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Witness: David N. Wakeman
Sponsoring Party: Union Electric Company
Type of Exhibit: Rebuttal Testimony
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2011-0028

REBUTTAL TESTIMONY

OF

DAVID N. WAKEMAN

ON

BEHALF OF

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

St. Louis, Missouri
March, 2011

Ameren Exhibit No. 105
Date 4-27-11 Reporter TW
File No. ER-2011-0028

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **DAVID N. WAKEMAN**

4
5 **CASE NO. ER-2011-0028**

6 **I. INTRODUCTION**

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

8 A. My name is David N. Wakeman. My business address is One Ameren Plaza,
9 1901 Chouteau Avenue, St. Louis, MO 63103.

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

11 A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren
12 Missouri" or "Company") as Vice President of Energy Delivery - Distribution Services. I
13 have held this position since December of 2009.

14 **Q. Please describe your employment history with Ameren Missouri.**

15 A. In 1982, I was hired as a Mechanic's Helper in the Company's Motor
16 Transportation Department. After receiving my bachelor's degree in Electrical Engineering
17 in 1988, I became an Assistant Engineer in the Company's Substation Operating Department
18 where I performed software development work related to engineering applications on the
19 Company's Distribution SCADA system. In 1994, I transferred to the Service Test
20 Department and performed Power Quality work and other activities. In 1999, I was
21 promoted to Supervising Engineer of the Reliability Support Group. In 2003, I was
22 promoted to Manager of Distribution Operating. And then, in December of 2009, I was
23 promoted to Vice President Energy Delivery - Distribution Services.

1 **Q. Please describe your duties and responsibilities as Vice President of**
2 **Energy Delivery – Distribution Services.**

3 A. In my current position, I am responsible for gas and electric distribution
4 engineering, construction, operations and maintenance for Ameren Missouri. Eleven
5 managers report directly to me, including each of the Company’s eight Division Managers
6 and the Manager for Distribution Operating, as well as the Director of Labor Relations and
7 Administration. I am involved in negotiations with the various labor unions that represent
8 Ameren Missouri employees and I am responsible for the oversight of the Company’s efforts
9 to comply with the Missouri Public Service Commission’s (“Commission”) new vegetation
10 management, infrastructure inspection and reliability rules.

11 **Q. Please describe your educational background.**

12 A. I received a Bachelor of Science in Electrical Engineering from Washington
13 University of St. Louis in 1988.

14 **Q. What is the purpose of your rebuttal testimony?**

15 A. The purpose of my rebuttal testimony is to: a) respond to portions of the direct
16 testimony filed by Missouri Industrial Energy Consumers (“MIEC”) witnesses Greg Meyer
17 and Michael Brosch on vegetation management costs, infrastructure inspection costs, storm
18 restoration costs and government relocation costs; b) respond to portions of the Staff Report
19 Revenue Requirement Cost of Service (“Staff Report”) sponsored by Staff witnesses Stephen
20 Rackers and John Cassidy on the same topics; and c) respond to issues raised by the IBEW
21 Local 1439 (“Union”) witness Michael Walter. My testimony will also follow up on the
22 comments received at the numerous public hearings the Commission has held in this case.

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II. PUBLIC HEARING COMMENTS

Q. Did you attend any of the local public hearings held in this case?

A. Yes, I personally attended 10 and had several representatives from my area of responsibility at every single public hearing. The Company takes these public hearings very seriously, not only for the testimony given in front of the Commission but for the opportunity to interact with our customers, whether that is to provide information about a current energy topic or to resolve a customer's specific reliability, billing, or customer service concern. These hearings allow us the opportunity to address these matters with our customers directly. We appreciate that opportunity.

As we have done previously, for each customer with a specific concern about reliability or Ameren Missouri's customer service, the Company follows up with the customer and attempts to find a solution for the customer when possible. Each one of these customers will receive a letter from me indicating that we believe the issue has been resolved. These letters contain our email address and a telephone number, in case the issue has not been resolved to the customer's satisfaction. We have not yet completed our follow up, but once we have done so, we will file a document indicating whether the Company was able to confirm the customer's concern and how the issue was resolved. The individuals who work for me are going to great lengths, as they do at all times, to ensure the Company has appropriately addressed the concerns of our customers.

