

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-2008-0318  
Date Testimony Prepared: October 14, 2008

**MISSOURI PUBLIC SERVICE COMMISSION**

**Case No. ER-2008-0318**

**REBUTTAL TESTIMONY**

**OF**

**WILLIAM M. WARWICK**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a AmerenUE**

**St. Louis, Missouri  
October, 2008**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **WILLIAM M. WARWICK**

4 **CASE NO. ER-2008-0318**

5 **I. INTRODUCTION**

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, Missouri 63103.

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

10 A. I am employed by Union Electric Company d/b/a AmerenUE (“AmerenUE”  
11 or “Company”) as Managing Supervisor of Rate Engineering and Analysis.

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

14 A. Yes, I am.

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

16 A. The purpose of my rebuttal testimony is to discuss major issues related to the  
17 class cost of service studies (“CCOS”) presented by the Missouri Public Service Commission  
18 Staff (“Staff”), the Office of Public Counsel (“OPC”), and the Missouri Industrial Energy  
19 Consumers (“MIEC”). Specifically, I will address MIEC witness’ Maurice Brubaker and  
20 David L. Stowe recommendations with respect to CCOS. My failure to address a particular  
21 witness’ position or argument should not be construed as endorsement of same.

1 **II. CLASS COST OF SERVICE STUDIES**

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

4 A. No. However, The Commercial Group (“TCG”) concurs that Company’s  
5 CCOS provides a reasonable basis for the allocation of costs to its customer classes.

6 **Q. What are the primary factors which drive the differences among the**  
7 **parties in CCOS?**

8 A. The allocation of production capacity costs is the single major driver of the  
9 differences between the parties CCOS results and will be addressed by Company witness  
10 Wilbon L. Cooper in his rebuttal testimony.

11 **Q. What are the differences in the parties CCOS on allocation of**  
12 **transmission costs?**

13 A. All parties that prepared CCOS studies, with the exception of the Company,  
14 allocated transmission costs using their respective production capacity allocators. The  
15 Company allocated transmission costs on the basis of the twelve coincident peak (“12 CP”)  
16 demands of each class.

17 **Q. Why is it appropriate to allocate transmission costs on class 12 CP**  
18 **demands?**

19 A. The transmission system must be constructed to handle maximum system  
20 peak loads. It does not vary by plant, nor can it be dispatched at various running cost levels.  
21 Therefore, it is appropriate that transmission plant costs be allocated using a method which  
22 employs class demands during peak periods. The Company used a 12 CP demand allocator  
23 for transmission plant costs because such allocation reflects the basis and determination by

1 which such costs are incurred by the Company under the Midwest Independent Transmission  
2 System Operator, Inc. (“MISO”).

3 **Q. What is the issue concerning allocation of non-fuel generation expenses?**

4 A. The basic difference between the Company, Staff, OPC and MIEC is  
5 regarding the classification of these costs between fixed and variable components. OPC and  
6 MIEC classified all production expenses other than fuel and purchased power-energy and  
7 fuel handling as fixed. The Company has consistently classified only the operating labor  
8 expense and purchased power-capacity costs as fixed. The Company’s allocation of these  
9 costs in its class cost of service study is consistent with Company witness Gary S. Weiss’  
10 classification and allocation of them in his jurisdictional cost of service study. The following  
11 table sets out the parties’ respective percentage split of production expense between fixed  
12 and variable.

	<u>AUE</u>	<u>STAFF</u>	<u>OPC</u>	<u>MIEC</u>
Fixed	10%	16%	28%	30%
Variable	90%	84%	72%	70%

13

14 **Q. What would the effect be, on the Company’s CCOS, if the Commission**  
15 **were to adopt MIEC’s split of production expense between variable and other?**

16 A. The table below shows the class revenues shift per the Company’s CCOS at  
17 MIEC’s production expense split between fixed and variable. It is noteworthy that the  
18 MIEC’s method would increase the CCOS revenue requirements of the Residential class by  
19 approximately \$27 million.

**Company's CCOS Results -- Production Expense (\$000s)**

		<u>TOTAL</u>	<u>RES</u>	<u>SGS</u>	<u>LGS/SPS</u>	<u>LPS</u>	<u>LTS</u>
FIXED	10%	\$ 119,900	\$ 54,420	\$ 13,987	\$ 35,177	\$ 9,564	\$ 6,752
VARIABLE	90%	<u>\$ 1,051,990</u>	<u>\$ 382,957</u>	<u>\$ 103,654</u>	<u>\$ 343,466</u>	<u>\$ 113,610</u>	<u>\$ 108,303</u>
TOTAL		\$ 1,171,890	\$ 437,377	\$ 117,641	\$ 378,644	\$ 123,174	\$ 115,055

**Company's CCOS Results Using MEIC Production Expense Split between Other and Variable (\$000s)**

		<u>TOTAL</u>	<u>RES</u>	<u>SGS</u>	<u>LGS/SPS</u>	<u>LPS</u>	<u>LTS</u>
FIXED	30%	\$ 354,766	\$ 167,045	\$ 39,760	\$ 100,501	\$ 27,596	\$ 19,864
VARIABLE	70%	<u>\$ 817,124</u>	<u>\$ 297,458</u>	<u>\$ 80,512</u>	<u>\$ 266,784</u>	<u>\$ 88,245</u>	<u>\$ 84,124</u>
TOTAL		\$ 1,171,890	\$ 464,503	\$ 120,272	\$ 367,286	\$ 115,841	\$ 103,988
Difference		\$ 0	\$ 27,126	\$ 2,631	\$ (11,358)	\$ (7,332)	\$ (11,067)

