Exhibit No.:	_____
Issue(s):	Production Cost Allocation
Witness/Type of Exhibit:	Meisenheimer/Direct
Sponsoring Party:	Public Counsel
Case No.:	ER-2010-0036

REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

UNION ELECTRIC COMPANY D/B/A AMERENUE

Case No. ER-2010-0036

February 11, 2010

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-2010-0036**

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am a Chief Utility Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.

Barbara A. Meisenheimer

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

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SHYLAH C. BROSSIER
My Commission Expires
June 8, 2013
Cole County
Commission #09812742

Shylah C. Brossier
Notary Public

My commission expires June 8th, 2013.

REBUTTAL TESTIMONY
OF
BARBARA MEISENHEIMER

AMERENUE
CLASS COST OF SERVICE AND RATE DESIGN

CASE NO. ER-2010-0036

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O. 2230, Jefferson City, Missouri 65102.

Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?

A. Yes, I submitted direct testimony on production cost allocation issues on January 6, 2010.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My rebuttal testimony addresses the production cost allocators proposed by other parties in this case.

Q. IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU REVIEW?

A. I have reviewed the production cost allocators proposed in the direct testimony of the Staff, Missouri Industrial Energy Consumers (MIEC), and AmerenUE.

Q. PLEASE COMPARE THE PRODUCTION ALLOCATORS USED IN THE PARTIES' CLASS COST OF SERVICE STUDIES.

A. Table 1 provides a comparison of the parties' allocations of production costs to customer classes.

Table 1. Production Cost Allocation

	RES	SGS	LGS/SPS	LPS	LT
OPC Time of Use	38.15%	9.81%	31.71%	10.02%	10.31%
Staff Capacity Utilization	40.59%	10.40%	30.86%	9.31%	8.84%
OPC Ave & 4CP	40.69%	10.33%	30.92%	9.49%	8.57%
Staff Ave & 4CP	41.07%	10.41%	30.66%	9.20%	8.64%
UE and MIEC Ave &4NCP	46.65%	11.01%	28.63%	7.79%	5.92%

Staff's allocators are discussed in the Staff CCOS Report and the direct testimony of Mike Scheperle. AmerenUE's allocators are addressed by Company witness William Warwick. The MIEC position accepting the Company's allocation in this case is addressed in the direct testimony of Maurice Brubaker. Public Counsel's allocators are presented in my direct testimony.

Q. WHAT IS YOUR GENERAL RESPONSE TO THE PROPOSED ALLOCATORS?

A. I continue to believe that the Time of Use allocation method most reasonably reflects an allocation of production costs to customer classes. Public Counsel's Time of Use allocation method assigns costs based on relative class use of the

system in each hour of the year. The other methods proposed by the parties assign production plant costs in part on average annual use and in part on peak use measured in only a limited number of peak hours. If the Commission does not adopt the Time of Use allocation method, Public Counsel recommends that the Commission adopt the Staff's Capacity Utilization allocation method or an Ave & 4CP allocation method proposed by both Staff and Public Counsel.

Q. WHY DO THE OPC AVE & 4CP AND STAFF AVE & 4CP PRODUCTION ALLOCATORS DIFFER?

A. I believe that there are two primary factors contributing to the difference between the OPC and Staff Ave & 4CP class allocators. The first is that I used weather normalized peak demand data while the Staff used peak demand data that was not adjusted to reflect normal weather. The second factor relates to a difference in the time period reflected by the data. I used the coincident peak class demands and average class demands reported by the Company for the 12 months ending March-09. The Staff used the coincident peak class demands and average class demands for the 12 months ending July-09.

If the Commission adopts an Ave & 4CP allocation method it would be appropriate in this case to base the allocator on weather normalized peak demand data. Public Counsel is willing to update the Ave & 4CP allocator to reflect the 12 months ending July-09 provided that weather normalized data for the period becomes available.

Q. DO YOU HAVE SIMILAR CONCERNS WITH THE STAFF CAPACITY UTILIZATION PRODUCTION ALLOCATOR?

A. Yes. If the Commission adopts Staff's capacity utilization allocation method it would be appropriate to develop the allocator based on weather normalized peak demand data.

Q. IS THE COMPANY'S AVE & 4NCP PRODUCTION ALLOCATOR PREFERABLE TO THE ALLOCATORS PROPOSED BY PUBLIC COUNSEL OR BY THE STAFF?

A. No. The Time of Use method, the Capacity Utilization allocation method or an Ave & 4CP allocation method would be preferable to the Company's Ave & 4NCP for allocating production costs in this case. The use of non-coincident peaks in developing class cost allocations disproportionately attribute costs to classes that use more in months that are not even representative of the system peak or period of highest system costs. For example, this occurs with respect to the Residential customer class for the month of December. The gray shading in Table 2 illustrates the four non-coincident peaks for each customer class. The bold highlighted text reflects that the four highest system demand months were June-08, July-08, Augt-08 and Sept-08. Including December peak demand in the Ave & 4NCP for the Residential class results in a larger allocation of costs to the Residential class despite any demonstration that December peak demand causes higher system costs.

Table 2

Non-Coincident Peak (CP) @ Generation (Converterd to MWh)						System Peak
	RES	SGS	LGS/SPS	LPS	LTS	
Jan-09	3438	822	2023	488	486.07	7257
Feb-09	3013	758	1962	498	489.20	6720
Mar-09	2707	721	1898	487	487.16	6300
Apr-08	2137	714	1986	531	486.49	5854
May-08	2790	773	2117	609	487.87	6777
Jun-08	**3513**	**915**	**2370**	**642**	**484.59**	**7925**
Jul-08	**4069**	**925**	**2428**	**656**	**484.66**	**8563**
Aug-08	**4165**	**952**	**2450**	**661**	**486.04**	**8713**
Sep-08	**3734**	**910**	**2328**	**631**	**486.66**	**8090**
Oct-08	2176	689	1944	596	486.90	5892
Nov-08	2619	664	1825	532	484.34	6124
Dec-08	3759	766	1920	504	486.96	7436

The Ave & 4NCP method is also inferior to the Time of Use allocator because it fails to reflect that production plant costs actually vary by hour depending on the plants in use. Of all the production allocation methods proposed in this case, the Time of Use allocator is the only method that assigns production costs on such a granular basis. The Time of Use allocation method assigns classes a higher level of costs in hours when production costs are higher and a lower level of cost when production costs are lower. The particular pattern of use by each class over different hours of the year appropriately leads to differences in the overall assignment of production costs to each class.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.