

Exhibit No.: **101**
Issue(s): Policy
Witness: Warner L. Baxter
Sponsoring Party: Union Electric Company
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2011-0028
Date Testimony Prepared: April 15, 2011

MISSOURI PUBLIC SERVICE COMMISSION

Case No. ER-2011-0028

SURREBUTTAL TESTIMONY

OF

WARNER L. BAXTER

ON

BEHALF OF

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

St. Louis, Missouri
April, 2011

Ameren Exhibit No. 101
Date 4/26/11 Reporter LMB
File No. ER-2011-0028

SURREBUTTAL TESTIMONY

OF

WARNER L. BAXTER

CASE NO. ER-2011-0028

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

2 A. My name is Warner L. Baxter. My business address is One Ameren Plaza,
3 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

5 A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren
6 Missouri" or "Company") as President and Chief Executive Officer.

7 **Q. Are you the same Warner L. Baxter who filed direct testimony in this**
8 **case?**

9 A. Yes, I am.

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. The purpose of my surrebuttal testimony is first, to respond to positions taken
12 by parties in this case, in particular those reflected in the rebuttal testimonies filed by Staff
13 witness David Murray and Missouri Industrial Energy Consumers witness Michael Gorman,
14 with regard to return on equity, and the rebuttal testimony of Office of the Public Counsel
15 witness Ryan Kind, regarding the sharing percentage in the fuel adjustment clause. Adoption
16 of the positions advanced by these witnesses would adversely impact the Company, and
17 ultimately its customers. Second, I will address the importance of this rate case in allowing
18 the Company to continue to make the significant investments in its system necessary to
19 provide the level of safe and reliable service that our customers have demanded and to

Surrebuttal Testimony of
Warner L. Baxter

1 comply with regulatory mandates, including environmental laws and regulations. Third, I
2 will respond to OPC witness Barbara Meisenheimer's rebuttal testimony addressing the
3 challenges that our customers face during these difficult economic times. Fourth, I will
4 address the continuing concerns we have with the Staff's and the Missouri Department of
5 Natural Resources' ("DNR") positions on energy efficiency, as reflected in the rebuttal
6 testimony of Staff witness John Rogers and DNR witness Laura Wolfe, which fail to
7 recognize the importance of allowing the Company to fully recover its energy efficiency
8 costs and thereby impact the Company's ability to continue to make significant investments
9 in energy efficiency. And finally, I will respond to Mr. Kind's allegations that the Company
10 has failed to live up to its commitments with regard to the reconstruction of the upper
11 reservoir at the Taum Sauk Plant.

12 **Q. Please summarize the key points of your surrebuttal testimony.**

13 **A.**

- 14
- 15 • The Staff's recommended return on equity ("ROE") and the fuel adjustment
16 clause ("FAC") sharing recommendation are far outside the mainstream, and
17 if adopted would not provide us with a reasonable opportunity to recover our
18 prudently incurred costs of providing service as well as a reasonable
19 opportunity for our shareholders to earn a fair return on their investment.
 - 20 • With regard to ROE, the Company has reduced its original request of 10.9%
21 to 10.7% based on updated data related to its cost of capital. Approval of a
22 reasonable ROE is critical to several key objectives, including maintaining
23 Ameren Missouri's financial stability, allowing the Company to compete for
24 capital with other utilities on reasonable terms and enabling it to continue to
25 make the kind of energy infrastructure investments that it needs to make in
26 order to deliver the level of service and reliability our customers expect.
27 Adoption of the Staff's position would be disastrous and would completely
28 fail to support these critical objectives. Moreover, adoption of Mr. Gorman's
29 recommendation, which is at the very bottom of the 36 ROE state regulatory
30 commission decisions for integrated electric utilities during the past
31 12 months, would also fail to support these critical objectives.
32

