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Exhibit No.:

Issues: Power Plant Maintenance,
Limestone Expense,
Taum Sauk Failure Costs and
Sioux Plant Coal Costs

Witness: Lisa K. Hanneken

Sponsoring Party: MoPSC Staff

Type of Exhibit: Surrebuttal Testimony

File No: ER-2011-0028

Date Testimony Prepared: April 15, 2011

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

LISA K. HANNEKEN

**UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI**

FILE NO. ER-2011-0028

Staff Exhibit No. 214
Date 4/26/11 Reporter JMB
File No. ER-2011-0028

*Jefferson City, Missouri
April 2011*

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LISA K. HANNEKEN
UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI
FILE NO. ER-2011-0028

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1 **TAUM SAUK FAILURE COSTS**

2 Q. On page 18, of Ms. Wolfe's rebuttal testimony, she states "Staff witness
3 Ms. Lisa Hanneken addressed adjustments to the costs associated with the rebuilding of
4 the Taum Sauk reservoir that are included in the revenue requirement". In addition,
5 Mr. Kind also refers to Ms. Hanneken's adjustment in connection with the rebuild issue
6 on page 11 of his rebuttal testimony. Are you sponsoring the Taum Sauk Rebuild issue on
7 behalf of the Staff?

8 A. No, there seems to be some confusion regarding who the Staff witnesses
9 are for Taum Sauk. In the Staff Report Revenue Requirement Cost of Service, on
10 page 102, I sponsored testimony that addressed a possible booking error regarding the
11 work-orders associated with the Taum Sauk Reservoir Failure and Clean-up Costs. This
12 issue is separate and distinct from the Taum Sauk Rebuild issue discussed and sponsored
13 by Staff witnesses Guy Gilbert and Erin Carle in Staff's Construction Audit and Prudence
14 Review of the Taum Sauk Project.

15 Q. What exactly does your testimony encompass?

16 A. The testimony which I sponsored in Staff's Cost of Service exclusively
17 addresses the costs incurred by the Company related to the Taum Sauk failure and any
18 related clean-up efforts. Staff removed all such expense costs which the Company
19 incurred during its test year, consistent with the Staff's removal of these expenses in all
20 prior rate cases since the collapse.

21 A. Staff Data Request No. 374, sought information so Staff could assure itself
22 that all capital costs related to the failure and clean-up were properly charged. At the
23 time of Staff's direct filing, the Company had not provided a response to Staff's Data

1 Request. Recently, the Company provided the data requested and Staff has determined
2 that the amount of capitalized costs incurred was properly booked to non-utility accounts.

3 Q. Are the ratepayers paying for any of the costs related to the failure and
4 clean-up of the Taum Sauk facility (exclusive of rebuild costs)?

5 A. No. Given that Staff has removed all expensed items through its
6 adjustments, and there were no capital costs booked to utility accounts, no costs for the
7 failure and clean-up are being borne by the ratepayers.

8 **COAL-FIRED POWER PLANT MAINTENANCE**

9 Q. Please explain the component of coal-fired power plant maintenance that
10 your testimony addresses.

11 A. This issue consists of two components, labor and non-labor. My testimony
12 will specifically address the non-labor portion, as the labor portion has been addressed as
13 part of Staff's payroll annualization sponsored by Staff witness John P. Cassidy and is
14 not at issue in this case.

15 Q. What amount has Staff included for the non-labor portion of this expense?

16 A. In its direct filing, Staff included \$64,913,000 for a normalized non-labor
17 coal-fired plant maintenance annual expense level. This amount was based on a three-
18 year average ending March 31, 2010, of actually incurred expenses. Staff continues to
19 support this amount.

20 Q. In his rebuttal testimony, does Mr. Birk discuss his concerns about the
21 Staff's position on this issue?

22 A. Yes, on page 17, lines 11-12 of Mr. Birk's rebuttal testimony, he states
23 that Staff's recommendation for coal plant maintenance expense is "slightly inadequate".

