

Exhibit No.:
Issues: Updated Cost of Service
Study With Actual Data
Witness: Gary S. Weiss
Sponsoring Party: Union Electric Company
Type of Exhibit: Supplemental Direct Testimony
Case No.: GR-2007-0003
Date Testimony Prepared: September 29, 2006

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2007-0003

SUPPLEMENTAL DIRECT TESTIMONY

OF

GARY S. WEISS

ON

BEHALF OF

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

**St. Louis, Missouri
September, 2006**

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1 **SUPPLEMENTAL DIRECT TESTIMONY**

2 **OF**

3 **GARY S. WEISS**

4 **CASE NO. GR-2007-0003**

5 **I. INTRODUCTION**

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

7 A. Gary S. Weiss, Ameren Services Company, One Ameren Plaza, 1901
8 Chouteau Avenue, St. Louis, Missouri 63103.

9 **Q. Are you the same Gary S. Weiss who previously filed testimony in this**
10 **case?**

11 A. Yes.

12 **II. PURPOSE AND SUMMARY OF TESTIMONY**

13 **Q. What is the purpose of your supplemental direct testimony in this**
14 **proceeding?**

15 A. The purpose of my supplemental direct testimony and attached Schedules
16 GSW-G13 through GSW-G24 is to update the cost of service (revenue requirement) for the
17 Missouri gas operations of AmerenUE for the test year adopted by the Commission in this
18 case (the actual twelve months ended June 30, 2006). This is in accordance with Order
19 Adopting Procedural Schedule in Case No. GR-2007-0003 issued September 12, 2006, which
20 states: “It is Ordered that AmerenUE will update its Direct Case, i.e., its forecasted data for
21 April to June 2006, to actual data, including limited Supplemental Direct Testimony”.

1 **Q. Does your supplemental direct testimony provide comprehensive**
2 **information on the Company's revenue requirement with the updated information for**
3 **the last three months of the test year?**

4 A. Yes. This supplemental direct testimony, including the accompanying
5 schedules, is designed to provide the Commission with the total revenue requirement picture
6 for the Company's gas operations to avoid the need to refer back and forth between the
7 supplemental direct testimony and my direct testimony, which was filed using nine months of
8 actual data and three months of forecasted data. However, in accordance with the
9 Commission's above referenced Order, no changes in methodology or new methodologies
10 are introduced.

11 **Q. Do your supplemental direct testimony and attached schedules reflect any**
12 **new adjustments to the AmerenUE gas revenue requirement?**

13 A. No.

14 **Q. Have you prepared or has there been prepared under your direction and**
15 **supervision a series of schedules for presentation to the Commission in this proceeding?**

16 A. Yes. I am sponsoring Schedules GSW-G13 through GSW-G24.

17 **Q. What is the subject matter of these schedules?**

18 A. Schedules GSW-G13 through GSW-G24 develop the various elements of the
19 revenue requirement to be considered in arriving at the proper level of rates for the
20 Company's gas service based upon the test year of the twelve months ended June 30, 2006,
21 with pro forma adjustments and updates for known and measurable changes. All of these
22 schedules are updates to Schedules GSW-G1 through GSW-G12 contained in my direct
23 testimony using updated numbers including actual data for April through June 2006.

1 **Q. Will you please briefly summarize the information provided on each of**
2 **the schedules you are presenting?**

3 A. Each schedule provides the following information:

- 4 • Schedule GSW-G13 - Original Cost of Plant, per books and pro forma,
5 for the Missouri gas operations at June 30, 2006 updated through
6 September 2006, by functional classification.
- 7 • Schedule GSW-G14 - Reserves for Depreciation and Amortization, per
8 books and pro forma, for the Missouri gas operations at June 30, 2006
9 updated through September 30, 2006, by functional classification.
- 10 • Schedule GSW-G15 - Average Materials and Supplies and Gas
11 Inventories Applicable to Missouri Gas Operations for the thirteen
12 months ended June 30, 2006.
- 13 • Schedule GSW-G16 - Average Prepayments for Missouri Gas Operations
14 for the thirteen months ended June 30, 2006.
- 15 • Schedule GSW-G17 - Calculation of the Cash Working Capital for the
16 Missouri Gas Operations for the twelve months ended June 30, 2006.
- 17 • Schedule GSW-G18 - Missouri Gas Average Customer Deposits,
18 Missouri Gas Average Customer Advances for Construction, Federal
19 Income Tax Cash Requirement and State Income Tax Cash Requirement,
20 Missouri Gas Interest Expense Cash Requirement, and Missouri Gas
21 Accumulated Deferred Income Taxes at June 30, 2006.
- 22 • Schedule GSW-G19 – Missouri Gas Operating Revenues, per books and
23 pro forma, for the twelve months ended June 30, 2006.

- Schedule GSW-G20 - Missouri Gas Operating and Maintenance Expenses, per books and pro forma, for the twelve months ended June 30, 2006.
- Schedule GSW-G21 - Missouri Gas Depreciation and Amortization Expense, per books and pro forma, for the twelve months ended June 30, 2006.
- Schedule GSW-G22 - Taxes Other Than Income Taxes for Missouri Gas Operations, per books and pro forma, for the twelve months ended June 30, 2006.
- Schedule GSW-G23 - Income Tax Calculation for Missouri Gas Operations at the proposed rate of return and statutory tax rates for the twelve months ended June 30, 2006.
- Schedule GSW-G24 – Missouri Gas Net Original Cost Rate Base and Total Revenue Requirement for the pro forma twelve months ended June 30, 2006.

Q. Were these schedules prepared on the same basis as the schedules filed with your direct testimony in Case No. GR-2007-0003?

A. Yes.

III. REVENUE REQUIREMENT

Q. What do you mean by “revenue requirement”?

A. The revenue requirement of a utility is the sum of operating and maintenance expenses, depreciation expense, taxes and a fair and reasonable return on the net value of property used and useful in serving its customers. A revenue requirement is based on a test

1 year. In order that the test year reflect conditions existing at the end of the test year as well as
2 significant changes that are known or reasonably certain to occur, it is necessary to make
3 certain "pro forma" adjustments.

