

213 NP

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**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**ROBERTA A. GRISSUM**

**UNION ELECTRIC COMPANY**

**d/b/a Ameren Missouri**

**FILE NO. ER-2011-0028**

*Jefferson City, Missouri*

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**NP**

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1       which raised severe liquidity concerns throughout the country, including for Ameren  
2       Missouri. This prompted the Company to substantially reduce planned capital  
3       expenditures in 2009.” What amount of Ameren Missouri’s credit facility was  
4       affected by the Lehman Brothers’ bankruptcy and what was Ameren’s evaluation of  
5       its liquidity at December 31, 2008?  
6

7       A.     Ameren states at page 58 of its 2008 Annual Report:  
8

9               As of December 31, 2008, Lehman Brothers Bank, FSB, a subsidiary  
10              of Lehman, had lending commitments of \$100 million and \$21 million  
11              under the \$1.15 billion credit facility and the 2006 \$500 million credit  
12              facility, respectively. At this time, we do not know if Lehman  
13              Brothers Bank, FSB will seek to assign to other parties any of its  
14              commitments under our credit facilities. Assuming Lehman Brothers  
15              Bank, FSB does not fund its pro-rata share of funding requests under  
16              these two facilities, and such participations are not assigned or  
17              otherwise transferred to other lenders, total amounts accessible by the  
18              Ameren Companies and AERG [Ameren Energy Resources  
19              Generating] will be limited to amounts not less than \$1.05 billion  
20              under the \$1.15 billion credit facility and \$479 million under the 2006  
21              \$500 million credit facility. The Ameren Companies and AERG do  
22              not believe that the potential reduction in available capacity under the  
23              credit facilities if Lehman Brothers Bank, FSB does not fund its  
24              commitments will have a material impact on their liquidity.

25       Q.     Mr. Birdsong states beginning on Page 15 at Line 23 and ending on Page 16 at  
26       Line 7 of his rebuttal testimony that:

27  
28              Because of the market uncertainty and the need to increase liquidity—  
29              particularly in light of a seasonal liquidity squeeze anticipated to occur  
30              in January 2009—Ameren Missouri order in the fall of 2008 a  
31              reduction in capital expenditures classified as deferrable, which  
32              resulted in the deferral of all 2009 plant outages and plant upgrades, a  
33              delay in construction of the Sioux WFGD Projects (a delay of Ameren  
34              Energy Generating Company’s Coffeen WFGD Project also occurred),  
35              a reduction in the undergrounding portion of the Power On initiative  
36              expenditures, the deferral of some fleet acquisitions, and deferral of  
37              certain Energy Delivery Technical Services capital projects.  
38

Surrebuttal Testimony of  
Roberta A. Grissum

1 Q. Is the assertion in Mr. Birdsong's rebuttal consistent with the comments made  
2 in Ameren's 2008 Annual Report regarding liquidity?

3

4 A. No.

5

6 Q. How does Ameren's 2008 Annual Report define "Ameren Companies"?

7

8 A. On Page 1 of its 2008 Annual Report, Ameren defines Ameren Companies as  
9 "the individual registrants within the Ameren consolidated group."

10

11 Q. How does Ameren define "Ameren" in its 2008 Annual Report?

12

13 A. On Page 1 of its 2008 Annual Report, Ameren defines itself, i.e., "Ameren" as  
14 "Ameren Corporation and its subsidiaries on a consolidated basis. In reference to  
15 financing activities, acquisition activities, or liquidity arrangements, Ameren is  
16 defined as Ameren Corporation, the parent."

17

18 Q. Based on the definitions provided by Ameren in its 2008 Annual Report, does  
19 it appear Ameren Missouri is an individual registrant within the Ameren consolidated  
20 group and that Ameren Missouri by definition would be part of the Ameren  
21 Corporation on a consolidated basis?

22

23 A. Yes.

24

25 Q. What portion of the \$1.5 billion credit facility discussed previously in this  
26 testimony is accessible by Ameren Missouri?

27

28 A. Ameren states at Page 58 of its 2008 Annual Report, "UE can directly borrow  
29 under this credit facility up to \$500 million on a 364-day basis."

30

Surrebuttal Testimony of  
Roberta A. Grissum

1 Q. What amount of short-term debt was outstanding for Ameren Missouri against  
2 this credit facility as of December 31, 2008?

