this event would be classified as a major storm. All costs
15 associated with storm response preparation and service restoration related to a major storm
16 will be collected in a major storm work order. The non-internal labor O&M cost collected in
17 all major storm work orders is included in the major storm two-way tracker. The cost of
18 smaller storms, which do not meet the criteria, are not included in the tracker. By using the
19 IEEE standard for storms, the Company is using a defined, statistically derived, objective
20 metric to categorize and consistently define major storms that fall outside our normal
21 operations. This ensures that if expenditures covered by the tracker increase above the base
22 level against which the expenditures are tracked customers will only pay for these
23 extraordinary expenditures and will not pay any additional sums for routine storm costs

1 already reflected in rates. As noted, this is a two-way major storm tracker, so that if the
2 O&M expenditures for major storms decline between rate cases the Commission can then
3 reflect the lower level in customer rates in the Company's next rate case. As the Commission
4 explained in its previous *Report and Order*, the storm tracker "rationalize[s] the process [of
5 dealing with major storm costs], and it . . . allow[s] over collected cost to be returned to
6 ratepayers if the company is fortunate enough to avoid any major storms."³

7 **Q. Are O&M expenses incurred on Major Event Days, as classified by the**
8 **IEEE standard, the only expenses currently included in the tracker?**

9 A. No. As the Commission also approved in our last rate case, there is one
10 additional type of expense included in the tracker. This consists of the cost of preparation for
11 an anticipated major storm that does not materialize. But these costs are included in the
12 tracker only if the non-internal labor O&M incurred for the preparation exceeds \$1.5 million.

13 **Q. Can you give an example of what preparation occurs ahead of an**
14 **anticipated storm?**

15 A. The Company is always ready to respond to emergencies and storms at a
16 moment's notice regardless of timing. At times, we receive advance notice that predicts the
17 occurrence of a major, severe storm that is expected to cause significant negative impacts to
18 our electric distribution system. When this occurs, we prestage materials and personnel in
19 areas anticipated to be affected. Staging resources in these areas allows us to respond much
20 more quickly. In events such as ice storms, pre-staging resources can save days in
21 restoration time because in such storms the need to travel to the areas where the damage
22 occurs and to move materials to those areas would otherwise be significantly hampered by
23 treacherous road conditions. This not only slows down the storm response, but presents

³ *Report and Order*, File No. ER-2012-0166, p. 95.

1 additional safety hazards for our personnel. However, staging materials and personnel ahead
2 of an event can result in large expenses to the Company.

3 **Q. Is the impact or timing of storm damage something that is within the**
4 **Company's control?**

5 A. No it is not. As I testified earlier, the number, type, severity, and impact of
6 storms varies widely and is completely outside the Company's control. But we must always
7 be ready to respond on a moment's notice regardless of timing, budgets, or costs.

8 **Q. In the past, other parties have claimed implementation of a storm tracker**
9 **would reduce the Company's incentive to spend prudently on storm restoration or that**
10 **such a tracker is a preapproval for storm costs. Do you agree with these claims?**

11 A. I do not agree with either claim. Regardless of whether costs are deferred
12 through a separate Accounting Authority Order ("AAO") or via the tracker, the Commission
13 retains its authority to disallow imprudently incurred costs and retains full ratemaking
14 authority regarding requests to amortize the sums deferred under the tracker in later rate
15 cases.

16 **Q. In this case, Mr. Boateng argues the tracker is not needed because normal**
17 **ratemaking mechanisms already are available to Ameren Missouri for these costs. Do**
18 **you agree?**

19 A. I do not. The Commission already has indicated that a tracker for storm costs
20 is the appropriate ratemaking mechanism, and I am puzzled Staff has ignored the very clear
21 language in the *Report and Order* from the Company's last rate case. Mr. Boateng seems to
22 ignore the fact the ratemaking principals he references (except for an AAO) can only be used
23 as part of the rate setting process for rates going forward. Accordingly, they do not assist the

1 Company in recovering amounts previously expended on storm recovery. AAOs can be used
2 to capture some of those storm recovery costs, but there is always a disagreement on what
3 constitutes a high enough expenditure level to justify the issuance of an AAO. The storm
4 tracker removes all of these disagreements and is fair to both the Company and our
5 customers.

