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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EO-2010-0255

SURREBUTTAL TESTIMONY

OF

GARY S. WEISS

ON

BEHALF OF

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

**St. Louis, Missouri
December, 2010**

Ameren Exhibit No. 5
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TABLE OF CONTENTS

I. <u>INTRODUCTION</u>	1
II. <u>PURPOSE AND SUMMARY OF TESTIMONY</u>	3

1 **SURREBUTTAL TESTIMONY**
2 **OF**
3 **GARY S. WEISS**

4
5 **CASE NO. EO-2010-0255**
6

7 **I. INTRODUCTION**

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

9 A: My name is Gary S. Weiss and my business address is One Ameren Plaza,
10 1901 Chouteau Avenue, St. Louis, Missouri.

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

12 A. I am the Manager of Regulatory Accounting at Union Electric Company
13 d/b/a Ameren Missouri ("Company" or "Ameren Missouri").

14 **Q. Please describe your educational background and employment**
15 **experience.**

16 A. My educational background consists of a Bachelor of Science Degree in
17 Business Management from Southwest Missouri State University I received in 1968 and
18 a Masters in Business Administration from Southern Illinois University at Edwardsville I
19 received in 1977.

20 I was employed by Union Electric Company in June of 1968 and was employed
21 continuously until January 1, 1998, except for a two-year tour of duty with the United
22 States Army. My work experience started at Union Electric as an accountant in the
23 Controller's function. I worked as an accountant in the Internal Audit Department,
24 General Accounting Department, and Property Accounting Department from 1968

Surrebuttal Testimony of
Gary S. Weiss

1 through 1973. In 1974 I was promoted to a Senior Accountant in the Internal Audit
2 Department. In 1976 I was promoted to Supervisor in the Rate Accounting Department.
3 The Rate Accounting Department was combined with the Plant Accounting Department
4 in 1990 to form the Plant and Regulatory Accounting Department.

5 Effective with the 1998 merger of Union Electric Company and Central Illinois
6 Public Service Company into Ameren Corporation ("Ameren") I was employed by
7 Ameren Services Company. In December 1998 the Regulatory Accounting Section,
8 where I was then employed, was moved to the Financial Communications Department.
9 Starting in October 2001 I became a direct report to the Controller. On February 16,
10 2003, I was promoted to Director, Regulatory Accounting and Depreciation and I was
11 promoted to Manager of Regulatory Accounting on October 1, 2004. In March of 2009, I
12 was transferred to Ameren Missouri, where I report to the Vice President of Regulatory
13 and Legislative Affairs.

14 **Q. Please describe your qualifications.**

15 A. I have thirty years experience in the regulatory area of the public utility
16 industry. I have submitted testimony concerning cost of service before the Missouri
17 Public Service Commission, the Illinois Commerce Commission, the Iowa State
18 Commerce Commission, and the Federal Energy Regulatory Commission. I have also
19 provided testimony before the United States District Court in the Eastern District of
20 Missouri in an antitrust case.

21 **Q. What are your responsibilities in your current position?**

22 A. My duties as Manager of Regulatory Accounting include preparing the
23 revenue requirement and developing accounting exhibits and testimony for use in

1 applications for rate changes for Ameren Missouri. I provide assistance to the Vice
2 President/Controller and Vice President of Regulatory and Legislative Affairs of Ameren
3 Missouri regarding (1) rate case and regulatory accounting, (2) the need for and the
4 timing of rate changes and (3) the effect on financial forecasts of proposed rate changes.
5 I conduct studies of various accounting policies and practices to determine the effect on
6 operating income, analyze the results and suggest appropriate rate changes. I prepare
7 reports and exhibits regularly required by the various regulatory commissions. I also
8 provide data, answer inquiries, arrange meetings and otherwise assist representatives of
9 regulatory commissions in conducting their audits and reviews.