- 1 • With regard to the FAC, the OPC has now joined the Staff in advocating a
2 change in the sharing percentage to 15% from 5%. This is clearly out of the
3 mainstream as the vast majority of jurisdictions have no sharing percentage at
4 all, and this change would simply take us further away from the mainstream.
5 In addition, increasing the sharing percentage is tantamount to a disallowance
6 of our prudently incurred fuel costs. As Ameren Missouri witness Lynn
7 Barnes points out in her rebuttal testimony, the additional amount of the
8 Company's fuel costs that would have been disallowed had the 15% sharing
9 percentage been in effect since the FAC was implemented is approximately
10 \$15 million (or in total, about \$22.5 million), and this amount is likely to grow
11 in the future. Finally, changing the Commission's policy regarding this
12 important cost recovery mechanism is unwarranted in light of our prudent
13 management of fuel costs while the FAC has been in place, and would send a
14 very negative message to investors and creditors, as pointed out in the rebuttal
15 testimony of Ameren Missouri witness Gary Rygh.
16
- 17 • Should the Commission adopt these positions advocated by parties, there
18 would be meaningful negative implications. The rates that the Commission
19 would establish would not provide us with a reasonable opportunity to recover
20 our prudently incurred costs of providing service, as well as a reasonable
21 opportunity for our shareholders to earn a fair return on their investment.
22 Consequently, our credit quality, financing costs, and ability to access the
23 capital markets at reasonable rates would be negatively impacted. Finally, not
24 only would adoption of these positions create a strong disincentive for us to
25 pursue any new investments to meet customer expectations or support state
26 and federal policies and initiatives, we would be left with no reasonable
27 choice but to meaningfully reduce our level of investment in our energy
28 infrastructure and in our operations, consistent with the cash flows we derive
29 from this rate case. This reduced investment would weaken the reliability of
30 our distribution system and power plants, result in job losses, further weaken
31 the economy of our communities and the state, and ultimately harm our
32 customers.
33
- 34 • We recognize that there is never a good time to ask for a rate increase, and we
35 heard our customers who appeared at the public hearings express the
36 hardships that our proposed rate increase would cause them. In light of these
37 testimonies, we recommend that the Commission consider adopting the equal
38 percentage rate design we proposed in this case to "level the playing field" for
39 our residential customers during this difficult economic period.
40
- 41 • We believe our customers also want us to continue our efforts to deliver high
42 quality and reliable service at a reasonable cost. As a result, we have taken
43 many proactive steps to reduce our costs, including reducing certain 2010
44 costs by in excess of \$300 million compared to 2008 and \$200 million
45 compared to 2009 levels.
46

- 1 • Over the past several years, we have made significant investments in energy
2 efficiency to help our customers manage their energy costs, and these
3 investments are producing results. As we have made those investments, we
4 have consistently taken the position that progress needed to be made in the
5 overall regulatory framework associated with the costs of energy efficiency
6 programs. Proposals made by other parties in this case, including those
7 reflected in Mr. Rogers' and Ms. Wolfe's rebuttal testimonies, do not
8 adequately allow us to recover all of our costs associated with these programs,
9 including our fixed costs associated with energy savings. These proposals
10 will further contribute to the excessive regulatory lag we are experiencing in
11 Missouri. As I stated in my direct testimony, these proposals and the related
12 excessive regulatory lag they produce make it very difficult for a utility to
13 have a reasonable opportunity to earn a fair return and negatively impact our
14 cash flows and related financing costs. Further, these proposals constrain our
15 ability to pursue new investments in our energy infrastructure to, among other
16 things, enhance reliability consistent with our customers' expectations. As
17 Ameren Missouri witness Richard Mark testified, we have included a proposal
18 that makes additional progress in improving the regulatory framework in this
19 area, helps reduce excessive regulatory lag and will allow us to continue to
20 make meaningful investments in energy efficiency programs in the future.
21
- 22 • With regard to Taum Sauk, I strongly disagree with the testimony of OPC
23 witness Ryan Kind. The Taum Sauk breach was truly a tragic event. As
24 Ameren Missouri witness Mark Birk points out in his surrebuttal testimony,
25 from the beginning we have accepted full responsibility for this incident and
26 committed to protecting customers from bearing the costs of the breach. Our
27 commitment to our customers was clearly spelled out in our settlement with
28 the State of Missouri, and we have honored that commitment. To date, we
29 have absorbed nearly \$100 million of costs, and that figure could rise. Also,
30 consistent with that state settlement, we are only seeking to recover the costs
31 of enhancements to the upper reservoir, or costs that we would have otherwise
32 incurred absent the breach. To be clear, we have honored all our
33 commitments to our customers and the State of Missouri, and we will
34 continue to do so in the future.