6 **Q. Do you have anything else to add?**

7 A. I believe the Commission should allow the major storm two-way tracker to
8 continue. Historically the Commission has allowed Ameren Missouri to implement trackers
9 for large, variable costs that are outside the Company's control. Major storm costs certainly
10 fit in this category. Prompt service restoration is important to the Company, and it is
11 demanded by our customers and the communities we serve as well as by the Commission.
12 The two-way major storm tracker provides a mechanism that supports timely recovery of the
13 extraordinary costs of restoring service after major storms. The tracker addresses variations
14 from the customers' perspective as well, because it ensures the Company will not over-
15 recover such costs. In years with fewer or no major storms, the tracker ensures that that the
16 Commission is able to return that difference to customers in a future rate case should costs be
17 less than those included in the base against which the major storm expenses are tracked. The
18 two-way storm tracker does not have any significant downside for either the Company or its
19 customers. And the tracker allows the Company to recover all prudent expenditures without
20 subjecting our customers to the possibility they pay more than is necessary for that work.
21 The tracker is appropriate and should be continued.

1 **IV. IBEW TESTIMONY**

2 **Q. Are you familiar with the direct testimony filed by Michael Walter on**
3 **behalf of IBEW Local 1439 ("Union")?**

4 A. I am. While the Company appreciates the Union's support of the rate increase
5 request, there are some inaccuracies in Mr. Walter's testimony that should be addressed.

6 **Q. Mr. Walter states Ameren Missouri has cut maintenance staff in order to**
7 **fund capital improvements to its infrastructure. Do you agree with that statement?**

8 A. I do not. The Company continues to make strategic capital investments to
9 ensure reliability and affordability for our customers. At the same time, we continue to
10 manage O&M costs where we have the ability to control them. Staffing is one of the areas
11 where we have some control. It is true Ameren Missouri's headcount has decreased over the
12 past several years. This has happened as a result of a voluntary separation offer extended to
13 both management and bargaining unit employees, as well as through normal attrition. As
14 each position is vacated, we evaluate the need for replacement based on the skillset and
15 workload of that position. Improvements in tools, equipment, and technology have made it
16 possible to complete work more efficiently with fewer personnel. By doing things such as
17 replacing manual tools with battery operated tools, adding specialized equipment to our fleet,
18 and automating some of the equipment on our system, the Company has improved safety and
19 efficiency and has made it possible to complete work with fewer labor hours than were
20 needed in the past. As the workforce experiences natural attrition, we have had the ability to
21 strategically manage costs by controlling O&M costs through critical evaluation of each open
22 position to determine the need to backfill the position. Pursuing these kinds of efficiencies is

1 exactly what I believe the Commission expects utilities to do in order to balance the need to
2 provide service with the costs to customers of providing that service.

3 **Q. Mr. Walter asserts the reduction of staff has caused the Company to be**
4 **short-handed and has caused a pile-up of work. Do you agree with that statement?**

5 A. I do not. The Company actively evaluates workload and staffing to ensure we
6 balance customer affordability and reliability in a responsible manner that delivers the best
7 value to our customers. The Company has experienced steady reliability improvements and
8 improvements in customer satisfaction scores over the past several years. The Company has
9 completed all mandatory and scheduled maintenance work. There are peaks in workload at
10 specific locations at various times throughout the year that may not be able to be worked by
11 local Company employees in a timely manner. However, the Company manages the
12 completion of this work by augmenting our workforce with qualified contractors to ensure
13 efficient and effective completion of all work. Hiring additional full-time employees to
14 address short-term needs in a specific geographic location is not cost-effective for the
15 Company or customers.

16 **Q. Mr. Walter states Ameren Missouri is not keeping up with attrition and**
17 **has requested the Commission to set mandates or policies for the Company in order to**
18 **address workforce needs. Do you agree with that request?**

19 A. I do not. The Company is actively engaged in monitoring the attrition rate of
20 our workforce and has plans in place to initiate several apprentice classes in 2015. The
21 decision to hire and train apprentices in this industry can not be made lightly. The training
22 program is lengthy in order to produce the skill level necessary to work safely on our system
23 and represents a significant investment on the part of the Company and our customers. The

1 number and types of apprentices hired and trained varies based on a number of factors,
2 including attrition rates. The Company will continue to closely monitor attrition rates and
3 staffing needs in the future and will continue to respond appropriately. These types of
4 decisions are management decisions of Ameren Missouri and are not appropriate issues for
5 the Commission to consider in this rate case. Put another way, the Commission should not
6 be in the position of managing the Company's most basic day-to-day operations, which is
7 effectively the relief Mr. Walter seeks.

