

Exhibit No.:
Issues: *Adjustments to Common Equity*
Witness: *Ronald L. Bible*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *EC-2002-1025*
Date Testimony Prepared: *April 12, 2002*

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

RONALD L. BIBLE

UNION ELECTRIC COMPANY
dba AMERENUE

CASE NO. EC-2002-1025

Jefferson City, Missouri
April, 2002

DIRECT TESTIMONY OF
RONALD L. BIBLE
UNION ELECTRIC COMPANY
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Q. Please state your name, occupation and business address.

A. My name is Ronald L. Bible. I am employed by the Missouri Public Service Commission (MoPSC) as the Manager of the Financial Analysis Department. My business address is 200 Madison, Jefferson City, Missouri.

Q. Please describe your educational and professional background.

A. In 1981, I earned a Master of Business Administration degree with an emphasis in Finance and Investments from the Southern Illinois University at Edwardsville, Illinois. In 1976, I earned a Bachelor of Arts degree in Social Science from Colorado State University, Ft. Collins, Colorado.

Q. Would you please review your work experience.

A. Yes. I was employed by Credit Union National Association from 1995 to 1997 and by American Express from 1991 to 1995 as a Financial and Investment Analyst/Planner. Prior to that, I was with Voluntary Hospitals of America and Hospital Corporation of America where I performed statistical and financial analysis. Previous to these positions, I was an officer in the United States Air Force and was responsible for a unit that provided statistical analysis.

Q. Have you previously filed testimony?

26 A. I have testified before the MoPSC a number of times. My testimony at the
27 MoPSC has addressed issues including rate of return, proposed financings, and merger
28 and acquisition issues.

29 Q. What issues are you addressing in your testimony?

30 A. My testimony addresses the adjustments AmerenUE has made to capital
31 structure. Specifically, the addition of cumulative after-tax amounts of prior Missouri
32 sharing credits into the balance for common equity. What the Company has done is to
33 add back the after-tax amount of Missouri sharing credits to the common equity balance,
34 which increases those balances. The net effect is to increase the common equity balance
35 and lower the Company's realized return on equity. This lowering of the Company's
36 realized return on equity decreases its sharing credits requirement through the sharing
37 grid.

38 Q. Is this an adjustment that is normally made in a ratemaking procedure?

39 A. No. To my knowledge this Commission has never authorized any
40 earnings paid out in any form to be added back to the common equity balance for
41 ratemaking purposes. In addition, I have reviewed the Stipulation and Agreement, dated
42 July 12, 1996, for Case No. EM-96-149, including Attachment C, Reconciliation
43 Procedure, and the Commission's Report and Order, dated February 21, 1997. I have
44 also reviewed the Stipulation and Agreement, dated June 12, 1995, for Case No. ER-95-
45 411, including Attachment C, Reconciliation Procedure, and the Commission's Report
46 and Order, dated July 21, 1995. They contain no provision for adding back Missouri
47 sharing credits to the common equity balance. Furthermore, based on my experience and
48 review of financial literature, there are no recognized sources that propose that adding

back sharing credits is an appropriate adjustment to common equity balances for ratemaking purposes.

Q. Is this an adjustment that Staff makes or would make in determining rate of return or return on equity in a ratemaking procedure?

A. No. Staff would not make any adjustment to common equity balances for ratemaking purposes based on earnings paid out by a Company. Whether those earnings were paid out in dividends, sharing credits or in some other form, Staff would not make an adjustment to the common equity balance by adding it back to that balance.

Q. Does Staff agree that the adjustment the Company has made is a valid adjustment and should be allowed in this case?

A. No. For the reasons stated previously, Staff does not believe this is a valid adjustment. Staff believes the Commission should not allow the Company to add back Missouri sharing credits to common equity balances for purposes of determining sharing credits in this case.