4 The revenue requirement represents the total funds (revenues) that must be
5 collected by the Company if it is to pay employees and suppliers, satisfy tax liabilities, and
6 provide a return to investors. To the extent that revenues are below the cost of service, a rate
7 increase is required. This is the purpose of this proceeding.

8 **Q. Why is it necessary to make pro forma adjustments to the test year?**

9 A. It is an axiom in ratemaking that rates are set for the future. In order for
10 newly authorized rates to have the opportunity to produce the allowed rate of return during
11 the period they are in effect, it is sometimes necessary that the test year data be adjusted so
12 that it is representative of future operating conditions. This requires pro forma adjustments
13 to reflect any known changes.

14 **Q Please explain Schedule GSW-G13.**

15 A. Schedule GSW-G13 shows the original cost of plant by functional
16 classification for the Company's Missouri jurisdictional gas operations at June 30, 2006
17 updated through September 30, 2006 with pro forma adjustments.

18 **Q. Are the Company's plant accounts recorded on the basis of original cost**
19 **as defined in the Uniform System of Accounts prescribed by this Commission?**

20 A. Yes, they are.

1 **Q. Please describe the pro forma adjustments shown on Schedule GSW-G13.**

2 A. Adjustments 1 and 2 allocate to the Company's Missouri gas operations
3 \$4,657,000 for a portion of the joint use general plant investment, which is recorded as
4 electric plant.

5 **Q. Why should a portion of the investment in general plant be allocated to**
6 **gas?**

7 A. General Plant facilities such as general office buildings and furniture,
8 computers and other equipment are used to support all utility operations. For convenience,
9 such facilities are accounted for as electric plant.

10 **Q. Please explain Adjustments 3 and 4.**

11 A. Adjustments 3 and 4 reflect the plant additions of \$1,207,000 for July through
12 September 2006 applicable to the Company's Missouri gas distribution and general plant.

13 **Q. What plant additions are contained in Adjustment 5?**

14 A. Adjustment 5 contains the infrastructure investment from October through
15 December 2006 of \$3,459,000. The Stipulation and Agreement approved by the
16 Commission in Case No. GR-2003-0517 included the following commitment: "AmerenUE
17 commits that it will make ISRS-qualifying investments in its Missouri gas system of at least
18 \$15 to \$25 million between July 1, 2003, and December 31, 2006." The projects included in
19 this adjustment are the remaining investments that are covered by this Stipulation and
20 Agreement. The direct testimony of Company witness Steven R. Colyer discusses the ISRS-
21 qualifying investments in more detail.

1 **Q. After making the pro forma adjustments which you have described, what**
2 **is the original cost of the Company's Missouri jurisdictional gas plant in service?**

3 A. The pro forma original cost of the Company's Missouri jurisdictional gas
4 plant at June 30, 2006, as shown on Schedule GSW-G13 is \$315,585,000.

5 **Q. Please explain Schedule GSW-G14.**

6 A. This schedule shows, per book and pro forma, the reserve for depreciation and
7 amortization by functional classification for the Company's Missouri jurisdictional gas plant
8 at June 30, 2006 updated through September 30, 2006.

9 **Q. What pro forma adjustments were made to the reserve for depreciation?**

10 A. As detailed on Schedule GSW-G14 the following pro forma adjustments were
11 made to the reserve for depreciation:

12 Adjustment 1 of \$1,278,000 was made to allocate a portion of the reserve for
13 the Company's total joint-use general plant to Missouri jurisdictional gas operations on the
14 same basis as the allocation of the original cost of these facilities.

15 Adjustment 2 is no longer required as the reserve balance for Account 374
16 was corrected in the update to actual.

17 Adjustments 3 and 4 increase the accumulated depreciation reserve by
18 \$107,000 to reflect the plant additions on Schedule GSW-G13.

19 In addition, the accumulated reserve by account within the distribution and
20 general plant functions were reallocated in Adjustments 5 and 6 to bring the actual reserve
21 balances by account in line with the theoretical reserve balances by account. See the direct
22 testimony of Company witness John F. Wiedmayer for additional explanation of this

1 restatement. This reallocation has no impact on the total accumulated depreciation reserve
2 by function.

3 After reflecting these pro forma adjustments, the pro forma accumulated
4 depreciation reserve applicable to the Company's Missouri jurisdictional gas plant at
5 June 30, 2006 is \$103,657,000.

6 **Q. What appears on Schedule GSW-G15?**

7 A. Schedule GSW-G15 shows the average investment in materials and supplies,
8 propane gas, and gas stored underground for the thirteen months ended June 30, 2006. The
9 general materials and supplies are located at the Company's Dorsett warehouse in St. Louis
10 County and its various Missouri regional storerooms, and include such items as reducers,
11 ells, valves, adapters, regulators, couplings, pipe and numerous other items required to
12 operate the gas system. The propane is used during periods of peak gas consumption to
13 supplement the natural gas delivered from the interstate and intrastate pipelines connected to
14 the Company's distribution systems. The gas stored underground is natural gas purchased
15 and injected into underground storage reservoirs or fields for later withdrawal and delivery to
16 the Company's distribution system. The total average materials and supplies inventories,
17 including fuel, applicable to the Company's Missouri gas operations for the thirteen months
18 ended June 30, 2006 is \$28,212,000.

19 **Q. Will you please explain Schedule GSW-G16?**

20 A. Prepayments are composed of rents, insurance, the annual assessment of the
21 Commission, payments to the medical and dental voluntary employee beneficiary association
22 (veba) and service agreements that are paid in advance. The average monthly balance of

1 prepayments applicable to the Company's Missouri gas operations is \$1,316,000 for the
2 thirteen months ended June 30, 2006.

