

Exhibit No.:
Issue(s): Cost of Service/Production Allocator
Witness/Type of Exhibit: Meisenheimer/Surrebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2008-0318

SURREBUTTAL 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-2008-0318

November 5, 2008

**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.)

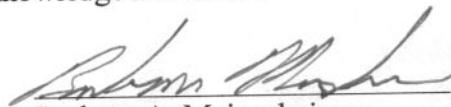
Case No. ER-2008-0318

AFFIDAVIT OF BARBARA A. MEISENHEIMER

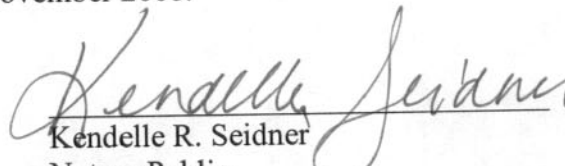
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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 surrebuttal 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 5th day of November 2008.


Kendelle R. Seidner
Notary Public

My commission expires February 4, 2011.

SURREBUTTAL TESTIMONY

OF

BARBARA MEISENHEIMER

AMERENUE

CLASS COST OF SERVICE

CASE NO. ER-2008-0318

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

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

4 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

5 A. Yes. I submitted direct testimony on cost of service issues on September 11,
6 2008.

7 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 A. The purpose of my surrebuttal testimony is to response to the rebuttal testimony
9 of other parties regarding Public Counsel's Time of Use (TOU) and Average and
10 4 Coincident Peak (A&4CP) production cost allocators.

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

2 A. I have reviewed the rebuttal testimony rate design testimony of the Staff, Noranda
3 Aluminum Inc., Missouri Industrial Energy Consumers (MIEC), and AmerenUE.

4 **Q. WHAT IS YOUR GENERAL RESPONSE TO MIEC WITNESS MR. STOWE'S REBUTTAL**
5 **TESTIMONY IN WHICH HE CRITICIZES THE TOU PRODUCTION CAPACITY**
6 **ALLOCATOR USED BY OPC?**

7 A. Mr. Stowe's rebuttal testimony attempts to compare "demand" to total cost per
8 hour from my TOU study. His conclusions are misleading because he does not
9 properly match the total cost per hour with the full production associated the total
10 cost per hour. Specifically, Mr. Stowe excluded production associated with off-
11 system sales that should have been included in "demand" to achieve a proper
12 matching with the total cost. Had Mr. Stowe included off system sales volumes I
13 believe he would have obtained significantly different conclusions.

14 **Q. DOES THE OMISSION OF PRODUCTION ASSOCIATED WITH OFF SYSTEM SALES**
15 **SIGNIFICANTLY AFFECT THE OBSERVATIONS AND CONCLUSIONS REACHED IN MR.**
16 **STOWE'S REBUTTAL TESTIMONY?**

17 A. Yes. The omission significantly affects his observations regarding the time when
18 peak production occurs and the actual production associated with the costs
19 presented in both the discussion and charts contained in his rebuttal testimony.
20 Had he included off system sales volumes, contrary to Mr. Stowe's testimony, the
21 results would have shown that the coincident peak from my data occurred in Aug
22 and that the trends in costs during peak periods are generally what one might
23 expect.

1 **Q. PLEASE PROVIDE AN EXAMPLE OF HOW AN “APPLES TO APPLES” COMPARISON**
2 **OF TOTAL PRODUCTION TO TOTAL PRODUCTION COSTS WOULD RESULT IN**
3 **DIFFERENT CONCLUSIONS THAN THOSE REACHED IN MR. STOWE’S REBUTTAL**
4 **TESTIMONY.**

5 A. Mr. Stowe’s testimony claims:

6 The underlying data indicates a maximum peak demand
7 of 7,948 MW occurred at 2:00 p.m. on July 10, 2007. This
8 is shown on Schedule DLS-COS-R-2. The capacity cost
9 during this hour was less than 25% of the peak cost that
10 occurred on August 15. The second highest system peak
11 of 7,936 MW occurred at 4:00 p.m. on July 19 when the
12 capacity cost was only 12% of the peak cost that occurred
13 on August 15 (Schedule DLS-COS-R-3).

14 If off system sales were accurately included, the maximum peak production
15 would not have been 7948MW and the second highest system peak would not
16 have been 7,936 MW. Instead the production in these hours represents only about
17 95% of the maximum hour. Also, representing costs more appropriately as a cost
18 per production hour would show that for the three hours discussed cost per
19 production hour increased with the level of production.

20 **Q. HOW MUCH OF MR. STOWE’S REBUTTAL TESTIMONY IS DEVOTED TO THE**
21 **COMPARISON OF A MEASURE OF TOTAL HOURLY COSTS THAT INCLUDES OFF-**
22 **SYSTEM SALES TO A MEASURE OF DEMANDS THAT DOES NOT?**

23 A. The entirety of Mr. Stowe’s testimony appears to refer to this comparison as do
24 the four charts provided as attachments.

1 **Q. SHOULD THE COMMISSION GIVE SUBSTANTIAL WEIGHT TO MR STOWE’S**
2 **REBUTTAL TESTIMONY?**

3 A. For the reasons discussed above, I believe the Commission should give no weight
4 to Mr. Stowe’s rebuttal testimony or other witnesses’ testimony to the extent they
5 relied on Mr. Stowe’s comparison of total cost per hour to demands. Contrary to
6 Mr. Stowe’s results, I did find that the study generally assigned higher cost to
7 peak hours.

8 **Q. YOU STATED THAT THE TRENDS IN COSTS DURING PEAK PERIODS ARE**
9 **GENERALLY WHAT ONE MIGHT EXPECT. PLEASE EXPLAIN.**

10 A. In contrast to Mr. Stowe’s analysis that compared total cost per hour with only a
11 subset of hourly production, I believe it is more appropriate to examine costs on a
12 per production hour basis which includes off system sales volumes. The results
13 indicate a seasonal trend in costs. The month of August has the highest average
14 cost per production hour. The August average cost is higher than the average cost
15 over the period from mid-July to mid-September which in turn is higher than the
16 average cost from June through October which in turn is higher than the average
17 annual cost. Examining costs on a per production hour basis also shows that
18 higher levels of cost per production hour occur with greater frequency in the late
19 afternoon to early evening hours.

20 In direct testimony I discussed concerns with the data that was available
21 for my study. While I still acknowledge those concerns, the general trends
22 displayed in my study align with my expectations.

1
2
3
4
5
6
7
8
9
10
11
12
13

Q. DOES USING MULTIPLE PEAKS IN DEVELOPING THE PRODUCTION CAPACITY ALLOCATOR DOUBLE COUNT CERTAIN DEMAND?

A. No. The Average and Peak components of the allocator represent two distinctly different considerations. The Average component represents the portion of the allocator that is based on each class's non-variant load throughout the year while the Peak component represents the allocation associated with variation from normal load. Considering the characteristics of four "like" periods each of which is a potential peak simply recognizes that the characteristics of demand may vary by class depending on exactly when the peak occurs. I submitted additional discussion and illustrations related to this issue in pages 3-7 of my direct testimony.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.