Q. How did you become aware of this adjustment by the Company?

A. I became aware of this adjustment through the Company's response to the Staff's Data Request No. 3801 in Case No. EM-96-149. That Data Request asked the Company to reconcile AmerenUE's capital structure as reported in its monthly surveillance reports and AmerenUE's capital structure as reported in its reports for the Experimental Alternative Regulation Plan for the following time periods: June 30, 2000, June 30, 1999, June 30, 1998, June 30, 1997 and June 30, 1996.

Q. What is the basis for the adjustment which you are sponsoring in this proceeding?

A. The adjustment is in accordance with the criteria established in the Stipulation and Agreements approved by the Commission in Case Nos. EM-96-149 and ER-95-411. Part of the criteria from the Stipulation and Agreement approved in Case No. EM-96-149 appears on pages 17 and 18 in sections 7.f.vi, vii and viii. These same sections also appear on pages 9 and 10 of the Stipulation and Agreement approved in Case No. ER-95-411. These sections in Case No. EM-96-149 state as follows:

7.f.vi If Staff, OPC or other signatories find evidence that operating results have been manipulated to reduce amounts to be shared with customers or to misrepresent actual earnings or expenses, Staff, OPC or other signatories may file a complaint with the Commission requesting that a full investigation and hearing be conducted regarding said complaint. UE shall have the right to respond to such request and present facts and argument as to why an investigation is unwarranted.

7.f.vii UE, Staff, OPC and other signatories reserve the right to bring issues which cannot be resolved by them, and which are related to the operation and implementation of the Plan, to the Commission for resolution. Examples include disagreements as to the mechanics of calculating the monitoring report, alleged violations of the Stipulation and Agreement, alleged manipulation of earnings results, or requests for information not previously maintained by UE. An allegation of manipulation could include significant variations in the level of expenses associated with any category of cost, where no reasonable explanation has been provided. The Commission will determine in the first instance whether a question of manipulation exists and whether that question should be heard by it.

7.f.viii Staff, OPC and other signatories have the right to present to the Commission concerns over any category of cost that has been included in UE's monitoring results and has not been included previously in any ratemaking proceeding.

I would also note that the Reconciliation Procedure, Attachment C, Section 2.g states, in part, that:

108 UE/Staff/OPC reserve the right to petition the Commission for resolution
109 of disputed issues relating to the operation or implementation of this Plan.
110

111 Q. What is the Staff's justification for proposing this adjustment?

112 A. The Staff cites sections 7.f.vi, 7.f.vii, 7.f.viii and the Reconciliation
113 Procedure, Attachment C, Section 2.g from the Case No. EM-96-149 Stipulation and
114 Agreement as previously identified in this direct testimony. The Staff believes that the
115 addition of after-tax amounts of sharing credits to the common equity balance represents
116 a reduction in amounts to be shared with customers by the Company and therefore
117 reflects a manipulation of earnings results as covered in the Stipulation and Agreement.
118 The Company has not provided a reasonable explanation for this adjustment. Finally, the
119 Staff is unaware of any prior rate case proceeding, involving this Company or any other
120 utility regulated by this Commission, where this item was at issue and where Commission
121 precedent exists.
122

123 Q. Does this conclude your direct testimony?

124 A. Yes.

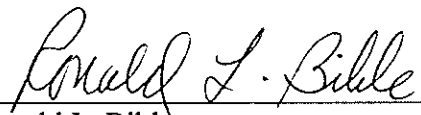
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

| | | |
|---------------------------------|---|-------------------|
| Staff of the Missouri Public |) | |
| Service Commission, Complainant |) | Case No. EC-2002- |
| v. |) | |
| Union Electric Company, dba |) | |
| AmerenUE, Respondent |) | |

AFFIDAVIT OF RONALD L. BIBLE

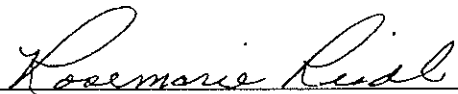
| | | |
|-------------------|---|-----|
| STATE OF MISSOURI |) | |
| |) | ss. |
| COUNTY OF COLE |) | |

Ronald L. Bible, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Ronald L. Bible

Subscribed and sworn to before me this 12th day of April, 2002



Notary Public

My Commission Expires: June 1, 2005