3 **Q. What is calculated on Schedule GSW-G17?**

4 A. The cash working capital allowance is calculated on Schedule GSW-G17.
5 The cash working capital (lead/lag study) calculation compares the period of time between
6 when revenues are received from customers for the payment of the gas service supplied them
7 and when the Company must pay for the expenses incurred to provide this service. See the
8 direct testimony of Company witness Michael J. Adams with Navigant Consulting for the
9 development of the revenue and expense leads and lags that support the Company's cash
10 working capital calculation. Schedule GSW-G17 shows a negative \$2,262,000 cash working
11 capital allowance requirement. This indicates that the customers are on average paying for
12 their gas service before the payment for expenses by the Company. Therefore, the customers
13 are supplying funds to the Company and the rate base is reduced by this \$2,262,000.

14 **Q. What appears on Schedule GSW-G18?**

15 A. The various other deductions to rate base are shown on Schedule GSW-G18
16 including average customer deposits, average customer advances for construction, the federal
17 income tax cash requirement, the state income tax cash requirement, the interest expense
18 cash requirement and the accumulated deferred income taxes.

19 **Q. What are customer deposits and customer advances for construction**
20 **shown on Schedule GSW-G18?**

21 A. Customer deposits are cash deposits required of customers as a condition of
22 initial or continued service under rules set forth in the Company's tariffs approved by this
23 Commission. The Missouri gas thirteen month average customer deposits are \$545,000 at

1 June 30, 2006. Customer deposits are treated as a deduction to rate base as they represent
2 customer supplied funds.

3 Customer advances for construction are cash advances paid by customers that
4 are subject to refund to the customer in whole or in part. The payments are received from
5 customers in connection with extensions of facilities used by Missouri gas customers. The
6 thirteen month average of customer advances for construction applicable to Missouri gas
7 operations totaled \$480,000 at June 30, 2006. Customer advances for construction represent
8 funds supplied by the customers and are treated as a deduction to rate base.

9 **Q. Please explain the federal income tax cash requirement, the state income**
10 **tax cash requirement and the interest expense cash requirement.**

11 A. The federal income tax, the state income tax and the interest expense cash
12 requirements arise because customers pay for income taxes and interest expenses monthly
13 while the actual income taxes and interest expense are paid at various times during the year.
14 See the direct testimony of Mr. Adams for the development of the payment lead times
15 applicable to these items. However, the payment lead time for the interest expense was
16 calculated by Mr. Adams based on the Company's methodology.

17 **Q. How was the expense lead time for the interest expense calculated?**

18 A. The expense lead time for the interest expense was calculated as the mid-point
19 of six months (i.e., $365/2/2$ or 91.25 days) plus a half day to account for the mid-point of the
20 day on which the interest payment is made.

1 **Q. Did the Company direct Mr. Adams to employ this approach when**
2 **calculating the interest expense lead time?**

3 A. Yes, I directed Mr. Adams to follow this approach. This approach is
4 consistent with that used by the Commission Staff in recent cases. For purposes of this
5 proceeding, the Company believes that the approach described above most accurately reflects
6 the timing of cash flows related to the payment of the Company's interest expense.

7 **Q. What is the cash requirement for federal income taxes, state income taxes**
8 **and interest expense?**

9 A. The expense leads for federal income tax, state income tax and interest
10 expense are greater than the revenue lags. This results in a negative cash requirement for the
11 Missouri gas operations of (\$403,000) for federal income taxes, (\$63,000) for state income
12 taxes and (\$770,000) for interest expense.

13 **Q. What other rate base deductions are shown on Schedule GSW-G18?**

14 A. The last rate base deduction shown on Schedule GSW-G18 is the accumulated
15 deferred income taxes applicable to the Company's Missouri gas operations at June 30, 2006.

16 Accumulated deferred income taxes are the net result of normalizing the tax
17 benefits resulting from timing differences between the periods in which transactions affect
18 taxable income and the periods in which such transactions affect the determination of pre-tax
19 income. Currently the Company has deferred income taxes in FERC Accounts 190, 282 and
20 283. The total net accumulated deferred income taxes applicable to the Missouri gas
21 operations at June 30, 2006 are \$19,415,000 and represent a deduction from the rate base.

1 **Q. What is the Company's Missouri pro forma net original gas rate base at**
2 **June 30, 2006?**

3 A. The rate base as shown on Schedule GSW-G24 is \$217,517,000 and consists
4 of:

	<u>(In Thousands of \$s)</u>
Original Cost of Property and Plant	\$ 315,585
Less Reserve for Depreciation & Amortization	<u>103,657</u>
Net Original Cost of Property & Plant	211,928
Average Material and Supplies	28,212
Average Prepayments	1,316
Cash Working Capital	(2,262)
Average Customer Deposits	(545)
Average Customer Advances for Construction	(480)
Federal Income Tax Cash Requirement	(403)
State Income Tax Cash Requirement	(63)
Interest Expense Cash Requirement	(770)
Accumulated Deferred Taxes on Income -	
Account 190	1,305
Account 282	(21,408)
Account 283	<u>687</u>
Total Missouri Gas Original Cost Rate Base	<u><u>\$ 217,517</u></u>

1 **Q. Please explain Schedule GSW-G19.**

2 A. Schedule GSW-G19 shows the Company's Missouri gas operating revenues
3 per books and pro forma for the twelve months ended June 30, 2006.