3  
4 A. Ameren states at Page 128 of its 2008 Annual Report that \$251 million of  
5 short-term debt was outstanding for the period ending December 31, 2008.

6  
7 Q. What portion of the \$1.15 billion credit facility was directly available to  
8 Ameren Missouri at December 31, 2008?

9  
10 A. Ameren Missouri had access to approximately \$205 million, after taking into  
11 consideration the potential Lehman Brothers' reduction to the available funds in  
12 Ameren's \$1.15 billion credit facility of approximately \$100 million at a weighted  
13 average interest rate of 3.25% in 2008, based upon information obtained from  
14 Ameren's 2008 Annual Report (See Schedule 1 attached).

15  
16 Q. Did Ameren Missouri have access to other funds in addition to the credit  
17 facilities mentioned above?

18  
19 A. Yes. In his introductory comments at the conference with market analysts  
20 held on November 4, 2008, Mr. Gary Rainwater stated:

21  
22 Separately, our industrial sales were down about 4% for the first nine  
23 months of 2008 compared to the year ago period reflecting the soft  
24 economy. While these lower sales have had minimal impact on our  
25 operation so far in 2008, it is a situation that we will continue to  
26 closely monitor. With regard to the extreme disruption in the capital  
27 and credit markets, we believe this had made our ability to access the  
28 capital in credit markets to support our operations and refinance short-  
29 term debt more challenging.

30  
31 To navigate through these markets, we are proactively managing our  
32 finances while remaining sharply focused on continuing to provide our  
33 customers with safe and reliable electric service as well as comply  
34 with Federal and State environmental reliability and other regulations.  
35 On October 31, 2008, our available liquidity which represents our cash  
36 on hand and amounts available other our credit facilities, stood at

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1 approximately \$1.45 billion, that's up about \$550 million from the  
2 same time last year.

3  
4 Despite the solid available liquidity, we have identified opportunities  
5 and are developing contingency plans that would defer or reduce  
6 planned capital spending and operating expenses to reduce our  
7 financing needs in these uncertain markets. Specifically, we are  
8 reducing expected 2009 operating and capital expenditures and our  
9 non rate regulated generation business segment by a total of \$400  
10 million to \$500 million. Other meaningful cost deferral and reduction  
11 opportunities have been identified throughout the rest of our business  
12 that we will execute in the event that capital and credit markets  
13 continue to be disrupted.

14  
15 In our regulated businesses and administrative support functions,  
16 we've identified approximately \$400 million to \$500 million of  
17 planned 2009 expenditures which maybe deferred into future periods.  
18 These expenditures are primarily capital, primarily generation related  
19 and are discretionary. Separately, because the Federal Clean Air  
20 Interstate and Mercury rules were vacated by the courts, we are  
21 seeking a variance from the Illinois Pollution Control Board through  
22 an environmental requirement in Illinois for our non rate regulated  
23 generation business.

24  
25 (Source: Seeking Alpha, [http://www.seekingalpha.com/article/103949-](http://www.seekingalpha.com/article/103949-ameren-corp-q3-2008-earnings-call-transcript)  
26 [ameren-corp-q3-2008-earnings-call-transcript](http://www.seekingalpha.com/article/103949-ameren-corp-q3-2008-earnings-call-transcript))  
27

28 Q. Is there further information regarding Ameren's access to capital?  
29

30 A. Yes. During an exchange between Mr. Warner Baxter, Executive Vice  
31 President and Chief Financial Officer for Ameren Missouri, and an unidentified  
32 analyst in that conference call with market analysts held on November 4, 2008,  
33 Mr. Baxter responded as follows:

34 Q. Is it fair to say that the debt costs are running above 200 to 250  
35 basis points higher than what was planned, if you look at it what you  
36 just, did some bond offerings recently?  
37

38 A. Certainly, when you look at the most recent offering, those debt  
39 costs were probably 2 to 300 basis points what we had seen  
40 historically. And whether there'll be prospect remains to be seen, but  
41 certainly, we'd expect that as we said earlier, that the capital markets  
42 will continue to be disrupted and consequently we expect higher cost  
43 of capital still, as we go into 2009.

Surrebuttal Testimony of  
Roberta A. Grissum

1 Q. What conclusion did Staff draw from comments made by Ameren officers  
2 during the conference with market analysts held on November 4, 2008?