8 **Q. Mr. Walter also recommends the Commission mandate the Company to**
9 **provide quarterly reports on expenditures to replace current infrastructure, as well as**
10 **reports reflecting loads on equipment and wires, and the optimal replacement of aged**
11 **cable, wires, poles and equipment. Do you agree with this recommendation?**

12 A. No, I do not. It is unclear what Mr. Walter is trying to accomplish with this
13 recommendation. Additional reporting does not provide any benefit for the Company's
14 customers. The Company has improved its reliability metrics over the past several years, and
15 this can be seen in the reporting currently being provided to the Commission. The Company
16 should not be forced to incur the costs necessary to prepare additional reports to the
17 Commission. The costs of such reporting would ultimately be borne by customers who will
18 receive no value from the the additional reports. This recommendation again reflects an
19 attempt to inject the Commission into the day-to-day management of Company operations
20 and should also be rejected by the Commission.

1

V. CITIES' TESTIMONY

2

Q. Are you familiar with the direct testimony of Steve Bender on behalf of the City of O'Fallon and Robert Kuntz on behalf of the City of Ballwin (collectively "Cities")?

3

4

A. I am.

5

6

Q. Mr. Bender asserts the City of O'Fallon is an intervener in this case due to the excessive rates O'Fallon is paying for street light services. Mr. Kuntz asserts the City of Ballwin has the same concern. Do you agree the rates these Cities are paying are excessive?

7

8

A. I do not. The rates paid by these Cities are in line with other municipalities being serviced under the Company's 5(M) tariff. Ameren Missouri witness William Davis fully addresses the issue of the 5(M) rates in his rebuttal testimony.

9

10

Q. Mr. Bender also asserts the City of O'Fallon cannot avail itself of the 6(M) tariff because the Company refuses to negotiate the sale of its street light fixtures to O'Fallon. Mr. Kuntz asserts the City of Ballwin has the same concern. Has the Company refused to negotiate with the Cities for such a sale?

11

12

A. Yes. The Company is not interested in selling a portion of our integrated electric distribution system, which includes the street lighting facilities referenced in both Cities' testimony.

13

14

Q. Has the Cities' displeasure with the Company's decision already been brought before the Commission?

15

16

A. Yes. In April 2014, the Cities filed a complaint, File No. EC-2014-0316, against the Company challenging the reasonableness of the Company's 5(M) street lighting

17

1 tariff to the extent the tariff does not require the Company to sell the Company-owned street
2 lights to a municipality at fair market value.

3 **Q. What was the outcome of that case?**

4 A. In its August 2014 *Order Granting Motion to Dismiss for Failure to State a*
5 *Claim Upon Which Relief Can Be Granted*, the Commission found Section 393.130, RSMo,
6 does not allow the Commission to order the Company to sell property it does not wish to sell.
7 The Commission further found the Cities' complaint did not allege a violation of law, rule,
8 order or decision of the Commission, nor allege the Company's rates or charges are
9 unreasonable. As a result, the Commission dismissed the complaint based on the Cities'
10 failure to state a claim upon which relief can be granted.

11 **Q. The Cities refer to the Company's street light fixtures, and you have just**
12 **referred to a portion of the Company's integrated electric distribution system. Can you**
13 **identify the component parts of integrated electric distribution system that are required**
14 **to provide street and outdoor area lighting?**

15 A. The component parts include more than street light fixtures. They include:
16 street light fixtures, street light poles, cables supplying power to those street lights, and the
17 supply to the cable, which can include transformers or secondary pedestals. Many of these
18 components can also supply service to other customers, whether it is lighting or metered
19 service to other customers. In addition, the cables supplying power to the street lights often
20 share a trench underground with other Ameren Missouri distribution cables. It is not
21 uncommon for street lights to be attached to poles that also support other components of the
22 overhead distribution system required for electric service to more than just the street lights.

1 Therefore, the streetlights are not stand-alone entities. They are truly integrated and a part of
2 the overall Ameren Missouri distribution system.

3 **Q. Are you aware of a time the Company has sold to a municipality the**
4 **portion of the Company's integrated distribution system being used to provide service**
5 **to the municipality under 5(M) rates, (i.e. all the component parts you just described)**
6 **so the municipality could take service under the 6(M) rates, instead?**

7 A. Not to my knowledge, and I did not uncover any instances in my research.

8 **Q. Can you explain why the Company does not want to sell the portion of its**
9 **integrated distribution system the Cities have indicated they want to buy?**

10 A. The Company is in business to construct, own, and operate electrical
11 distribution facilities, including street lights. The Company does not operate as a contractor
12 to build distribution systems or facilities for ultimate sale to other entities.