1           **A.       Response to CCOS Testimony of MIEC witness Maurice Brubaker**

2           **Q.       MIEC claims the Company allocated the revenues from off-system sales**  
3 **on the basis of demand. Is that correct?**

4           A.       No. The Company appropriately allocated a portion of off-system sales  
5 revenue on both the energy (“kWh”) and the fixed production allocators. As stated in direct  
6 testimony the fuel expense portion of off-system sales revenue was isolated and allocated  
7 (credited) to each class by use of the Company’s kWh allocator. This approach appropriately  
8 matches the allocation of variable expenses. The resulting net amount was then allocated  
9 (credited) to each class using the Company’s fixed production allocation factor. These sales  
10 are being generated by a fixed asset, and, consequently, equity considerations promote the  
11 allocation of this net amount to the Company’s customer classes on the same basis as the  
12 allocation of the aforementioned assets.

13           **B.       Response to CCOS Testimony of MIEC witness David L. Stowe**

14           **Q.       MIEC claims to have found an error in the classification of FERC**  
15 **Account 367 – Underground Cables and Devices in its distribution voltage level study**  
16 **(“Vandas study”). Do you agree?**

1           A.       Upon review of the Vandas study, the Company concurs with MIEC that the  
2 five cable classifications presented in MIEC Schedule DLS-COS-1 were incorrectly assigned  
3 to primary and/or high voltage. These cable classifications should, more appropriately, be  
4 reassigned 100% to secondary. However, as can be seen from the table below, the result of  
5 this reassignment has little effect on the relative class revenue requirements resulting from  
6 the Company's class cost of service study.

	<u>REVENUE REQUIREMENT PER CCOS (\$000'S)</u>				
	<u>RES</u>	<u>SGS</u>	<u>LGS/SPS</u>	<u>LPS</u>	<u>LTS</u>
Company's CCOS	\$1,075,786	\$254,310	\$646,306	\$184,874	\$135,657
as Adjusted	\$1,075,995	\$254,359	\$646,203	\$184,719	\$135,657
Difference	\$ 209	\$ 49	\$ (104)	\$ (154)	\$ (0)
% Difference	0.02%	0.02%	-0.02%	-0.08%	0.00%

7

8           **Q.       MIEC further infers the Company did not use the results of the Vandas**  
9 **study in its class cost of service study. Is that a true statement?**

10          A.       No. The Company did use the results of the Vandas study in its class cost of  
11 service study, just not to the granularity in which MIEC is recommending.

12          **Q.       Please explain.**

13          A.       As has been done for some time, the Company combined the primary and  
14 high voltage categories into a single category for purposes of the class cost of service study.  
15 MIEC believes the Company should maintain the primary and high voltage granularity from  
16 the Vandas study. By not doing so MIEC states that customers receiving service at high  
17 voltage are being allocated costs associated with distribution components at primary  
18 voltages.

19          **Q.       Do you agree with this recommendation?**

1           A.       No, for several reasons. First, it is not necessary as the Company's presently  
2 effective Rider B tariff provides for a discount to customers receiving service under the  
3 Company's Small Primary and Large Primary Service rates who are served at voltage levels  
4 higher than standard primary voltage (i.e., 34,500 volts and higher). Secondly, MIEC uses  
5 the wrong table from the Vandas study to arrive at its percentage split of distribution-demand  
6 dollars between high voltage ("HV"), primary and secondary. MIEC inappropriately uses the  
7 percentages from the total allocated distribution dollars (customer and demand) table in the  
8 Vandas study instead of the applicable percentages from the demand only table. Third, the  
9 MIEC study may not have accurately assimilated the HV and Primary split into the allocation  
10 factors which are produced internally in the CCOS, as evidenced by the need of MIEC to  
11 mathematically, off-line, force results to add up. Lastly, the changes do not alter the relative  
12 results of the class cost of service.

13           **Q.       Does the Company agree with MIEC's recommendation that the**  
14 **Commission should direct the Company to conduct a new distribution system voltage**  
15 **level study within six months from the date of the order in this case?**

16           A.       The Company cannot agree to the timeframe contained within this  
17 recommendation at this time. It agrees that the Vandas study should be updated and is in the  
18 process of analyzing the time and resources required to conduct a new study.

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

20           A.       Yes, it does.



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

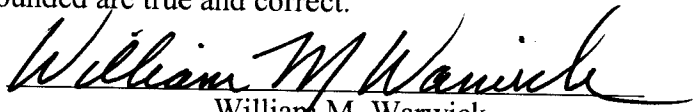
In the Matter of Union Electric                    )  
 Company d/b/a AmerenUE for                        )  
 Authority to File Tariffs Increasing              )  
 Rates for Electric Service Provided             )  
 To Customers in the Company's                  )  
 Missouri Service Area.                                )      Case No. ER-2008-0318

**AFFIDAVIT OF WILLIAM M. WARWICK**

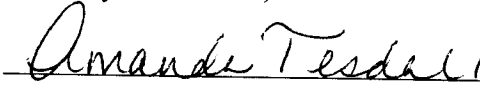
**STATE OF MISSOURI**     )  
   ) **ss**  
**CITY OF ST. LOUIS**     )

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

1. My name is William M. Warwick. I am employed by Union Electric Company d/b/a AmerenUE as Managing Supervisor of Rate Engineering and Analysis.
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 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

Subscribed and sworn to before me this 14th day of October, 2008.

  
 Notary Public

My commission expires: \_\_\_\_\_

Amanda Tesdall - Notary Public  
 Notary Seal, State of  
 Missouri - St. Louis County  
 Commission #07158967  
 My Commission Expires 7/29/2011