35 **I. Response to Positions of Certain Other Parties**

36 **Q. Your September 3, 2010 direct testimony discussed, among other things,**
37 **the considerable infrastructure investments being made by the Company to continue to**
38 **maintain and improve reliability, the challenges the Company faces in this time where**
39 **the Company's capital expenditure needs are high, and the challenges posed by**
40 **regulatory lag and its related policy implications. Do the positions reflected in the**

1 **testimony filed in this case by other parties adequately address the Company's**
2 **investment needs and those challenges?**

3 A. No, they do not. Certain positions advocated by parties in this case are
4 outside the mainstream (in particular the Staff's recommendation associated with return on
5 equity and the recommendation now supported by OPC regarding the FAC) or further
6 contribute to the excessive regulatory lag we are already experiencing (notably the Staff's
7 and DNR's position on energy efficiency). Moreover, MIEC's recommended ROE,
8 essentially at the bottom of the ROEs awarded by state regulatory commissions in the past
9 12 months, would fail to allow us to achieve critical objectives given the severe challenges
10 posed by regulatory lag in a rising cost environment, and in an environment when capital
11 expenditure needs continue to be very high (to maintain and improve our infrastructure, and
12 to meet ever-increasing regulatory requirements, including new environmental requirements).
13 Should the Commission adopt these positions, there would be meaningful negative
14 implications. The rates and/or regulatory frameworks that the Commission would establish
15 would not provide us with a reasonable opportunity to recover our prudently incurred costs of
16 providing service, as well as a reasonable opportunity for our shareholders to earn a fair
17 return on their investment. Consequently, our credit quality, financing costs and ability to
18 access the capital markets on reasonable terms would be negatively impacted. Finally, not
19 only would adoption of these positions create a strong disincentive for us to pursue any new
20 investment to meet customer expectations or strongly support state and federal policies and
21 initiatives, we would be left with no reasonable choice but to meaningfully reduce our level
22 of investment in our energy infrastructure and in our operations, consistent with the cash
23 flows we derived from this rate case. This reduced investment would weaken the reliability

1 of our distribution system and power plants, result in job losses, further weaken the economy
2 of our communities and the state, and ultimately, harm our customers.

3 **Q. You stated that one of the out-of-the-mainstream recommendations**
4 **advocated by the parties related to return on equity. Please elaborate.**

5 A. Similar to its recommendation in the Company's last rate case, the
6 Commission's Staff is proposing an allowed ROE ranging from 105 to 205 basis points
7 below the average allowed ROE (approximately 10.3%) for integrated electric utilities like
8 Ameren Missouri over the past year. The Staff's recommendation is substantially below the
9 ROEs authorized by this Commission for other electric utilities in recent cases, and ranges
10 from 85 to 185 basis points below the Company's currently authorized ROE, approved less
11 than 12 months ago (10.1%). To put this in perspective, the midpoint of the Staff's range
12 (just 8.75%) would put Ameren Missouri literally off the chart for allowed ROEs for
13 integrated electric utilities.

14 While not as unreasonable as the Staff's recommendation, MIEC is proposing an
15 ROE of just 9.75%, which if adopted would put Ameren Missouri's allowed ROE 55 basis
16 points below the average allowed ROE for similarly situated integrated electric utilities.
17 Adoption of such an ROE would mean that the Commission would be allowing an ROE at
18 the very bottom of the ROEs allowed by state regulatory commissions in the 36 rate case
19 decisions for integrated electric utilities issued during the past 12 months.

20 In summary, adoption of these low recommended ROEs, which would reduce the
21 Company's current ROE, would negatively impact Ameren Missouri's financial stability,
22 reduce its ability to compete for capital on reasonable terms with other utilities, and
23 compromise its ability to continue the kind of reliability-related investments it has made and

1 needs to continue to make to meet customer expectations. Further, it would signal to
2 investors that the regulatory environment in Missouri is inconsistent in its application, not
3 supportive of providing investors with a reasonable opportunity to earn a fair return on their
4 investment, and that it fails to support the significant investment needs of its utilities,
5 including Ameren Missouri.

6 **Q. Are you a rate of return expert?**

7 A. No I am not, but I am ultimately responsible for making the decisions the
8 Company must make with regard to when, how and how much to invest in its energy
9 infrastructure. I know how inappropriately low ROEs would impact those decisions.
10 Moreover, my views on the impact of these low ROE recommendations are supported by the
11 Company's ROE expert, Mr. Hevert. While I recognize that determining the appropriate
12 level of ROE involves consideration of a host of complicated analyses, it is important that the
13 final ROE adopted by the Commission put the Company in a position to access the capital it
14 needs at a reasonable cost, and to continue to invest in its system as it needs to do and as
15 customers expect it to do.