13 Another reason the Company does not want to negotiate the sale is because, as I've
14 indicated, street lighting is integrated into our distribution system. The components of our
15 distribution system that power street lighting are not physically segregated from our larger
16 distribution system. It is very common, for example, for cable powering street lighting to
17 share a trench with other cable that powers non-lighting related components of the
18 Company's distribution system. Allowing another party to maintain or service cable
19 powering street lighting would expose the Company's distribution system to risk as well as
20 possibly exposing that party to dangers associated with the maintenance and repair of low
21 and medium voltage electric distribution system equipment. The Company allows only fully
22 trained and qualified personnel to operate and maintain its distribution system, including
23 street lighting facilities. So even if the Company wanted to give up the Company-owned

1 street lighting portion of its electric distribution business, which it does not, in order to
2 reduce the risk to the distribution system and danger to third parties that I just described the
3 Company would have to re-design and rebuild significant portions of the distribution system.
4 That is simply not a practical, cost-effective, or a desirable undertaking for a current 5(M)
5 street-lighting customer or the Company.

6 **Q. In Mr. Bender's testimony, he cites six different applications filed by the**
7 **Company where the Company sought Commission approval of a sale of Company-**
8 **owned property, and claims these applications are evidence the Company's refusal to**
9 **negotiate with the Cities is unreasonable. Are you familiar with each of those**
10 **applications?**

11 A. Yes, I am.

12 **Q. Overall, are there differences between those applications and what the**
13 **Cities want?**

14 A. Yes. The biggest difference is the Company *was willing* to sell the particular
15 assets at issue in each of the applications noted by Mr. Bender, and voluntarily applied to the
16 Commission for authority to transfer the related assets. As stated above, the Company is *not*
17 interested in selling a portion of our integrated electric distribution system which includes the
18 referenced street lighting assets to either of the Cities. But that is not the only difference
19 between the Cities' proposal and the transfers that were involved in the applications cited by
20 Mr. Bender. In each of these transfers, the component(s) were distinct components that
21 could be segregated or removed from the Company's distribution system.

22 **Q. One of the applications cited is File No. EO-2013-0013, where the**
23 **Company asked permission to sell certain lighting fixtures to its customer Hunter**

1 **Engineering Company. Is the situation involving the Company and the Cities different**
2 **than the situation between the Company and Hunter Engineering Company?**

3 A. The two situations are totally different. In File No. EO-2013-0013, the
4 customer wanted to replace Company-owned three-phase overhead circuits that served the
5 customer's premises with new underground service lines that would be paid for and owned
6 by the customer. A collateral effect of the change in service lines was the Company would
7 still own lighting fixtures and related equipment at Hunter Engineering's premises, but no
8 Company-owned lines would extend to power them. Instead, the customer's underground
9 lines would deliver the necessary power. The Company does not have a service
10 classification where it owns lighting fixtures and related equipment but not the lines that
11 power them. The Company could avoid the cost of removing the light fixtures by leaving
12 them in place and selling them to the customer. So, in this unique circumstance, it only made
13 sense to sell the lighting fixtures and related equipment to the customer. Staff determined
14 that selling the fixtures reduced the Company's rate base and in that respect was beneficial to
15 the Company's customers. And the Commission found that no party had shown that the sale
16 was detrimental to the public interest, and authorized the transfer.

17 In contrast, the street lights and related facilities the Cities want Ameren Missouri to
18 sell remain a part of the Company's integrated distribution system, and there is nothing
19 preventing the Company from continuing to provide the Cities with street lighting service
20 under the 5(M) tariff. In addition, because the street lighting systems serving the Cities are
21 integrated into the Company's distribution system, there would be costs associated with
22 segregating the street lighting systems from the distribution system.

1 **Q. Mr. Bender also references Case No. EO-2005-0369. Is the transfer of**
2 **assets approved in that case different from the transfer contemplated by the Cities?**

3 A. Yes. In Case No. EO-2005-0369, Behnen’s Container Service, a Small
4 Primary Service (“SPS”) customer, was leasing a discrete piece of equipment, a transformer,
5 from the Company. No other customer received service through the transformer. The
6 customer requested to purchase the transformer. The transfer did not affect the SPS service
7 classification of the customer. Although the application was approved, Company records do
8 not reflect that the proposed transaction closed.