3  
4 A. Staff concluded that Ameren Missouri did have access to the long-term debt in  
5 the capital markets albeit at a rate that would have been higher than had been typical  
6 in recent years. If Ameren anticipated drawing on its credit facility during the fourth  
7 quarter of 2008, this amount could have been refinanced with long-term debt as  
8 demonstrated by Ameren's ability to issue debt at its Illinois subsidiaries.

9  
10 Q. Would this increase in interest rate add additional cost to Ameren Missouri's  
11 overall cost of capital?

12  
13 A. Yes. This increase in interest rate would have added additional cost to  
14 Ameren Missouri's overall cost of capital. However, in keeping with past practices,  
15 Staff likely would have recommended that Ameren Missouri be given consideration  
16 for this additional cost of capital in its most recent rate cases, Case Nos.  
17 ER-2008-0318 and ER-2010-0036. In fact, Staff allowed the full cost of the  
18 8.45 percent 30-year First Mortgage Bond debt Ameren Missouri issued in  
19 March 2009, even though this cost was much higher than usual.

20  
21 Q. Did Ameren delay any of its projects in its unregulated jurisdictions?

22  
23 A. Based on comments made by Mr. Warner Baxter in response to a question  
24 posed by a market analyst from Goldman Sachs during the conference call with  
25 market analysts held on November 4, 2008, Mr. Baxter responded as follows:

26 Q. Hey guys, I apologize if this is rehashing stuff, I just want to make  
27 sure, I understand a handful of things, first of all, what are the major  
28 projects you're deferring in 2009, if you're going forward with Duck  
29 Creek and Coffeen?

30 A. Primarily, their plant maintenance projects that would have been  
31 done in 2009 are slipping in to 2010 and then we would expect  
32 projects that would have been in 2010 to slip a year in to 2011 kind of  
33 just moving out the planned maintenance that we have on all of our  
34 large co-units. And then on the regulated business side, in addition the

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1                   Sioux plant, because CARE [sic] was vacated, we no longer had a  
2 requirement to complete that project, so we are going to defer the  
3 Sioux plant scrubber project for sometime.

4                   Later during that conference, Mr. Baxter provides the following response in reply to a  
5 question posed by a market analyst:

6                   Q. Good morning. I was wondering if...back on the CARE [sic]  
7 issue, if the delays and spending you're seeking on various product,  
8 how would they...how would that impacted if the core were to  
9 reinstate CARE [sic]?

10  
11                   A. Yes, Greg in Illinois we're subject to a multi pollutant standard  
12 legislated by the state. However, we're seeking to defer some of the  
13 requirements of that. And as I said, we've gotten the support of the  
14 Illinois EPA, the Illinois EPA will not oppose the deferral. It's up to  
15 the pollution control board but we believe we have a fair chance of  
16 getting that requirements slipped.

17  
18                   [NOTE: Staff believes the above referenced quotes contain a transcription error in that CARE  
19 should be CAIR, which stands for Clean Air Interstate Rule.]

20                   During this same conference call, Mr. Charles Naslund – Chairman, President and  
21 Chief Executive Officer of Ameren Energy Resources and Chairman and President of  
22 Ameren Energy Resources Generating stated the following in response to a question  
23 posed by a market analyst from Luminous Management:

24                   Q. Hi, on the environmental CapEx reduction or deferral that you  
25 guys talked about, you said that you'd be taking other steps to make  
26 sure that you're admission [sic] is neutral, is that correct and if it is  
27 then what are the actions that you guys are taking to do that?

28  
29                   A. Yes, as far as keeping emissions neutral, the Illinois EPA is  
30 looking at a time frame of 2010 through 2020, so it's a long time  
31 horizon. Basically, we adjusted our plan so over that long time period  
32 we kept our SO<sub>2</sub> NO<sub>x</sub> emissions again neutral ton wise and that was  
33 actually not too difficult to do by tightening up on some of the  
34 facilities that were installing and getting better reduction out of them.

35                   Q. What does Staff conclude from the responses provided by Mr. Rainwater,  
36 Mr. Baxter and Mr. Naslund cited previously in this testimony with regards to  
37 Ameren's overall liquidity?

