Exhibit No.: 147
Issue(s): Class Cost Of Service Study
Witness: William M. Warwick
Sponsoring Party: Union Electric Company
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2010-0036
Date Testimony Prepared: February 11, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

REBUTTAL TESTIMONY

OF

WILLIAM M. WARWICK

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

St. Louis, Missouri
February 11, 2010

REBUTTAL TESTIMONY

OF

WILLIAM M. WARWICK

CASE NO. ER-2010-0036

Q. Please state your name and business address.

A. My name is William M. Warwick. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

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

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

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to discuss issues related to the class cost of service studies ("CCOSS") presented by the Missouri Public Service Commission Staff ("Staff"), the Office of Public Counsel ("OPC"), and the Missouri Industrial Energy Consumers ("MIEC"). My failure to address a particular witness' position or argument should not be construed as endorsement of same.

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

A. No.

Q. What are the primary factors which drive the differences among the parties' CCOSS?

A. The variations in allocation of production capacity costs produce significant differences among the parties' CCOSS results and will be addressed by Company witness Wilbon L. Cooper in his rebuttal testimony. Other issues which I will address are allocation of transmission costs, non-fuel production operations and maintenance ("O&M") expense, off-system sales revenues and general and intangible plant, as presented in MIEC witness Maurice Brubaker's direct testimony.

Q. What are the differences in the parties CCOSS on allocation of transmission costs?

A. The Company and Staff allocated transmission costs on the basis of the twelve coincident peak ("12 CP") demands of each class. The OPC and MIEC allocated transmission costs using their respective production capacity allocation factors. The following table sets forth the parties' respective transmission costs allocation factors.

Fixed Transmission Allocation Methods and Resulting Factors						
		RES	SGS	LGS/SPS	LPS	LTS
AUE	12CP	44.0%	10.3%	30.1%	8.2%	7.4%
STAFF	12CP	44.5%	10.4%	29.7%	8.0%	7.4%
OPC	A&4CP	40.7%	10.3%	30.9%	9.5%	8.6%
MIEC	A&E 4NCP	46.7%	11.0%	28.6%	7.8%	5.9%

Q. Do you agree with MIEC's assertion that the transmission system is similar to the generation system, and should be allocated in a similar fashion?

A. While I agree that the transmission and generation systems are similar in that they are operated in tandem to meet the Company's Missouri retail electric, wholesale electric, and

off-system sales power requirements, I disagree that they should necessarily be allocated in a similar manner. The Company's four non-coincident peak average and excess ("4 NCP A & E") allocation factor was used to allocate fixed production capacity (see Mr. Cooper's direct testimony, pages 5-13) to reflect type and amount of capacity installed to meet the Company's generation requirements. As the planning and construction of the Company's transmission system involves only the amount (i.e., capacity rating) of transmission capacity installed, and there are no "type" considerations, there is little justification for the use of the 4 NCP A & E allocation factor for transmission. It is more appropriate that the transmission system be allocated using a method which employs class demands during peak periods. Additionally the Federal Energy Regulatory Commission ("FERC") recognizes the appropriateness of the 12 CP method in the derivation of the transmission rate under the Midwest Independent Transmission System Operator, Inc.'s ("Midwest ISO") Rate Formula Template, Attachment O.

Q. What would the effect be, on the Company's CCOSS, if the Missouri Public Service Commission ("Commission") were to adopt MIEC's transmission allocation method?

A. The table below shows the class revenues shift per the Company's CCOSS from its original filing, using MIEC's transmission allocation method. MIEC's method increases the Company's proposed class cost of service based revenue requirements of the Residential class by approximately $3.0 million. However, the resulting impact of the allocation method does not alter the relative results of the Company's CCOSS.