1 The Staff's recommended level is only approximately \$940,000 lower than Mr. Birk's
2 recommendation for coal plant maintenance expense. Mr. Birk's testimony also includes
3 discussion of his concerns related to Missouri Industrial Energy Consumers' (MIEC)
4 witness Greg R. Meyer's position.

5 Q. What other concerns does Mr. Birk discuss in his rebuttal?

6 A. Mr. Birk first discusses the labor portion differences between Company
7 and MIEC, which has no bearing on Staff's position on the non-labor portion of this
8 expense.

9 Q. Does Mr. Birk have another concern?

10 A. Yes, Mr. Birk points out that there were certain events during the
11 test-year, the twelve-months ended March 31, 2010, which skewed the test year amount,
12 such as the outage schedule. Therefore, Mr. Birk believes that the test year is
13 unrepresentative of an ongoing annual level.

14 Q. Does this concern have any relationship to the Staff's position?

15 A. Staff believes this concern is directed more at MIEC's position rather than
16 Staff's position given that Staff has addressed this concern by utilizing a multi-year
17 average. As discussed in Mr. Birk's rebuttal testimony, the Company contends that its
18 estimated level of expense takes into account outages; however, unforeseen
19 circumstances can alter the actual level experienced. By utilizing an average based on
20 actual amounts incurred over the past three years, Staff is able to capture variances
21 associated with scheduled outages as well as unscheduled outages, thereby normalizing
22 this expense to a more consistent level.

1 Q. Mr. Birk also discusses that due to the financial crisis experienced in 2009
2 some maintenance costs were deferred. Has this been taken into account by Staff's
3 adjustment?

4 A. First, Staff would contend that the levels experienced in 2009 are similar
5 to the levels experienced in the previous years of 2005, 2006 and 2007. The exception to
6 this would be 2008, where the level was abnormally high given historical numbers.

7 Staff's three year average takes into account all of the fluctuations of these
8 expenses and spans a time period which includes 2009, as well as 2008. The purpose of
9 utilizing an average is to smooth out these ups and downs in expense levels in order to
10 get a normal ongoing expense amount.

11 Q. Does Staff believe Mr. Birk's recommended amount should be utilized as
12 an ongoing normal level for this expense?

13 A. No. While the Company's budgeted amount does give some consideration
14 to scheduled outages, it cannot adequately address unscheduled outages, nor does it
15 reflect the fact that scheduled maintenance may not take place at the budgeted level.
16 In some cases, a planned outage may be postponed or eliminated due to steps taken
17 during other outages, thereby reducing the expected level of outages. By utilizing actual
18 data, Staff's expense level is more representative of the actual maintenance experienced
19 by the Company.

20 **LIMESTONE COSTS**

21 Q. Please address the limestone cost issue that is associated with the
22 installation of the scrubbers at the Sioux power plant that is discussed by Company
23 witness Mark Birk in his rebuttal testimony on pages 22 through 26.

1 A. Based on discussions among the parties this issue has been settled and will
2 be addressed as part of a stipulation and agreement for all fuel issues that is expected to
3 be filed before the Commission in the near future.

4 **PRODUCTION COST MODELING ISSUES**

5 Q. Please address the Sioux plant coal cost issue that Company witness
6 Timothy D. Finnell discussed on page 7, lines 6-12 in his rebuttal testimony.

7 A. Based on further discussions with Company witness Finnell, the Staff has
8 updated its calculations to reflect actual fuel burn patterns through February 28, 2011 for
9 the Sioux power plant coal cost. The Company has indicated to the Staff that this
10 updated calculation has resolved this issue.

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's (n/k/a Ameren Missouri) Tariff to) File No. ER-2011-0028
Increase Its Annual Revenues for Electric)
Service)

AFFIDAVIT OF LISA K. HANNEKEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lisa K. Hanneken, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Lisa K. Hanneken

Lisa K. Hanneken

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

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D. Suzie Mankin

Notary Public