38



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1 A. Staff concludes from the comments made by Mr. Rainwater in his  
2 introductory remarks during the conference call with market analysts held on  
3 November 4, 2008 that Ameren had available liquidity at October 31, 2008 which  
4 represents cash on hand and access to credit facilities in an amount of approximately  
5 \$1.45 billion, an amount purported by Mr. Rainwater to be \$550 million more than  
6 the same time for the previous year. Staff also concludes from responses provided by  
7 Mr. Baxter and Mr. Naslund that Ameren likely had more flexibility in the project  
8 cost and schedule related to the scrubbers for its unregulated Illinois facilities in the  
9 fall of 2008 than it did for its regulated facility at Sioux WFGD Project and, thereby,  
10 could have partially addressed its liquidity concerns at the Ameren Corporation level  
11 through capital expenditure reductions for projects underway at its unregulated  
12 facilities--projects that, are not subject to Federal Energy Regulatory Commission  
13 ("FERC") Order 561 and Uniform System of Accounts ("USOA") Electric Plant  
14 Instructions - Components of Construction Costs Item 17 that dictate how regulated  
15 entities are required to calculate AFUDC and the frequency of which such  
16 calculations are required to be periodically updated (i.e., monthly or semi-annually).  
17 Ameren Missouri was granted a waiver by the FERC to update its AFUDC  
18 calculation on a monthly basis (Source: Ameren Missouri's supplemental response to  
19 Staff Data Request No. 280, DocID: MPSC 0280S2\_ATTACH 00001).

20  
21 Under the FERC guidelines, a regulated entity may book carrying costs on  
22 both the equity and debt components of amounts used to support capital projects.  
23 Non-regulated entities governed by Generally Accepted Accounting Principles and  
24 the Internal Revenue Code and Internal Revenue Service are only allowed to book  
25 carrying costs on the debt component used to support such capital projects.

26 Q. Mr. Birk states in his rebuttal testimony on Page 19 at Lines 4-6:  
27 "Approximately \$168 million of capital projects, including the Sioux scrubber  
28 project, were delayed or deferred in all areas across Power Operations." Does  
29 Mr. Birk's workpaper support this statement?  
30

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1           A.     While Mr. Birk's workpaper does support the identification of approximately  
2           \$168 million of capital expenditures that Ameren Missouri planned to delay or defer,  
3           the workpaper does not address the additional costs quantified by Company's  
4           contractor, Sargent & Lundy, in the amount of \$18 million of additional project costs  
5           as a result of Ameren Missouri's decision to delay construction for the Sioux  
6           WDFGD Project. Mr. Birk's workpaper also does not address the fact that AFUDC  
7           would continue to accrue on costs incurred through the date of the delay in  
8           construction for the Sioux WFGD, which the Company's contractor Sargent & Lundy  
9           quantified as \$13 million of additional AFUDC for a total additional cost of  
10          \$31 million related to the Ameren Missouri's decision to delay construction of the  
11          Sioux WFGD Project.

12  
13          Q.     When did Ameren Missouri begin to delay construction of the Sioux WFGD  
14          scrubber project?

15  
16          A.     A letter issued by Robert R. Meiners, Director of Power Operations Services  
17          (Source: Ameren Missouri's response to Staff Data Request No. 139, Doc ID:  
18          MPSC 0139\_ATTACH 00026) dated November 7, 2008 states, "In order to reduce  
19          cash flows associated with Sioux Plant scrubbers, we are delaying the tie-in-outages  
20          approximately one year. We will begin slowing down the construction process very  
21          soon. This will result in a smaller workforce through 2009."

22  
23          Q.     Was the delay of construction for the Sioux scrubbers discussed during any  
24          rate case proceedings prior to the filing of this request for rate increase?

25  
26          A.     Yes. In Case No. ER-2008-0318 [Source: Case No. ER-2008-0318, EFIS  
27          Doc ID No. 298, Hearing Transcript No. 13 at Pages 122-123], the Commission heard  
28          testimony provided by Mr. Thomas R. Voss during cross-examination on  
29          November 20, 2008 where Mr. Voss stated in response to a series of questions posed  
30          by Ms. Diana Vuylsteke:

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Roberta A. Grissum

1 Q. Has UE recently announced a reduction in its capital expenditure  
2 plan?

3 A. It hasn't actually been a reduction, but it's been an effort to find  
4 projects that we could reduce should the financial crisis continue.