Class Revenue Requirements Shift per Company's Class Cost Of Service ($1000's)			
	Original Filing	Using Production Capacity Allocator	Difference
RES	$1,265,229	$ 1,268,260	$ 3,031
SGS	$ 279,035	$ 279,788	$ 753
LGS/SPS	$ 702,637	$ 700,914	$(1,723)
LPS	$ 201,266	$ 200,845	$ (421)
LTS	$ 158,961	$ 157,320	$(1,641)

Q. Earlier you mentioned a difference in the allocation of non-fuel generation expenses. Please explain.

A. The basic difference among the Company, Staff, OPC and MIEC is regarding the classification of these costs between fixed and variable components. More specifically, the allocation of Fuel for Interchange, Purchased Power for Interchange, Operations Expense – Other, and Maintenance Expense are at issue. OPC and MIEC classified all production expenses related to fuel and purchased power as variable and all non-fuel production operations and maintenance expenses as fixed. With regard to production expenses related to fuel, the Company classified fuel and purchased power used to meet its interchange obligations as fixed, while all other fuel related expenses were classified variable. Additionally, the Company classified operations expense-other and maintenance expenses as variable. The Company's allocation of these costs in its class cost of service study is consistent with Company witness Gary S. Weiss' classification and allocation of these same items in his jurisdictional cost of service study. In addition, the classification of fuel and purchased power for interchange as fixed is also consistent with the classification of these costs in the Company's previous rate case, Case

No. ER-2008-0318. The following table sets out the results of the parties' respective percentage split of total production expense between fixed and variable.

	AUE	STAFF	OPC	MIEC
Fixed	21%	24%	28%	29%
Variable	79%	76%	72%	71%

Q. What would the effect be, on the Company's CCOSS, if the Commission were to adopt MIEC's split of production expense between variable and other?

A. The table below shows the class revenues shift, per the Company's CCOSS from its original filing, using MIEC's split of production expenses between fixed and variable. MIEC's method increases the proposed class cost of service based revenue requirements of the Residential class by approximately $16.0 million.

Class Revenue Requirements Shift per Company's Class-Cost-Of-Service ($1000's)			
	Original Filing	Per MIEC Percent Split	Difference
RES	$1,265,229	$1,280,930	$ 15,701
SGS	$ 279,035	$ 281,071	$ 2,036
LGS/SPS	$ 702,637	$ 696,802	$ (5,835)
LPS	$ 201,266	$ 196,678	$ (4,588)
LTS	$ 158,961	$ 151,646	$ (7,315)

Q. What are the differences in the parties' CCOSS on allocation of off-system sales revenues?

A. The Company and OPC allocated the revenues from off-system sales on the basis of their respective fixed production allocation factors. MIEC allocated the revenues from off-system sales on the basis of class energy (kilowatt-hour ("kWh")) requirements and Staff allocated a portion of off-system sales revenue based on both the energy and the fixed production

allocation factors. Staff's allocation method is the same approach as that employed by the Company in the Company's previous electric rate case, Case No. ER-2008-0318. The following table sets forth the parties' respective off-system sales revenue allocation factors.

Off-System Sales Allocation Methods and Resulting Factors						
		RES	SGS	LGS/SPS	LPS	LTS
AUE	A&E 4NCP	46.7%	11.0%	28.6%	7.8%	5.9%
STAFF	A&4CP /Energy	39.0%	10.1%	31.4%	9.9%	9.7%
OPC	A&4CP	40.6%	10.3%	31.0%	9.5%	8.6%
MIEC	Energy	37.0%	9.8%	32.2%	10.6%	10.4%

Q. Why did the Company change its method of allocating off-system sales revenues in this case?

A. The Company CCOSS was changed to follow the classification and allocation of these sales in the Company's jurisdictional cost of service study. In addition, the classification of fuel and purchased power for interchange as fixed is consistent with the classification of these costs in Case No. ER-2008-0318.