III. UNION ASSERTIONS

Q. Are you familiar with the direct testimony filed by Mr. Walter on behalf of the Union?

1 A. I am. While the Company appreciates the Union's support of the rate increase
2 request, I believe that much of Mr. Walter's direct testimony must be viewed in light of his
3 job responsibilities, which include lobbying the Company to add more full-time employees
4 and limit its use of outside contractors. Additionally, Mr. Walter is a representative of only
5 one union local and his testimony cannot be read to represent the perspective of all of the
6 union locals that represent our employees. As the Commission may recall from past Ameren
7 Missouri rate cases, some of the union locals that represent the Company's employees also
8 represent employees of some of the outside contractors we use, and those locals are unlikely
9 to share some of Mr. Walter's opinions and concerns.

10 **Q. Mr. Walter expresses concern with the use of outside contractors versus**
11 **employees. Do you share his concern?**

12 A. Absolutely not. Mr. Walter has no concern with the use of contractors for
13 seasonal work or during extreme weather. However, he asserts that the use of contractors for
14 other work is problematic. In addition, Mr. Walter admits that the Union has no evidence to
15 support his claims regarding outside contractors.¹

16 The contractors used by Ameren Missouri receive training, much of which is the
17 same as that our employees undergo. In addition, when we utilize contractors on a day-to-
18 day basis, we audit their performance to verify compliance with our standards for
19 workmanship and safety. The assertion that Ameren Missouri is risking safety and/or system
20 reliability with the use of untrained contractors is untrue.

21 I invite the Commissioners to read the testimony of IBEW Local 2 witness David
22 Desmond filed in Case No. ER-2008-0318. Unlike Mr. Walter, Mr. Desmond represents

¹ Walter direct testimony, p. 6, l. 23-24.

1 employee linemen as well as contractor linemen. Mr. Desmond testified that contractors in
2 his union are well qualified and well trained.² He stated Local 2-represented contractor
3 linemen go through the same certification requirements as Ameren Missouri employees, that
4 they undergo the similar apprenticeship to become journeyman linemen and train on the
5 distribution, substations and underground systems.³ He concluded that the contractor
6 linemen in his union have a good safety record.⁴

7 **Q. Mr. Walter specifically points out that Ameren Missouri did not have a**
8 **new overhead lineman apprenticeship class in 2010 and 2011 and he recommends a**
9 **class be started. Do you believe this is an appropriate recommendation?**

10 A. It is not. The Company closely monitors its need for overhead linemen
11 because there is a lengthy training process to replace linemen. At this time, the Company
12 already has 65 apprentice linemen, which is more than the expected level of retiring linemen.
13 It was my decision that starting a new class at this time did not make sense and that it was a
14 better use of resources to spend that money elsewhere. I will continue to closely monitor the
15 situation, which includes the number of retirements, and add an apprentice class when it is
16 appropriate to do so.

17 These types of decisions are management decisions of Ameren Missouri.
18 Traditionally, the Commission has not gotten involved in issues between the Company and
19 its labor unions. In light of this history, Mr. Walter's testimony should be seen for what it is
20 – an attempt to use the Commission to increase his union's presence and membership.

² Case No. ER-2008-0318, Tr. pp. 1738-9.

³ Id.

⁴ Id., p. 1740.

1 **Q. Do you have an opinion on Mr. Walter's recommendations to address the**
2 **concerns he raised in his testimony?**

3 A. Mr. Walter discusses several possible ideas for problems he perceives with
4 Ameren Missouri's aging workforce but he does not offer an actual proposal. In fact, at one
5 point he indicated a proposal would be presented at some later, unspecified date. If he does
6 offer a proposed solution, I will respond to it as is appropriate.