4 **Q. Please explain the pro forma adjustments to the Company's Missouri gas**
5 **operating revenues on Schedule GSW-G19.**

6 A. The following pro forma adjustments to the Company's Missouri gas
7 operating revenues are shown on Schedule GSW-19: (1) Revenue add-on taxes of \$8,237,000
8 are eliminated from operating revenue. The revenue add-on taxes are remitted to the various
9 taxing entities by the Company. Therefore, the revenue add-on taxes are not operating
10 revenues of the Company. (2) Unbilled revenues of \$4,210,000 are eliminated to reflect the
11 book revenues on a bill cycle basis. Since the unbilled revenues for the twelve months ended
12 June 30, 2006 were positive, the revenues are decreased to eliminate the unbilled revenues.
13 (3) Operating revenues are decreased by \$102,008,000 to reflect the elimination of the
14 operating revenues associated with gas costs that are collected through the Company's Tariff
15 Rider A, Purchased Gas Adjustment ("PGA"). This proceeding involves a request for an
16 increase in the Company's Missouri gas base revenues. (4) Revenues are decreased by
17 \$1,190,000 to synchronize the book revenues with the revenues developed by Company
18 witness James R. Pozzo in his billing unit rate analysis discussed in his direct testimony,
19 supplemented by Mr. Pozzo's supplemental direct testimony using actual data for April to
20 June 2006. (5) The revenues are increased by \$3,104,000 to reflect the impact of normal
21 weather on revenues. The actual gas sales and revenues for the twelve months ended
22 June 30, 2006 were lower than normal. See the direct testimony of Mr. Pozzo for the

1 calculation of the weather normalization adjustment (with the results updated in Mr. Pozzo's
2 supplemental direct testimony).

3 **Q. What are the Missouri gas pro forma operating revenues for the twelve**
4 **months ended June 30, 2006?**

5 A. The Company's Missouri gas pro forma operating revenues for the twelve
6 months ended June 30, 2006 are \$59,027,000.

7 **Q. Please explain Schedule GSW-G20.**

8 A. Schedule GSW-G20 shows the Company's Missouri gas operating and
9 maintenance expenses, per books and pro forma, by function for the twelve months ended
10 June 30, 2006.

11 **Q. Will you please explain the pro forma adjustment to the Missouri gas**
12 **operating expenses for the year ending June 30, 2006?**

13 A. A summary of the pro forma adjustments to operating expenses appear on
14 Schedule GSW-G20.

15 Adjustment 1 eliminates \$105,090,000 for the cost for purchased gas and
16 other related costs and expenses that are collected through the PGA. This adjustment is
17 required due to Adjustment 3 to the operating revenues. The difference between this
18 adjustment to expenses and the adjustment to revenues, whether positive or negative, is
19 accounted for by a PGA Actual Cost Adjustment ("ACA") reconciliation factor.

20 Adjustment 2 increases labor costs by \$373,000 to reflect annualized wage
21 increase of 3.25% effective July 1, 2006 for the contract workers and the April 1, 2006 wage
22 increase of 3.75% for management employees.

1 Adjustment 3 reduces the test year level of incentive compensation by
2 \$60,000 to reflect the amount of incentive compensation annualized at the target level for
3 calendar year 2006. The actual incentive compensation for the year 2005 exceeded the target
4 due to unusual circumstances.

5 Adjustment 4 is an increase in transmission expenses of \$7,000 to reverse a
6 correcting entry to a prior period adjustment.

7 Adjustment 5 increases the customer accounts expenses to reflect interest
8 expense of \$52,000 at the 9.50% rate on the customer deposits that was deducted from rate
9 base.

10 Adjustment 6 reduces administrative and general expenses to reflect a
11 decrease in pension expense of \$51,000 to annualize the calendar year 2006 pension expense.

12 Adjustment 7 increases administrative and general expenses for post-
13 retirement benefits other than pensions, major medical and other benefits by \$83,000 to
14 annualize calendar year 2006 employee benefit expenses. This adjustment to employee
15 benefits is appropriate to match the wage increases reflected in Adjustment 2.

16 Adjustment 8 increases administrative and general expenses by \$170,000 to
17 reflect a three-year amortization of the estimated expenses for the outside attorneys and
18 consultants and the travel expenses of Company witnesses required to prepare and present
19 testimony this case.

1 **Q. What is the total impact on the Company's Missouri gas operating and**
2 **maintenance expenses from the above pro forma adjustments?**

3 A. As shown on Schedule GSW-G20 the Company's Missouri gas operating and
4 maintenance expenses are decreased from \$134,731,000 to \$30,215,000 or a total decrease of
5 \$104,515,000.

6 **Q. What is shown on Schedule GSW-G21?**

7 A. Schedule GSW-G21 summarizes the Missouri gas provision for depreciation
8 and amortization for the twelve months ended June 30, 2006 including the allocated portions
9 of the joint use general plant facilities. The allocation of the joint use general plant facilities
10 depreciation expense is recorded on the books each December. The explanation of the pro
11 forma adjustments of (\$405,000) appears on Schedule GSW-21.

12 **Q. Please explain the pro forma adjustments to the depreciation and**
13 **amortization expense on Schedule GSW-G21.**

14 A. Adjustment 1 increases the depreciation expense by \$428,000 to reflect a full
15 year's depreciation on the June 30, 2006 depreciable plant balances reflecting the current
16 depreciation rates.

17 Adjustment 2 reflects a net decrease in depreciation expense of \$952,000 to
18 reflect a full year's depreciation on the June 30, 2006 depreciable plant balances reflecting
19 the proposed depreciation rates. See the direct testimony of Mr. Wiedmayer for the
20 development of the proposed depreciation rates.

21 Adjustment 3 increases the depreciation expense by \$108,000 to reflect a full
22 year's depreciation on the pro forma plant additions at the proposed depreciation rates.

Adjustment 4 increases the depreciation expense by \$11,000 for the joint use general plant allocated to the Missouri gas operations. This adjustment reflects the increase in depreciation expense on these facilities based on the proposed electric depreciation rates.

Q. After reflecting the above pro forma adjustments, what is the amount of depreciation and amortization applicable to the Company's Missouri gas operations?

A. As shown on Schedule GSW-G21 the pro forma depreciation and amortization expense applicable to the Company's Missouri gas operations is \$6,922,000.

Q. What does Schedule GSW-G22 present?

A. Taxes other than income taxes for the Missouri gas operations for the twelve months ended June 30, 2006, both book and pro forma, are presented on Schedule GSW-G22. The pro forma adjustments are explained on page 2 of the schedule.

Q. Please describe the pro forma adjustments to the taxes other than income taxes shown on Schedule GSW-G22.

A. Adjustment 1 increases the FICA taxes by \$29,000 to reflect the pro forma labor increases.

Adjustment 2 eliminates the revenue add-on taxes of \$9,336,000 from the taxes other than income taxes. Adjustment 1 to operating revenues eliminated the revenue add-on taxes from the operating revenues. This adjustment to taxes other than income taxes thus provides the proper matching between revenues and expenses.