Q. Do you agree with MIEC's allocation of off-system sales revenues on the basis of class energy requirements?

A. Partially. It may be appropriate to allocate the portion of off-system sales revenues equal to the fuel expense associated therewith on the basis of class energy requirements. However, the margin (off-system sales revenues less associated fuel expense) from these revenues should be allocated the same as fixed production plant. These sales are being generated by a fixed asset, and, consequently, equity considerations promote the allocation of this net amount to the Company's customer classes on the same basis as the allocation of the costs of the same fixed production assets. Should the Commission disagree with the Company's

treatment of off-system sales revenues in its class cost of service study, I would recommend adoption of Staff's "blended" approach.

Q. What would the effect be, on the Company's CCOSS, if the Commission were to adopt MIEC's allocation method for revenues associated with off-system sales?

A. The table below shows the class revenues shift per the Company's CCOSS allocating off-system sales revenues on the basis of class energy use. MIEC's method shifts approximately $30 million of revenue requirement to the Residential class.

Class Revenue Requirements Shift per Company's Class-Cost-Of-Service ($1000's)			
	Original Filing	Off-System Sales Revenue Allocated on Energy	Difference
RES	$1,265,229	$1,295,149	$ 29,920
SGS	$ 279,035	$ 282,916	$ 3,881
LGS/SPS	$ 702,637	$ 691,518	$(11,119)
LPS	$ 201,266	$ 192,524	$ (8,742)
LTS	$ 158,961	$ 145,021	$(13,940)

Q. MIEC claims that the Company's approach to the allocation of off-system sales is at odds with the treatment of these sales and associated expenses in the fuel adjustment clause. Do you agree?

A. Yes, however, adjustments under the fuel adjustment clause ("FAC") are expected to be minimal as the clause only reflects variations to the Company's total Net Base Fuel Cost ("NBFC"). It is appropriate then to base the fuel adjustment charge on an energy basis, to do otherwise creates added complexity to the administration of the FAC for minor amounts. Indeed, the first two fuel adjustments (before the loss adjustments) pursuant to the Company's FAC have been ($0.00033) and $0.00046 per kWh.

Q. What are the differences in the parties' CCOSS regarding the allocation of General Plant?

A. All parties that prepared CCOSS, with the exception of the Company, allocated General Plant using a composite allocation factor based on each class' respective gross production, transmission and distribution plant. The Company allocated General Plant on the basis of the proportion of labor expense allocated to each class. This "labor ratio" allocation method tracks the same employed in the Company's jurisdictional cost of service for arriving at the Missouri portion of General Plant and administrative and general ("A&G") expenses. The following table sets forth the parties' respective General Plant allocation factors.

General Plant Allocation Methods and Resulting Factors						
		RES	SGS	LGS/SPS	LPS	LTS
AUE	Labor P,T,D,CAE	49.6%	10.6%	26.7%	7.7%	5.3%
STAFF	Gross Plant	49.9%	11.5%	26.0%	7.0%	5.6%
OPC	Gross Plant	47.8%	11.0%	27.9%	7.6%	5.6%
MIEC	Gross Plant	53.5%	11.4%	25.0%	6.2%	3.9%

In comparison to Production Plant, General Plant investment is minimal and therefore the differences in the General Plant allocation factors will not materially impact results of the Company's CCOSS.

Q. Does this conclude your rebuttal testimony?

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's Tariffs to Increase its Annual Revenues for Electric Service.	)	Case No. ER-2010-0036
	)	Tracking No. YE-2010-0054
	)	Tracking No. YE-2010-0055

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 work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a AmerenUE as Managing Supervisor of Rate Engineering.

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 8 pages and Schedules WMW-ER n/a through WMW-ER n/a 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
William M. Warwick

Subscribed and sworn to before me this 11th day of February, 2010.

Mary Hoyt
Notary Public

My commission expires: 4-1-2010

Mary Hoyt - Notary Public
Notary Seal, State of
Missouri - Jefferson County
Commission #06397820
My Commission Expires 4/1/2010