16 **Q. Why is adoption of a reasonable ROE for Ameren Missouri important?**

17 A. Ameren Missouri must compete for capital with other utilities. If its
18 authorized ROE is materially below or at the bottom of the ROEs awarded to other similar
19 utilities, it will be at a disadvantage in obtaining the capital it needs (on reasonable terms) to
20 maintain and improve its infrastructure. This is a particularly important consideration in the
21 current environment where Ameren Missouri needs to continually access the capital markets
22 to finance its operations in order to continue to invest significantly in its system to meet the
23 expectations of its customers as well as meet state and federal requirements. This need is

1 even greater in Missouri given the severe regulatory lag we face, driven by, for example, the
2 requirement to use an historical test year to set rates, an 11-month rate case approval process,
3 and the inability to include construction work in progress in rate base, among other things. If
4 the Company is to be able to access the capital it needs at a reasonable cost, it must be
5 provided fair regulatory treatment, similar to that provided to other utilities. The sub-10%
6 returns being proposed by Staff and MIEC do not meet this standard.

7 **Q. Are there any other positions parties have taken that you believe are**
8 **significantly outside the mainstream?**

9 A. Yes. One other example is Staff's proposal, now supported by OPC witness
10 Ryan Kind's rebuttal testimony, that the "sharing percentage" under the Company's fuel
11 adjustment clause ("FAC") be increased from 5% to 15%.

12 **Q. Why would a 15% sharing mechanism be outside the mainstream?**

13 A. My understanding is that fuel adjustment clauses in the overwhelming
14 majority of jurisdictions in the United States have no sharing percentage at all. So the
15 Company's existing FAC is already unusual, even with a 5% sharing. Increasing this sharing
16 percentage to 15% will simply move the Company's FAC further from mainstream
17 regulatory treatment.

18 Perhaps more importantly, the way that the Company's net fuel costs are calculated,
19 increasing the sharing percentage is tantamount to the disallowance of prudently incurred
20 fuel costs, as Ameren Missouri witness Lynn Barnes explained in her rebuttal testimony.
21 Under the 5% sharing percentage, so far Ameren Missouri has had to absorb approximately
22 \$7.5 million in prudent fuel costs. If the sharing percentage had been 15%, the Company
23 would have absorbed an additional \$15 million, or a total of \$22.5 million of prudent fuel

1 costs. Finally, as Ameren Missouri witness Gary Rygh has testified, increasing the sharing
2 percentage will send a very negative message to the Company's investors and creditors, a
3 message that is completely unwarranted based on the Company's diligent and prudent
4 operation under the fuel adjustment clause.

5 **Q. Isn't it necessary to increase the sharing percentage to provide the**
6 **Company with additional incentive to minimize its net fuel costs?**

7 A. Absolutely not. Ameren Missouri has always been extremely diligent in
8 acquiring fuel supplies in the most efficient and economical manner, hedging its (and its
9 customers') exposure to fuel-related price risk, and pursuing off-system sales opportunities.
10 We have continued our practices in these areas since the FAC has been implemented. The
11 Commission Staff comprehensively reviewed the Company's performance in its recent FAC
12 prudence review, and found no indication of any type of imprudent behavior. Although the
13 Staff and other parties argued that the Company misclassified two contracts under the terms
14 of the FAC tariff in effect at the time, they testified that it was not imprudent for the
15 Company to have entered into those contracts. I'll leave it to others to debate the issues
16 regarding those two contracts, but as I understand it the issue has nothing to do with
17 prudence; it simply has to do with whether the contracts do or do not fall within the terms
18 provided for in the FAC tariff. In short, after more than two years of operation and a
19 comprehensive Staff review, there is no indication that the Company has taken any
20 imprudent action with respect to costs recovered through or revenues credited through the
21 FAC.

22 Moreover, the Company already has significant incentives to continue to act
23 prudently with regard to its fuel costs. For one thing, the current sharing percentage requires

1 us to absorb 5% of the shortfall in prudently incurred fuel costs. As I said before, this has
2 required the Company to absorb \$7.5 million in costs, which is clearly an incentive for us to
3 minimize costs. Second, the Company is subject to continuing prudence reviews by the Staff
4 and ultimately the disallowance of any imprudently incurred costs by the Commission. This
5 provides another strong incentive for the Company to avoid any imprudent activity. Perhaps
6 most significantly, the Company recognizes that use of an FAC is a privilege, not a right that
7 could be revoked by the Commission in any rate case. This provides a third strong incentive
8 for the Company to continue to act prudently.