Q. What are the pro forma taxes other than income taxes applicable to the Company's Missouri gas operations?

A. The pro forma taxes other than income taxes shown on Schedule GSW-G22 applicable to the Company's Missouri gas operations are \$6,610,000.

1 **Q. What is Schedule GSW-G23?**

2 A. Schedule GSW-G23 develops the federal and state income taxes for the test
3 year ended June 30, 2006 at the requested return on rate base of 8.615% based on the
4 statutory federal and Missouri state income tax rates. The supplemental direct testimony of
5 Company witness Lee R. Nickloy contains the development of the recommended 8.615%
6 return on rate base. The total federal and Missouri state income taxes applicable to the
7 Missouri gas operations for the twelve months ended June 30, 2006 at the proposed return of
8 8.615% are \$8,366,000.

9 **Q. Please explain Schedule GSW-G24.**

10 A. Schedule GSW-G24 presents the components of the net original cost rate base
11 and the test year revenue requirement for the Company's Missouri gas operations reflecting
12 the requested return of 8.615%. As shown on Schedule GSW-G24 the total Missouri gas rate
13 base is \$217,517,000 and the total Missouri gas revenue requirement is \$70,853,000. After
14 reflecting the increase in uncollectible revenues the Missouri gas revenue requirement is
15 \$71,006,000.

16 **Q. What increase is required in the Company's Missouri gas operating**
17 **revenues?**

18 A. As shown on Schedule GSW-G24 the pro forma Missouri gas operating
19 revenues are \$59,027,000 compared to the total Missouri gas revenue requirement after the
20 increased uncollectible revenues of \$71,006,000. Therefore, an increase of \$11,979,000 is
21 required. This is the amount of additional revenues AmerenUE needs to collect each year to
22 recover its revenue requirement.

Q. Is AmerenUE proposing rates to reflect the \$11,979,000 increase in revenues justified by the revenue requirement supported by the Company's updated cost of service for the test year?

A. No. While the actual data for the test year adopted by the Commission would support rates including the entire \$11,979,000 revenue increase, the Company's tariffs filed on July 7, 2006 reflect rates that would produce a lower \$10,853,000 revenue increase. This means that if the Commission were to find that adjustments to AmerenUE's requested revenue requirement are warranted, the adjustments should be made to the higher revenue increase of \$11,979,000 supported by the Company's supplemental direct testimony.

IV. CONCLUSIONS

Q. Please summarize your testimony and conclusions.

A. My supplemental direct testimony and attached schedules show that updating the Company's Missouri gas rate base and revenue requirement to actual versus forecast for April, May and June 2006 results in a required increase in present revenues of \$11,979,000 compared to the \$10,853,000 required increase contained in my direct testimony filed in Case No. GR-2007-0003. The Company continues to seek a rate increase of \$10,853,000 outlined in my direct testimony, as reflected in the Company's tariffs filed on July 7, 2006. The higher revenue increase reflected in this testimony provides further support for the requested increase.

Q. Does this conclude your supplemental direct testimony?

A. Yes, it does.

AmerenUE
ORIGINAL COST OF PLANT BY FUNCTIONAL CLASSIFICATION
MISSOURI GAS OPERATIONS
AT JUNE 30, 2006 UPDATED THROUGH SEPTEMBER 30, 2006
(\$000)

Line	Account Name	Total Per Books	Pro Forma Adjustments (1)	Pro Forma Total
1	Intangible Plant	\$ -	\$ -	\$ -
2	Production Plant	1,499	-	1,499
3	Transmission Plant	5,778	-	5,778
4	Distribution Plant	288,215	4,528	292,743
5	General Plant	<u>10,770</u>	<u>4,794</u>	<u>15,564</u>
6	Total Missouri Gas Plant	<u>\$ 306,263</u>	<u>\$ 9,322</u>	<u>\$ 315,585</u>

(1) Details of pro forma adjustments per SCHEDULE GSW-G13-2.

AmerenUE
**EXPLANATION OF PRO FORMA ADJUSTMENTS TO PLANT
MISSOURI GAS OPERATIONS**
AT JUNE 30, 2006 UPDATED THROUGH SEPTEMBER 30, 2006
(\$000)

Line	Description	Amount
1	(1) Allocate portions of district general facilities applicable to Missouri gas operations. Such facilities,	\$ 1,312
2	for convenience, are recorded as electric plant, but are commonly used for electric and gas operations	
3	Method of Determination	
4	These items are allocated on the basis of direct operating payroll.	
5		District
6	Allocation Percentages	<u>Facilities</u>
7	Missouri Gas	8.97%
8	Electric and Illinois Gas	<u>91.03%</u>
9	Total	100.00%
10	Allocable Balances	\$ 14,621
11	Allocated Amount	\$ 1,312
12	(2) Allocate portions of the original cost of multi-use general facilities applicable to Missouri gas operations. Such	\$ 3,345
13	facilities, for convenience, are recorded as electric plant, but are commonly used for electric and gas operations.	
14	Method of Determination	
15	These items are allocated on the basis of direct operating payroll.	
16		St. Louis Area
17	Allocation Percentages	<u>Facilities</u>
18	Missouri Gas	2.92%
19	Electric and Illinois Gas	<u>97.08%</u>
20	Total	100.00%
21	Allocable Balances	\$ 114,545
22	Allocated Amount	\$ 3,345
23	(3) Additional distribution plant facilities through 07/01/2006 to 9/30/2006.	\$ 1,069
24	Account 376	\$ 493
25	Account 380	118
26	Account 381	<u>458</u>
27	Total	\$ 1,069
28	(4) Additional general plant facilities through 07/01/2006 to 9/30/2006.	\$ 138
29	Account 390	\$ 15
30	Account 391	16
31	Account 394	33
32	Account 397	<u>74</u>
33	Total	\$ 138
34	(5) Additional plant facilities ISRS projects 10/01/2006 to 12/31/2006.	\$ 3,459
35	Account 376	\$ 1,723
36	Account 380	<u>1,736</u>
37	Total	\$ 3,459
38	Total Pro Forma Adjustments	<u>\$ 9,322</u>