10 **II. PURPOSE OF TESTIMONY**

11 **Q. What is the purpose of your testimony in this proceeding?**

12 **A.** The purpose of my testimony is to respond to statements in the
13 direct/rebuttal testimony of Missouri Public Service Commission Staff ("Staff")
14 witnesses Lena Mantle and Dana Eaves concerning the calculation of the Company's
15 jurisdictional allocation factors not including similar customers as Ameren Electric
16 Power Service Corporation ("AEP") and Wabash Valley Power Association, Inc.
17 ("Wabash"), and Ms. Mantle's testimony concerning discussions with Ameren Missouri
18 regarding the meaning of "long-term full and partial requirements sales." I also provide
19 information on when the Company notified the Staff of the AEP and Wabash contracts.
20 Finally, I explain the distinction between long-term and short-term debt instruments used
21 by the Commission in developing the embedded cost of debt used in a utility's capital
22 structure for purposes of setting rates.

1 **Q. What are the exact statements in the testimony of Staff witnesses**
2 **Mantle and Eaves regarding jurisdictional allocation factors to which you are**
3 **responding?**

4 A. On page 6, lines 6 through 9 of her direct/rebuttal testimony, Ms. Mantle
5 states, "To my knowledge, contracts like the AEP and WVPA [Wabash] contracts have
6 never been included in the calculation of jurisdictional allocation factors in any Ameren
7 Missouri rate case or in Ameren Missouri's resource planning process." Mr. Eaves
8 similarly states in his direct/rebuttal testimony on page 13, lines 19 through 21: "Finally,
9 the sales to AEP and WVPA have not been included in the determination of jurisdictional
10 allocation factors, while the sales resulting from the contracts with the Public Authorities
11 have been included."

12 **Q. Have you been involved in the calculation of the Company's**
13 **jurisdiction allocation factors over an extended period of time?**

14 A. Yes, I have been involved in the development of the Company's
15 jurisdictional allocation factors for approximately thirty years.

16 **Q. Have customers similar to AEP and Wabash been included in the**
17 **Company's jurisdictional allocation factors?**

18 A. Yes. At various times during the past thirty years the Company has
19 included customers similar to AEP and Wabash in its jurisdictional allocation factors.
20 For example, the test year for two rate complaint cases filed by the Staff in the late
21 1980's (Case No. EC-87-114 and Case No. EC-87-115) was calendar year 1986. The
22 jurisdiction allocation factors in those cases reflected twenty-one full or partial
23 requirements customers. Included in this list of twenty-one customers were municipal

1 customers such as Centralia, Farmington, Hannibal, Kirkwood, Rolla, West Point, Iowa
2 etc. In addition Citizens Electric Corp., Arkansas Power & Light Co., Show-Me Power
3 Corp. and Iowa Army Ammunition were included in the list and allocated costs through
4 the jurisdictional allocation factors. Since 1987 the list of full and partial requirements
5 customers has varied. However, the Company has consistently allocated costs to all full
6 and partial requirements customers using its jurisdictional allocation factors, whether
7 they be municipal customers, cooperatives or other electric utilities.

8 **Q. Have AEP and Wabash been included in the Company's**
9 **jurisdictional allocation factors?**

10 A. Yes. From the start of electricity being delivered to AEP and Wabash they
11 have been included in the calculation of the jurisdictional allocation factors utilized to
12 allocate the change in Net Base Fuel Cost for the fuel adjustment clause ("FAC"). Both
13 AEP and Wabash were reflected in the jurisdictional allocation factors used to allocate
14 the Net Base Fuel Cost for the second accumulation period. In fact there has been some
15 portion of either the AEP or Wabash contracts reflected in the calculation of the
16 jurisdictional allocation factors for FAC accumulated periods one through five.

17 **Q. Were AEP and Wabash included in the Company's jurisdictional**
18 **allocation factors used to develop the revenue requirement filed by the Company in**
19 **Case No. ER-2010-0036, the Company's most recent rate case?**

20 A. Yes. An annualized level of sales to both AEP and Wabash were included
21 by the Company in the calculation of the allocation factors used to develop the revenue
22 requirement the Company filed in Case. No. ER-2010-0036.