7 Mr. Walter did suggest the Commission require Ameren Missouri to reinvest a
8 substantial portion of any rate increase it receives in this case in its employee base. He also
9 proposed that the Company be required to fill all job vacancies from within the Company's
10 service territory or the state of Missouri. As I mentioned before, these are issues between the
11 Company management and the Union and are not, therefore, appropriate issues for the
12 Commission to consider in this rate case. Moreover, because I believe the Company already
13 maintains an appropriate balance between regular employees and contractors that is most
14 beneficial for our customers, there is no need for the Commission to impose any of the
15 specific requirements proposed by the Union. Further, the Commission should know that
16 Ameren Missouri already contracts with many local companies when necessary. For
17 example, the company that provides directional boring services for our undergrounding
18 efforts, work which is highly specialized and which Ameren Missouri does not do, is locally
19 owned and headquartered in St. Louis. The Company also uses local contractors as part of its
20 inspection efforts. Utilimap supports our overhead and underground inspections and is
21 locally owned and headquartered in St. Louis. The Company contracts with Woolpert to
22 inspect our manholes and that company is locally owned and headquartered in St. Louis.

1 Other local St. Louis based companies with which Ameren Missouri contracts include Sachs
2 for substation electrical work and Shade Tree for tree trimming

3 Mr. Walter also suggested quarterly reporting on infrastructure investment and loads
4 on equipment and wires. Again, it is unclear what he is trying to accomplish with this
5 recommendation, but it appears to be unnecessary. Moreover, this additional reporting is
6 unlikely to provide any benefit for the Company's customers. The Company has improved
7 its reliability metrics over the past several years, as can be seen in the reporting already
8 provided to the Commission. Unless Mr. Walter can demonstrate a need for additional
9 reports, the Company should not be forced to incur the costs necessary to prepare such
10 reports, costs that ultimately would be borne by ratepayers. This recommendation should
11 therefore be rejected by the Commission.

12 Mr. Walter also recommends the opening of a rulemaking to "set out guidelines and
13 expectations" regarding infrastructure inspections and vegetation management. I am not sure
14 exactly what he is proposing, but the Commission already has detailed rules on these matters
15 and the Union has not demonstrated a need to modify those rules.

16 **IV. GOVERNMENT RELOCATIONS**

17 **Q. MIEC witness Brosch and Staff witness Rackers oppose the Company's**
18 **request for construction accounting for the cost of government relocations. First, can**
19 **you provide an explanation of what the Company is referring to when it uses the term**
20 **"government relocation"?**

21 A. "Government relocation" is a term that refers to those situations when the
22 Company is required to move its facilities, typically because they are located in a right-of-
23 way, to accommodate a government (state or local) need or request. Because the relocations

1 are ordered by a governmental entity, the Company does not have control over the scope of
2 these projects. Although we may receive notice of the project a couple months ahead of
3 time, the Company does not have the option to not do a project that the government orders
4 and the Company normally has to comply with the government's deadline. So, whether or
5 not that project was budgeted for that year, it is a project that must be funded.

6 **Q. Hasn't the Company had to deal with government relocations in the past?**

7 A. While it is true that government relocation projects aren't new, there have
8 been developments in the law that have forced utilities to bear more costs for these projects.
9 In the past, these costs were likely to have been paid by the government entity requesting the
10 facility movement or by a developer. Now, Ameren Missouri finds itself in a situation where
11 it is required to pay more costs, and it has little control over the timing or scope of these
12 projects.

13 **Q. MIEC witness Brosch and Staff witness Rackers state that these projects
14 don't involve significant dollars. How do you respond?**

15 A. I will defer this issue of the cost burden that these relocations impose on
16 Ameren Missouri to Company witness Gary Weiss. However, at a time when all projects are
17 competing for the Company's limited capital, these projects can squeeze planned reliability
18 improvements. To avoid these kinds of financial choices and to ensure the Company has the
19 capital necessary to make reliability improvements and satisfy governmental demands for
20 relocations, I believe the Company's request for construction accounting for these costs is
21 reasonable and should be granted.