AmerenUE
RESERVES FOR DEPRECIATION AND AMORTIZATION BY FUNCTIONAL CLASSIFICATION
MISSOURI GAS OPERATIONS
AT JUNE 30, 2006 UPDATED THROUGH SEPTEMBER 30, 2006
(\$000)

<u>Line</u>	<u>Account Name</u>	<u>Total Per Books</u>	<u>Pro Forma Adjustments (1)</u>	<u>Pro Forma Total</u>
1	Intangible Plant	\$ -	\$ -	\$ -
2	Production Plant	380	-	380
3	Transmission Plant	1,534	-	1,534
4	Distribution Plant	95,405	100	95,505
5	General Plant	<u>4,952</u>	<u>1,285</u>	<u>6,238</u>
6	Total	<u>\$ 102,271</u>	<u>\$ 1,386</u>	<u>\$ 103,657</u>

(1) Details of pro forma adjustments per SCHEDULE GSW-G14-2.

AmerenUE
EXPLANATION OF PRO FORMA ADJUSTMENTS TO ACCUMULATED RESERVES
MISSOURI GAS OPERATIONS
AT JUNE 30, 2006 UPDATED THROUGH SEPTEMBER 30, 2006
(\$000)

<u>Line</u>	<u>Description</u>	<u>Amount</u>
1	(1) Allocate portions of the reserves for depreciation for multi-use general facilities that are	
2	applicable to Missouri gas operations. Such reserves, for convenience, are carried as	
3	electric plant reserves, but the facilities involved are commonly used for electric and	
4	gas operations.	
5	Portion applicable to Missouri gas operations	\$ 1,278
6	Method of Determination	
7	The reserves for depreciation applicable to the above facilities are allocated to electric	
8	and gas operations in proportion to the allocations of the original cost of such facilities.	
9	(2) Eliminate plant reserve balances for accounts which should have zero balances.	\$ -
10	Account 374	\$ -
11	Total	\$ -
12	(3) Additional depreciation associated with distribution plant in service at 6/30/2006	\$ 100
13	Account 376	\$ 41
14	Account 380	49
15	Account 381	10
16	Total	\$ 100
17	(4) Additional depreciation associated with general plant in service at 6/30/2006	\$ 7
18	Account 391	\$ 1
19	Account 394	1
20	Account 397	5
21	Total	\$ 7
22	(5) Restate distribution plant book reserve balances at 06/30/2006	\$ -
23	Account 375	\$ 12
24	Account 376	7,050
25	Account 378	(216)
26	Account 379	(28)
27	Account 380	(9,585)
28	Account 381	2,158
29	Account 383	467
30	Account 385	142
31	Total	\$ -
32	(6) Restate general plant book reserve balances at 06/30/2006	\$ -
33	Account 390	\$ (77)
34	Account 391	222
35	Account 392	(507)
36	Account 393	16
37	Account 394	352
38	Account 395	42
39	Account 396	(95)
40	Account 387	47
41	Total	\$ -
42	Total Pro Forma Adjustments	<u>\$ 1,385</u>

AmerenUE
AVERAGE MATERIALS AND SUPPLIES
AND GAS INVENTORIES
APPLICABLE TO MISSOURI GAS OPERATIONS
THIRTEEN MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>	<u>Description</u>	<u>Total Per Books</u>	<u>Pro Forma Adjustments (1)</u>	<u>Pro Forma Total</u>
1	General Materials & Supplies	\$ 1,861	\$ -	\$ 1,861
2	Propane	144	-	144
3	Gas Stored Underground	<u>26,207</u>	<u>-</u>	<u>26,207</u>
4	Total	<u>\$ 28,212</u>	<u>\$ -</u>	<u>\$ 28,212</u>

AmerenUE
AVERAGE PREPAYMENTS
APPLICABLE TO MISSOURI GAS OPERATIONS
THIRTEEN MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>	<u>Description</u>	<u>Total</u>
1	Rents	\$ 1
2	Insurance	1,256
3	Regulatory Commission Assessments	3
4	M/A Comm Radio System Srv Agreement	12
5	Medical and Dental VEBA	44
6	Total	<u>\$ 1,316</u>

AmerenUE
CASH WORKING CAPITAL
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>		<u>Revenue Lag</u>	<u>Expense Lead</u>	<u>Net (Lag/Lead)</u>	<u>Factor</u>	<u>Test Year Expense</u>	<u>Cash Working Capital Requirement</u>
	<u>Operating Expenses</u>						
1	Pensions and Benefits	40.15	(45.07)	(4.920)	(0.0135)	\$ 4,277	\$ (58)
2	Base Payroll	40.15	(11.24)	28.910	0.0792	13,312	1,054
3	Fuel	40.15	(39.73)	0.420	0.0012	105,090	121
4	Uncollectible Accounts	40.15	(40.15)	0.000	0.0000	2,389	-
5	Other O&M Expenses	40.15	(50.72)	(10.570)	(0.0290)	10,238	(296)
6	Sub-Total					135,305	821
	<u>Taxes Other Than Income</u>						
7	FICA - Employers's Portion	40.15	(12.89)	27.260	0.0747	588	44
8	Federal Unemployment Taxes	40.15	(60.63)	(20.480)	(0.0561)	13	(1)
9	State Unemployment Taxes	40.15	(60.63)	(20.480)	(0.0561)	(3)	0
10	Corporate Franchise Taxes	40.15	72.16	112.310	0.3077	44	14
11	Property and Real Estate Taxes	40.15	(187.84)	(147.690)	(0.4046)	5,369	(2,172)
12	Sales Taxes	40.15	(40.55)	(0.400)	(0.0011)	2,263	(2)
13	Gross Receipts Taxes	40.15	(77.89)	(37.740)	(0.1034)	9,336	(965)
14	Sub-Total					17,609	(3,083)
15	Total Cash Working Capital Requirement						<u>\$ (2,262)</u>