9 What the Cities want is not comparable to the transaction contemplated in Case No.
10 EO-2005-0369, because transfer of the street lighting systems might well have a negative
11 effect on other Company customers, in terms of the costs to segregate the lighting systems
12 from the Company’s integrated distribution system.

13 **Q. What about Case No. EO-2008-0310?**

14 A. That application was a joint application by two electric suppliers, the
15 Company and Pemiscot-Dunklin Electric Cooperative, Inc., to approve a change in electric
16 supplier and related service territory, from the Company to the cooperative, for some 2,700
17 structures in Dunklin County. At the time of the application, the area at issue was an
18 “island” for the Company, in that it was not directly connected to the Company’s system and
19 was entirely surrounded by territory served by the cooperative. The transfer benefitted the
20 public by decreasing response times, since the cooperative had personnel locally available
21 but the Company did not. The cooperative also intended to increase reliability of the service
22 by building a new substation which would permit it to tap into another transmission network.

1 In addition, the Company agreed to the transfer because the Company determined the transfer
2 would have a long-term positive effect on its cash flows.

3 There are no similar system connectivity, workforce, reliability, or cash flow benefits
4 that would accrue if the Company sold its street lighting assets to the Cities.

5 **Q. What about File No. EO-2013-0044?**

6 A. In File No. EO-2013-0044, a Company customer, Bussen Quarries, Inc.,
7 purchased rock-crushing equipment, which required new 34 kilovolt distribution facilities
8 and a new substation to power the equipment. The customer elected to pay for and build the
9 new substation, with the Company building the required distribution facilities. An existing
10 Company-owned transformer could be used in connection with the customer-owned
11 substation, without the necessity of moving the transformer, so the customer asked to
12 purchase it from the Company. The collaboration between the customer and the Company
13 benefitted both parties, as well as the Company's other customers, because the Company
14 otherwise would have been required to remove the transformer from service. The customer
15 benefitted because it needed the transformer for its new substation, so that customer offered
16 to purchase the transformer in place thereby avoiding the cost of a new transformer.

17 **Q. What about File No. EO-2014-0009?**

18 A. After the application was filed, the Company determined it was not going to
19 pursue the transaction described—transfer of a Company-owned transformer to a customer—
20 so it voluntarily withdrew its application. It is notable that the Commission did not order the
21 Company to sell an asset that the Company determined it did not want to sell.

1 **Q. What about File No. EO-2014-0296?**

2 A. This is an application involving the transfer of two Company-owned
3 transformers to a manufacturing customer, Silgan Industries. No other customers were
4 served by these transformers. Sale of the transformers would not affect service to any other
5 customer. The discussion of the differences between the other applications to transfer
6 Company-owned transformers, and the situation with the Cities, is equally applicable to File
7 No. EO-2014-0296.

8 **VI. SAFETY COMPONENT OF THE EIP-O PLAN**

9 **Q. Are you familiar with the portion of the Staff Report related to the**
10 **Executive Incentive Plan for Officers (“EIP-O”)?**

11 A. Yes, I am.

12 **Q. Do you agree with Staff’s finding that the EIP-O currently in effect does**
13 **not connect officer actions to safe, regulated, electric-only, service to the Company’s**
14 **Missouri operations?**

15 A. No, I do not. Over the past several years, the Company’s concern about safety
16 has increased substantially, to the point that safety awareness is integrated into all aspects of
17 the business. As an officer of the Company who is responsible for the distribution side of the
18 business I am highly engaged in the safe operations of the electric distribution system, and
19 the safety of each of the employees working on our system. I am directly involved in the
20 design and implementation of new safety work rules, such as the rubber glove policy, job
21 briefings, and other aspects of the safety of our coworkers. I personally meet with each
22 employee who experiences a recordable injury while working. I do this so I fully understand
23 each case where we failed to ensure our coworkers go home uninjured, and I use that time to

1 search for ways to further improve safety. I also meet with each new first-line supervisor to
2 establish consistent expectations with regard to the safety of our workforce and public safety.
3 We have made great improvements in our performance related to safety and my personal
4 actions, as well as the collective actions of all those in my organization, have blended
5 together to produce this result. I also have the Director of Safety report directly to me so I
6 can ensure we have the proper focus and attention placed on safety each and every day.

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

8 A. Yes, it does.