9 **II. Impact of the Rate Increase—Steps Taken by the Company**

10 **Q. OPC witness Barbara Meisenheimer provided rebuttal testimony**
11 **outlining some of the economic challenges faced by customers in Ameren Missouri's**
12 **service territory. Do you have any response to this testimony?**

13 A. Yes. I recognize that the economic issues Ms. Meisenheimer has raised are
14 real, and they make it difficult for some customers to afford electric service, not to mention
15 other necessities, such as food, adequate housing and medicine. These issues were also
16 raised by customers at our 14 local public hearings. I attended several of these hearings and
17 heard these issues first-hand from customers. In addition, all of the hearings were attended
18 by other officers of Ameren Missouri.

19 We take very seriously our obligation to listen to the concerns our customers express
20 at local public hearings and at meetings that occur prior to each local public hearing. If a
21 service or billing concern of any kind was brought to our attention during this process, we are
22 following up with that customer to promptly address those concerns, as we have done in
23 previous cases. Ameren Missouri witness David Wakeman addressed this follow-up in his

1 rebuttal testimony. Once again, I have also been encouraged by some positive comments by
2 our customers at these hearings, in particular in areas relating to the reliability improvements
3 and cleaner energy. The significant investments in our energy infrastructure continue to
4 produce good results that our customers appreciate.

5 **Q. What are your main observations relating to the comments at these**
6 **meetings and testimony at these local public hearings?**

7 A. These hearings gave us a great opportunity to speak to our customers directly,
8 answer their questions, and listen and respond to their concerns. The comments and local
9 public hearing testimony confirm that a rate increase will create hardship for some
10 customers, and they confirm that a rate increase will require everyone to pay more for their
11 electric service than they would like. It is noteworthy that our customers did not suggest that
12 they do not want us to continue to invest in the reliability of our power plants and energy
13 delivery systems, in our storm response efforts, and in customer service in general. And it
14 was notable that there were a low number of service-related concerns expressed at the
15 pre-hearing meetings and during the hearings themselves relative to the number of people
16 who participated in the meetings and who testified. Having said that, the hearings illustrated
17 that there is never a good time for a rate increase and it is particularly difficult during these
18 challenging economic times. We take the impact of rate increases on our customers very
19 seriously and that is why we have taken several proactive steps to meaningfully reduce our
20 costs, implement energy efficiency programs and provide several customer energy assistance
21 programs to help our customers with their current and future energy costs.

22 **Q. Can you describe some of the steps the Company has taken to reduce its**
23 **costs?**

1 A. Certainly. In 2010 we reduced certain costs in excess of \$300 million from
2 our 2008 expenditure levels and by more than \$200 million from our 2009 levels. In
3 addition, in 2009 we implemented voluntary and involuntary separation programs, and made
4 the decision to freeze all management salaries in 2010.

5 For our most vulnerable customers, no rate increase is ever easy to bear. Ameren
6 Missouri assists such customers with a variety of programs, including our Dollar More
7 program, air conditioner give-aways, and contributions to charities such as the United Way,
8 the Red Cross and the Salvation Army. Last fall, we also announced that we had committed
9 to \$5 million of energy assistance programs. These programs will be funded by our
10 shareholders, and the costs will not be reflected in rates.

11 **III. Energy Efficiency Costs**

12 **Q. You previously stated that you would address the importance of**
13 **permitting the Company to fully recover its energy efficiency costs. Why is full**
14 **recovery of those costs important?**

15 A. Over the past few years the Company has made substantial investments in
16 energy efficiency programs. These programs are another one of our efforts to help our
17 customers manage their future energy costs. These programs have resulted in measurable
18 energy savings that help the customers that participate as well as society as a whole.
19 However, proposals in this case, which were addressed in the rebuttal testimony of Staff
20 witness Rogers and DNR witness Wolfe, do not permit the Company to recover the full cost
21 of sponsoring these programs, including recovery of fixed costs which are lost as a result of
22 energy savings between rate cases. These proposals further contribute to the excessive
23 regulatory lag we are experiencing in Missouri.