AmerenUE
OTHER RATE BASE ITEMS
MISSOURI GAS OPERATIONS
AT JUNE 30, 2006
(\$000)

<u>Line</u>	<u>Description</u>	<u>Total</u>
1	Average Customer Deposits	\$ (545)
2	Average Customer Advances for Construction	(480)
3	Federal Income Tax Cash Requirement	(403)
4	State Income Tax Cash Requirement	(63)
5	Interest Expense Cash Requirement	(770)
	Accumulated Deferred Income Taxes	
6	Account 190	1,305
7	Account 282	(21,408)
8	Account 283	687
9	Total Deferred Taxes	<u>(19,415)</u>
10	Total Other Rate Base Items	<u><u>\$ (21,677)</u></u>

AmerenUE
OPERATING REVENUES
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

LINE	Description	Missouri Gas Revenues
1	Gas Operating Revenues	\$ 167,546
2	Sales For Resale	-
3	Transportation	7,562
4	Other Electric Revenues	<u>(3,540)</u>
5	Total Revenues	\$ 171,568
	Pro Forma Adjustments:	
6	(1) Eliminate revenue add-on taxes	(8,237)
7	(2) Eliminate the unbilled revenues	(4,210)
8	(3) Remove the PGA Revenue	(102,008)
9	(4) Reflect Billing Units at current rates	(1,190)
10	(5) Adjust revenue to reflect weather normalized sales	<u>3,104</u>
11	Total Pro Forma Adjustments	\$ <u>(112,541)</u>
12	Total Missouri Gas Operating Pro Forma Revenues	\$ <u><u>59,027</u></u>

AmerenUE
OPERATING & MAINTENANCE EXPENSES
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

Line	Functional Classification	Per Books	Eliminate Purchased Gas Expense	Increase Labor	Adjust Incentive Compensation	Eliminate Correcting Entry	Add Interest On Customer Deposits	Pension Adjustment	Employee Benefits Adj.	Estimated Rate Case Expenses	(1) Total Pro Forma Adjustment	Pro Forma Operating Expenses
1	Production	\$ 105,826	\$ (105,090)	12	5	-	-	-	-	-	\$ (105,072)	\$ 754
2	Transmission	123	-	1	0	7	-	-	-	-	8	131
3	Distribution	8,507	-	164	(40)	-	-	-	-	-	124	8,631
4	Customer Accounts	7,775	-	91	(41)	-	52	-	-	-	101	7,876
5	Customer Service & Information	737	-	20	(4)	-	-	-	-	-	16	753
6	Sales	132	-	2	1	-	-	-	-	-	4	135
7	Administrative & General	11,632	-	83	19	-	-	(51)	83	170	304	11,935
8	Total Missouri Gas Operating & Maintenance Expenses	\$ 134,731	\$ (105,090)	\$ 373	\$ (60)	\$ 7	\$ 52	\$ (51)	\$ 83	\$ 170	\$ (104,515)	\$ 30,215

(1) Details of pro forma adjustments per SCHEDULE GSW-G20-2.

AmerenUE
EXPLANATION OF PRO FORMA ADJUSTMENTS TO O&M
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

Line	Pro Forma Adjustments	Amount
1	(1) Eliminate cost of purchased gas and other related costs	\$ (105,090)
2	and expenses that are collected through the PGA	
3	(2) Increase labor costs to annualize wage and salary increases	373
4	(3) Reduce labor costs to annualize 2006 incentive compensation	(60)
5	at target level	
6	(4) Adjust Transmission Maintenance account 863 to eliminate	7
7	07/2005 correcting entry for original entry outside of test period.	
8	(5) Increase customer accounts expense for interest at 9.50%	52
9	on customer deposits	
10	(6) Decrease pension benefits to reflect Year 2006 pension	(51)
11	expense	
12	(7) Increase other employee benefits to annualized the Year 2006	83
13	expenses	
14	(8) Increase in administrative and general expense to include	170
15	three year amortization of rate case expenses	
16	Total Pro Forma Adjustments to Operating Expenses	<u>\$ (104,515)</u>

AmerenUE
DEPRECIATION & AMORTIZATION EXPENSE
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>	<u>Total Per Books</u>	<u>Pro Forma Adjustments (1)</u>	<u>Pro Forma Totals</u>
1 Gas Plant	\$ 7,195	\$ (416)	\$ 6,779
2 General Plant - Apportioned	<u>132</u>	<u>11</u>	<u>143</u>
3 Total	<u>\$ 7,327</u>	<u>\$ (405)</u>	<u>\$ 6,922</u>

(1) Details of pro forma adjustments per SCHEDULE GSW-G21-2.

AmerenUE
EXPLANATION OF PRO FORMA ADJUSTMENTS TO DEPRECIATION AND AMORTIZATION
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>	<u>Pro Forma Adjustments</u>	<u>Amount</u>
1	(1) Adjust depreciation expense to annualize book depreciation	\$ 428
2	(2) Adjust depreciation expense to reflect the proposed rates	(952)
3	(3) Net increase in depreciation expense for plant additions	<u>108</u>
4	Pro Forma Adjustments to Depreciation and Amortization Expense - Gas Plant	(416)
5	(4) Adjust depreciation expense to reflect the proposed rates for Apportioned	11
6	General Plant	
7	Total Pro Forma Adjustments to Depreciation and Amortization Expense	<u><u>\$ (405)</u></u>

AmerenUE
TAXES OTHER THAN INCOME TAXES
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>	<u>Description</u>	<u>Per Books</u>	<u>Pro Forma Adjustments (1)</u>	<u>Pro Forma Totals</u>
1	F.I.C.A.	\$ 559	\$ 29	\$ 588
2	Federal & Missouri Unemployment	10	-	10
3	Missouri Corporation Franchise	44	-	44
4	Missouri Real Estate Tax and Personal Property	5,259	-	5,259
5	Other States Real Estate (Stored Gas)	710	-	710
6	Missouri Gross Receipts	<u>9,336</u>	<u>(9,336)</u>	<u>-</u>
7	Total	<u>\$ 15,918</u>	<u>\$ (9,308)</u>	<u>\$ 6,610</u>

(1) Details of pro forma adjustments per SCHEDULE GSW-G22-2.