5 Q. Does this include a postponement in the Sioux scrubbers?

6 A. That is one of the projects that is being considered right now, yes.  
7 That's correct.

8 Q. Did Mr. Voss provide additional testimony regarding the proposed delay in  
9 construction of the Sioux scrubbers?

10

11 A. Yes. On page 123 at Lines 12-16 of the transcript identified above, Mr. Voss  
12 stated:

13 Q. Is UE cutting out or delaying capital expenditures in general?

14

15 A. We're looking at gathering what projects that we could delay or  
16 postpone, but no final decision has been made on any of those projects  
17 at this point in time.

18 Q. In your opinion, does the testimony provided by Mr. Voss on  
19 November 20, 2008 convey that a definitive decision had been made to delay  
20 construction of the Sioux WFGD Project, contrary to the statements made by  
21 Mr. Meiners on November 7, 2008?

22

23 A. According to Mr. Voss and contrary to Mr. Meiners, the decision to delay the  
24 Sioux scrubbers had not been made by November 20, 2008.

25

26 Q. The Ameren has stated in numerous documents that the delay of construction  
27 for the Sioux WFGD Project was in response to the financial crisis that occurred in  
28 fall 2008. Did Mr. Voss provide any testimony at hearing in Case No. ER-2008-0318  
29 that addressed the Ameren Missouri's ability to seek a temporary or interim rate  
30 increase subject to refund to address the economic conditions that existed in fall  
31 2008?

32

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1 A. Yes, Mr. Voss provided testimony to the Commission during the evidentiary  
2 hearing on November 20, 2008. On Page 169 at Lines 16-23 and Page 170 at  
3 Lines 8-14 of the hearing transcript identified previously, Mr. Voss stated the  
4 following in response to a series of question posed by Staff counsel  
5 Mr. Kevin Thompson:

6 Q. Okay. Well, the reason I'm asking these questions, in your  
7 testimony you refer to a temporary or interim rate increase as a device  
8 that this Commission has not much used; isn't that correct?  
9

10 A. Could you refer me to that?  
11

12 Q. ...Look at page 14 of your direct testimony, and I'm looking at a  
13 sentence that starts on line 15 with the word, Missouri, Missouri also  
14 with rare exceptions. Could you read that sentence for me, please?  
15

16 A. Missouri also, with rare exceptions, does not allow temporary or  
17 interim rates that would be subject to refund pending final resolution  
18 of rate increase requests...  
19

20 Q. Keep going.  
21

22 A. ...which as noted above results in many months of delay in  
23 implementing necessary rate increases.  
24

25 Q. Thank you. Now, if you know, has AmerenUE asked for an  
26 interim or temporary rate increase in this case?  
27

28 A. I don't believe we have.  
29

30 Q. Have you asked for an interim or temporary rate increase from this  
31 Commission outside of this case in perhaps another case?  
32

33 A. I don't believe so.  
34

35 Q. Okay. So if you assume that the current troubled financial  
36 condition is temporary, even if of unknown duration, wouldn't you  
37 agree with me that a temporary or interim rate increase subject to  
38 refund might be an appropriate mechanism to request to deal with a  
39 temporary condition?  
40

41 A. It could be.

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Roberta A. Grissum

1 Q. Did Mr. Voss raise any concerns regarding Ameren's liquidity in the  
2 testimony he provided to the Commission on November 20, 2008?

3

4 A. No.

5

6 Q. Does Ameren Missouri identify the exact date the delay of construction for the  
7 Sioux WFGD Project began?

8

9 A. No. As stated above, Mr. Meiners only indicates the delay will begin very  
10 soon and Mr. Birdsong states on Page 16 at Lines 2-7 of his rebuttal testimony in this  
11 proceeding that, "Ameren Missouri ordered in the fall of 2008 a reduction in capital  
12 expenditures classified as deferrable, which resulted in the deferral of all 2009 plant  
13 outages and plant upgrades, a delay in construction of the Sioux WFGD Projects (a  
14 delay of Ameren Energy Generating Company's Coffeen WFGD Project also  
15 occurred), a reduction in the undergrounding portion of the Power On initiative  
16 expenditures, the deferral of some fleet acquisitions, and deferral of certain Energy  
17 Delivery Technical Services capital projects."

18

19 Q. When did Ameren Missouri ramp back up on construction of the Sioux  
20 WFGD scrubber project?

21

22 A. According to Mr. Birdsong's rebuttal testimony on Page 19 at Lines 1-2,  
23 Ameren Missouri made the decision to ramp back up construction in late  
24 January 2009.