1 There are several negative consequences associated with these proposals and
2 excessive regulatory lag. First, as stated in the surrebuttal testimonies of Mr. Davis and
3 Mr. Mark, these proposals result in real losses and make it very difficult for a utility to earn a
4 fair return. Second, they negatively impact our cash flows and related financing costs. And
5 finally, these proposals and the excessive regulatory lag they result in constrain our ability to
6 pursue new investments in our energy infrastructure to, among other things, enhance
7 reliability to meet customer expectations. Consistent with the views I expressed in my direct
8 testimony, it is critical that the Commission implement a framework that provides full cost
9 recovery of energy efficiency programs. Our proposal is outlined in the rebuttal and
10 surrebuttal testimonies of Ameren Missouri witnesses Mark and Davis. Our proposal
11 provides us with a reasonable opportunity to recover all of our energy efficiency costs
12 (including fixed costs lost as a result of energy savings) and earn a fair return, as well as
13 makes meaningful and important progress in aligning the interests of the Company and our
14 customers in this area. Absent a framework that provides full cost recovery for energy
15 efficiency programs, we will incur significant losses and will be left with no reasonable
16 choice but to meaningfully reduce our investments in these programs, as Mr. Mark has
17 testified, and/or reduce our investments in other key areas, as I previously stated. This is not
18 the direction we wish to take and we strongly encourage the Commission to adopt the
19 framework we have proposed for energy efficiency investments.

20 **IV. Taum Sauk Enhancements**

21 **Q. OPC witness Ryan Kind argues that Ameren Missouri's request to**
22 **recover the cost of enhancements to the Taum Sauk upper reservoir is not consistent**
23 **with the Company's pledges (1) to accept full responsibility for the effects of the**

1 **December 2005 failure of its Taum Sauk plant and (2) to protect its customers from**
2 **bearing the costs of the Taum Sauk failure. Do you have any response to Mr. Kind's**
3 **allegations?**

4 A. Yes. I completely disagree with Mr. Kind's allegation that Ameren Missouri
5 has not accepted full responsibility for the Taum Sauk failure or protected its customers from
6 bearing the associated costs. Consistent with this commitment, and as Ameren Missouri
7 witness Mark Birk has testified, the Company absorbed almost \$100 million in costs
8 associated with clean-up, restoring Johnson's Shut-Ins State Park, paying federal and state
9 fines, supporting local businesses in the area, and continuing to set our customers' rates
10 assuming that the plant was operating. We have never asked to recover a penny of those
11 considerable costs, nor will we in the future. They represent our commitment to protect our
12 customers from bearing the cost of the reservoir failure. We have also fully complied with
13 our commitments pursuant to our settlement with the State of Missouri, which clearly sets
14 forth how customers are to be protected from bearing the costs of the Taum Sauk failure.

15 However, enhancements to the reconstructed plant are not costs associated with the
16 impact of the failure. Rather, they are the costs of enhancing the value of the plant to
17 customers and extending its life for decades to come, which provide real incremental benefits
18 to customers. The cost of these enhancements, along with costs that would have been
19 incurred regardless of the breach are appropriate to be recovered in rates. As noted
20 previously, Ameren Missouri is specifically permitted to seek recovery of such costs under
21 the state settlement. Ameren Missouri replaced a 45-year-old upper reservoir constructed to
22 1960 standards nearing the end of its life with a substantially enhanced roller-compacted
23 concrete structure that is expected to last at least 80 years. The structure as a whole is

Surrebuttal Testimony of
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1 considerably enhanced because it is built to modern seismic standards and expected to last
2 decades longer than the structure it replaced. Moreover, as Mr. Birk has testified, it has
3 numerous “discrete” enhancements, such as a drainage gallery, enhanced instrumentation, an
4 overflow structure, etc. It is appropriate for customers who will benefit from these
5 enhancements to pay the cost of them.

6 Of the \$489 million cost of this significantly enhanced and much more robust facility,
7 the Company is only seeking to place an additional \$90 million in rate base. Costs associated
8 with enhancements to the facility and costs we would have incurred absent the breach are far
9 greater than the amount we are seeking to recover in this case and provide significant long-
10 term value to our customers and the State of Missouri.

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

12 **A. Yes, it does.**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

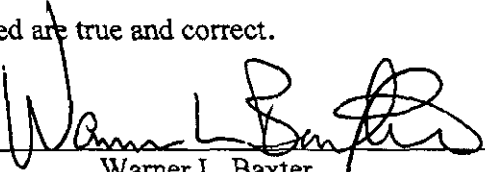
In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Electric) Case No. ER-2011-0028
Service Provided to Customers in the)
Company's Missouri Service Area.)

AFFIDAVIT OF WARNER L. BAXTER

STATE OF MISSOURI)
)**ss**
CITY OF ST. LOUIS)

Warner L. Baxter, being first duly sworn on his oath, states:

1. My name is Warner L. Baxter. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as President and Chief Executive Officer.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Ameren Missouri consisting of 15 pages, 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.



Warner L. Baxter

Subscribed and sworn to before me this 15 day of April, 2011.



Notary Public

My commission expires:

MISSOURI
Amanda Tesdell - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011