AmerenUE
EXPLANATION OF PRO FORMA ADJUSTMENTS TO TAXES OTHER THAN INCOME
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>	<u>Pro Forma Adjustments</u>	<u>Amount</u>
1	(1) Increase F.I.C.A. tax to reflect wage and salary increases	\$ 29
2	(2) Eliminate revenue add-on taxes	(9,336)
3	Total Pro Forma Adjustments to Taxes Other Than Income Taxes	<u>\$ (9,308)</u>

AmerenUE
INCOME TAX CALCULATION AT PROPOSED RETURN
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>		<u>At Proposed Return of 8.615%</u>
1	Return on Rate Base @ 8.615%	\$ 18,739 (1)
	Interest Charges:	
2	Interest on Long-Term Debt (Rate Base x 2.504%)	<u>(5,447)</u>
3	Net Income From Operations:	13,292
	Add:	
4	Provision for Current Income Taxes	8,314
5	Deferred Income Taxes- Flow Thru Amortization	111
6	Deferred I.T.C.-NET	<u>(60)</u>
7	Taxable Income	<u>21,658</u>
	Federal Income Taxes:	
8	Taxable Income	21,658
9	Missouri Income Tax	<u>1,129</u>
10	Federal Taxable Income	20,529
11	Federal Income Taxes at 35.00%	7,185
	State Income Taxes:	
12	Taxable Income	21,658
13	Deduct 50% of Federal Income Tax	<u>3,593</u>
14	Missouri Taxable Income	18,066
15	State Income Taxes at 6.25%	1,129
	Other Flow Thru Income Taxes:	
16	Deferred Income Taxes- Flow Thru Amortization	111
17	Deferred I.T.C.-NET	<u>(60)</u>
18	Total Provision for Income Taxes	<u>\$ 8,366</u>

(1) See SCHEDULE GSW-G24.

AmerenUE
RATE BASE AND REVENUE REQUIREMENT
MISSOURI GAS OPERATIONS
TWELVE MONTHS ENDED JUNE 30, 2006
(\$000)

<u>Line</u>		<u>Reference</u>	<u>Amount</u>
	Original Cost Rate Base:		
1	Original Cost of Plant In Service	Schedule GSW-G13-1	\$ 315,585
2	Less: Reserves for Depreciation	Schedule GSW-G14-1	103,657
3	Net Original Cost of Plant		<u>211,928</u>
4	Materials and Supplies	Schedule GSW-G15	28,212
5	Average Prepayments	Schedule GSW-G16	1,316
6	Cash Working Capital	Schedule GSW-G17	(2,262)
7	Average Customer Deposits	Schedule GSW-G18	(545)
8	Average Customer Advances for Construction	Schedule GSW-G18	(480)
9	Federal Income Tax Cash Requirement	Schedule GSW-G18	(403)
10	State Income Tax Cash Requirement	Schedule GSW-G18	(63)
11	Interest Expense Cash Requirement	Schedule GSW-G18	(770)
12	Accumulated Deferred Taxes on Income		
13	Account 190	Schedule GSW-G18	1,305
14	Account 282	Schedule GSW-G18	(21,408)
15	Account 283	Schedule GSW-G18	687
16	Total Original Cost Rate Base		<u>\$ 217,517</u>
	Operating Expenses:		
17	Production	Schedule GSW-G20-1	\$ 754
18	Transmission	Schedule GSW-G20-1	131
19	Distribution	Schedule GSW-G20-1	8,631
20	Customer Accounts	Schedule GSW-G20-1	7,876
21	Customer Service	Schedule GSW-G20-1	753
22	Sales	Schedule GSW-G20-1	135
23	Administrative and General	Schedule GSW-G20-1	11,935
24	Total Operating Expenses		<u>30,215</u>
25	Depreciation and Amortization	Schedule GSW-G21-1	6,922
26	Taxes Other than Income Taxes	Schedule GSW-G22-1	6,610
	Income Taxes-Based on Proposed Rate of Return		
27	Federal	Schedule GSW-G23	7,185
28	State	Schedule GSW-G23	1,129
29	Flow Thru Income Taxes	Schedule GSW-G23	51
30	Total Income Taxes		<u>8,366</u>
31	Return @ 8.615%		<u>18,739</u>
32	Total Revenue Requirement		\$ 70,853
33	Total Revenue Requirement After Uncollectible Revenue Adjustment		\$ 71,006
34	Operating Revenue (Pro Forma)	Schedule GSW-G19	<u>59,027</u>
35	Revenue Deficiency After Uncollectible Revenue Adjustment (Note)		<u>\$ 11,979</u>
<hr/>			
	Note:		
36	Revenue Requirement Before Uncollectible Gross-Up (line 32)		\$ 70,853
37	Gross-Up with 1.28% Uncollectible Rate ((line 32 - line 34) x 0.0128/(1-0.0128))		<u>153</u>
38	Revenue Requirement After Uncollectible Gross-Up (line 36 + line 37)		\$ 71,006

**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 Natural Gas)
Service Provided to Customers in the)
Company's Missouri Service Area.)


Case No. GR-2007-0003

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 the City of 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 Supplemental Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 19 pages and Schedules GSW-G13 through GSW-G24, 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.

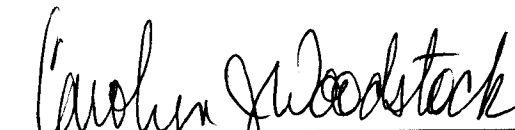


Gary S. Weiss

Subscribed and sworn to before me this 29th day of September, 2006.

My commission expires:

May 19, 2008



Notary Public