25

26 Q. Does Ameren Missouri identify the exact date the ramp back up of  
27 construction of the Sioux WFGD scrubber project began?

28

29 A. No.

30

Surrebuttal Testimony of  
Roberta A. Grissum

1 Q. When did Ameren Missouri make its Request for Extension of Work  
2 Order 15443 for the Sioux WFGD Project?

3  
4 A. Ameren Missouri made its Request for Extension of Work Order 15443 for  
5 the Sioux WFGD Project on June 17, 2009, some five months after Ameren  
6 Missouri's decision to ramp back up construction in late January 2009 (Source: Doc  
7 ID: INITIAL\_PROD\_ATTACH 01286).

8  
9 Q. Did Ameren Missouri include in this request an amount related to the delay in  
10 construction that began in late 2008?

11  
12 A. Yes, Ameren Missouri included in that request an amount of \$18 million  
13 identified as Construction Slowdown Changes. The description provided by Ameren  
14 Missouri in that request was: "In November 2008, Ameren announced a plan to defer  
15 2009 spending due to risk of limited access to capital funding during the worldwide  
16 financial crisis. The \$18 M represents the additional construction costs for the fall  
17 2008 construction slowdown, 2009 remobilization and associated schedule change."  
18 Ameren Missouri also included in that request an amount of \$13 million identified as  
19 Allowance for Funds Used During Construction (AFUDC). The description provided  
20 by Ameren Missouri in that request was: "There has been a \$28 M (54.5%) net  
21 increase in the estimated cost at completion for the AFUDC. \$13M increase due to  
22 increase in overall project costs and the schedule changes resulting from construction  
23 slowdown implemented in November 2008 (limited access to capital funding during  
24 world-wide financial crisis)." The total increase requested by Ameren Missouri in its  
25 Request for Extension of Work Order No. 15443 – Sioux WFGD Project related to  
26 the decision to delay construction is an amount of \$31 million (Source: Doc ID:  
27 INITIAL\_PROD\_ATTACH 01286).

28  
29 Q. Did Staff request a more detailed explanation of the costs that comprise the  
30 \$31 million related to delay in construction for the Sioux WFGD Project?

31

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1 A. Yes. Staff submitted its initial Data Request No. 139 on September 23, 2010.  
2 In that request, Staff requested a detailed description of the circumstances that led to  
3 Ameren Missouri's decision to delay the Sioux WFGD Project and include an  
4 analysis of the overall impact such delays had on the project schedule and  
5 cost/performance measures associated with this project. Staff followed up with Data  
6 Request No. 139.1 on January 19, 2011 asking Ameren Missouri to clarify whether  
7 the expended and committed costs referenced in the June 17, 2009 work order  
8 extension were included in the \$131 million requested in this work order extension.  
9 Staff submitted Data Request No. 139.2 on January 25, 2011 requesting Ameren  
10 Missouri provide supporting calculations to support the increase of \$18 million in  
11 project costs and \$13 million in AFUDC associated with the delay in construction for  
12 the Sioux WFGD Project.

13  
14 Q. What were the results of Staff's data requests?

15  
16 A. On November 3, 2010, Ameren Missouri provided its response to Staff Data  
17 Request No. 139. In its response, the Company directed Staff to a copy of the  
18 June 17, 2009 Request for Extension of Work Order 15443 – Sioux WFGD Project,  
19 Doc ID: INITIAL\_PROD\_ATTACH 01286. Ameren Missouri also indicated that  
20 “although the delay ultimately caused the overall project costs to increase, some of  
21 these costs were offset by the Company's ability to take advantage of additional  
22 lessons learned from the contractor's work at similar scrubber projects at the Coffeen  
23 and Duck Creek plants, its ability to utilize higher caliber craft labor (especially in the  
24 electrical area), and its reduced reliance on the overtime that otherwise would have  
25 been needed to meet the pre-delay schedule.”