1 **IV. VEGETATION MANAGEMENT AND INFRASTRUCTURE INSPECTIONS**

2 **Q. Staff witness Rackers recommends continuing the two vegetation**
3 **management and infrastructure inspection trackers and setting the base at the levels**
4 **spent over the 12 months ending February 28, 2011. Do you agree?**

5 A. I certainly agree with retaining the trackers. The amounts the Company has
6 budgeted for the remainder of 2011 and all of 2012 are greater than the amount currently in
7 base rates and greater than the amount spent for the year ending February 2011. The base
8 amount in rates for vegetation management currently is \$50.4 million and \$7.6 million for
9 infrastructure inspections. In the 12 months ending February 2011, the Company spent \$52.2
10 million on vegetation management and \$7.7 million on infrastructure inspections. For
11 vegetation management, the Company has budgeted \$53.7 million in 2011 and \$55.3 in
12 2012. For infrastructure inspections, the Company has budgeted \$8.4 million in 2011 and
13 \$8.6 million in 2012. The Commission's rules have definitely had a positive impact upon
14 service reliability, but that impact comes at a cost, which is expected to increase this year and
15 next.

16 **Q. Could you respond to MIEC witness Mr. Meyer's belief that the trackers**
17 **should be ended because he sees little volatility in the costs?**

18 A. My response is that he is incorrect and that the trackers should be continued.
19 The Company will not complete its first four-year cycle for vegetation management work per
20 the full requirements of the rules on the urban circuits until the end of December, 2011 and
21 its six-year cycle of rural circuits until the end of December, 2013. The Company continues
22 to learn from its experience but believes it would be premature to end the tracker prior to
23 completion of its first cycle of work. As the Commission stated in its findings of fact in the

1 Company's last rate case, it is important to allow Ameren Missouri to complete one complete
2 cycle prior to ending the tracker. "[It] is important because every circuit is unique, with
3 different amounts of vegetation that must be trimmed, and requires a different amount of
4 work to meet the standards imposed by the rules."⁵

5 Further, the tracker protects both the Company and its customers, so there is no harm
6 in continuing it. Again, quoting the Commission, "As the Commission said in the last rate
7 case, the [vegetation management] tracker serves to protect both the company and its
8 ratepayers during this initial period of uncertainty about the cost to comply with the new
9 rules."⁶

10 The logic of the Commission is just as applicable to the Company's infrastructure
11 inspection tracker as it is to its vegetation management tracker.

12 V. STORM COSTS

13 **Q. Since the filing of the Company's initial case, has Ameren Missouri**
14 **prepared to respond to a major storm?**

15 A. Yes, it did. In late January and early February of this year, a severe storm was
16 predicted to occur across much of Missouri. The Company incurred substantial costs in
17 anticipation of this prediction. Although ultimately the worst part of the storm hit areas
18 outside of our service territory, the Company acted prudently in the face of the dire weather
19 predictions and secured the resources necessary to respond.

20 The storm was predicted to leave behind ice accumulations in the St. Louis area of the
21 magnitude experienced in 2009, when Southeast Missouri was devastated by an ice storm.
22 On January 31, 2001, Governor Nixon declared a state of emergency and activated the

⁵ Case No. ER-2010-0036, Report and Order, p. 60-61.

⁶ Id., p. 61.

1 Missouri National Guard in anticipation of the storm. Once the storm began, Interstate 70
2 became impassable and was shut down, making it difficult to travel to our service territory.

3 **Q. What did the Company do to prepare for this storm?**

4 A. The Company called for mutual assistance from other utilities and brought in
5 linemen, tree trimming personnel, field checkers and others to handle the logistics of the
6 restoration effort, which included making arrangements for meals and sleeping headquarters
7 for all of these individuals. The Company also set up five material staging sites, strategically
8 located throughout the area, in order to efficiently supply materials to the lineman when
9 damage occurred. Ameren Missouri was prepared to deal with the severity of the predicted
10 storm.

11 **Q. What amount did Ameren Missouri spend preparing for that storm?**

12 A. Approximately \$8 million. Ameren Missouri witness Lynn Barnes addresses
13 the cost recovery issues related to this storm.

14 **Q. Does this conclude your rebuttal testimony?**

15 A. Yes, it does