1 **Q. In her direct/rebuttal testimony, Ms. Mantle states that Ameren**
2 **Missouri provided an oral interpretation of the phrase “long-term full and partial**
3 **requirements sales” that limited application of that phrase to municipal customers.**
4 **Do you have any knowledge of such an interpretation being provided by anyone**
5 **representing Ameren Missouri?**

6 A. No. Ms. Mantle states, starting on page 4, lines 24 and 25 of her
7 direct/rebuttal testimony, that “Ameren Missouri told me it [the phrase “long-term full
8 and partial requirements sales”] was a description of the wholesale contracts that Ameren
9 Missouri had with municipal utilities to provide electricity to them.” I do not believe that
10 this statement was made in the context Ms. Mantle is indicating in her testimony. I was
11 in attendance at the majority of the meetings between Ameren Missouri and Staff
12 concerning the FAC tariff and I do not recall the statement to which Ms. Mantle refers. In
13 addition I checked with the other Ameren employees who attended many of these
14 meetings, including Wil Cooper and Steven Kidwell, who Ms. Mantle identified as likely
15 to have been present in her deposition, and they likewise did not recall that statement
16 being made. Deposition of Lena Mantle, p. 24, l. 18-p. 25, l. 3. If it had been the intent
17 of the Ameren Missouri FAC Tariff to restrict long-term full and partial requirements
18 sales to the current Ameren Missouri municipal customers, the FAC tariff would have
19 been drafted that way. It is possible that during discussion of the meaning of long-term
20 full and partial requirements sales that it was pointed out that the *current* Ameren
21 Missouri municipal contracts are examples of sales that are included in the long-term full
22 and partial requirements sales, but Ameren Missouri would not have represented that

1 those municipal contracts are the only long-term full and partial requirements sales that
2 could be included.

3 **Q. On p. 7 of her direct/rebuttal testimony, Ms. Mantle testifies that Staff**
4 **became aware of the AEP and Wabash contracts long after they were executed, on**
5 **October 14, 2010. When was the Staff actually notified through Company filings**
6 **that these contracts had been executed?**

7 A. In the monthly FAC filing for the month of March 2009 filed on May 31,
8 2009, Report 5(D) states "New wholesale customer – AEP". In the monthly FAC filing
9 for the month of May 2009 filed on July 31, 2009, Report 5(D) states "New wholesale
10 customer – Wabash Valley Power Association". In addition the workpapers filed with
11 the Company's FAC First Accumulation Period covering the period from March through
12 May 2009, show that the fixed allocation factor calculation and the variable allocation
13 factor calculation reflected both AEP and Wabash in the wholesale allocation factor.
14 This filing was also made on July 31, 2009. These three filings were months in advance
15 of the October 14, 2010 date that Ms. Mantle suggests was the first time that Staff saw
16 any mention of the AEP and Wabash contracts. In addition, in its rate case filing, Case
17 No. ER-2010-0036, made on July 24, 2009 the contracts with AEP and Wabash were
18 included. See the surrebuttal testimony of Company witness Steven Wills.

19 **Q. One of the issues raised by several witnesses in this proceeding is the**
20 **proper demarcation between long-term and short-term wholesale power contracts.**
21 **Are long-term and short-term contracts reflected in other items included in**
22 **developing the revenue requirement for a rate case filing?**

Surrebuttal Testimony of
Gary S. Weiss

1 A. Yes. In developing the capital structure and calculating the return on rate
2 base, long-term debt and short-term debt is reflected. Long-term debt is defined any debt
3 issued for longer than one year while short-term debt is for debt with terms of less than
4 one year. This also provides support for the Company's position that one year is the
5 proper demarcation between long-term and short-term wholesale power contracts.

6 **Q. Does this conclude your surrebuttal testimony?**

7 A. Yes, it does.