26  
27 On February 9, 2011, Ameren Missouri provided its response to Staff Data Request  
28 No. 139.1. This response provided the clarification requested by Staff regarding  
29 whether expended and committed costs referenced by Mr. Maricic in the extension  
30 work order 15443 dated June 17, 2009 included the approximate \$131 million  
31 requested. Ameren Missouri's response specifically states, “The estimate at

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1 completion was based on actual costs-to-date and the forecasted expenditures. As  
2 noted in the work order extension, spending through April 2009 was approximately  
3 \$328 million, although the prior amount authorized totaled \$498 million;  
4 consequently, both expended and committed costs were included in the \$498 million  
5 authorized, but not entirely spent at the time of the June 2009 extension.”  
6

7 Ameren Missouri provided its initial response to Staff Data Request No. 139.2 on  
8 January 26 via email and then formally through EFIS on February 10. In its response,  
9 Ameren Missouri provided the following explanation: “The document I reference,  
10 MPSC 0139\_ATTACH 00005, is an attachment to the June 2009 work order  
11 extension. This document was prepared by S&L and we do not have any detailed  
12 calculations supporting how the numbers were derived. Mr. Birk’s testimony was  
13 based on the work order extension documents.”  
14

15 Q. Did Staff rely on the calculation of Sargent & Lundy (S&L) as provided by  
16 Ameren Missouri in response to Staff Data Request No. 139 when recommending the  
17 disallowance of \$18 million increase in project costs and \$13 million increase in  
18 AFUDC related to the delay of construction for the Sioux WFGD Project?  
19

20 A. Yes.  
21

22 Q. How does S&L’s calculation relate to Staff’s Data Request for a detailed  
23 description of the circumstances that led to Ameren Missouri’s decision to delay  
24 construction of the Sioux WFGD Project?  
25

26 A. Ameren Missouri identified these amounts as the cost of the delay as  
27 calculated by its contractor S&L. The justification Ameren Missouri provided for  
28 incurring these costs is a liquidity concern by Ameren.  
29

30 It is Staff’s position that Ameren Missouri’s stated liquidity concerns do not justify  
31 the slow-down and that is the basis of Staff’s proposed disallowance. Nonetheless,



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1 Staff also had wanted to note that Ameren Missouri had not provided an adequate  
2 explanation of the costs that comprise the \$18 million increase in project costs and  
3 additional \$13 million in AFUDC that Sargent & Lundy quantified as a consequence  
4 of the delay of construction for the Sioux WFGD scrubbers. As a consequence, Staff  
5 believed that the Sargent & Lundy quantification that it is using was conservative. As  
6 further explained below, Staff is not using any lack of adequate identification of costs  
7 as an independent basis for its proposed disallowance.  
8

9 Q. Did you rely upon any other information when recommending the  
10 aforementioned disallowance that is addressed in the rebuttal testimony of  
11 Mr. Birdsong, in particular?  
12

13 A. Yes. I engaged in conversations with Mr. David Murray of the Commission's  
14 Financial Analysis Department to gain an understanding of Ameren Missouri's  
15 financial position at the time Ameren Missouri made the decision to delay  
16 construction of the Sioux WFGD Project. Mr. Murray provided information  
17 regarding the debt and equity issuances that occurred in 2009, the guidelines under  
18 which Ameren or Ameren Missouri must operate in order to draw from its credit  
19 facility and contractual obligation of Ameren's credit facility as well as the terms of  
20 the credit facility along with the availability of funds from the credit facility during  
21 fall 2008 and into early 2009. The overall ability for Ameren and Ameren Missouri  
22 to access the capital markets was also discussed. Staff relied upon the financial  
23 knowledge of Mr. Murray related during those conversations to conclude that Ameren  
24 Missouri did have access to funds both directly and indirectly through committed  
25 credit facilities. Further, upon review of Ameren's 2008 SEC 10-K Form filing, Staff  
26 verified that Ameren was able to access long-term capital through its other  
27 subsidiaries in the fall of 2008.  
28

29 Q. Did Staff continue to pursue an adequate response to Staff Data Request  
30 No. 139.2?  
31

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1 A. Yes. Staff again reiterated it required a more detailed response to Staff Data  
2 Request No. 139.2 regarding the \$18 million increase in project costs and \$13 million  
3 increase in AFUDC related to the delay in construction of the Sioux WFGD Project.  
4 It was during the technical conference in this proceeding in early March 2011 that  
5 Ameren Missouri committed to provide such information. On March 17, 2011, Staff  
6 contacted Ameren Missouri and again requested the information the Ameren Missouri  
7 agreed to provide.  
8

9 Q. Did Ameren Missouri supplement its response to Staff Data Request  
10 No. 139.2 with the information it committed to provide?  
11

12 A. Yes. Ameren Missouri did provide a supplemental response to Staff Data  
13 Request No. 139.2 on March 22, 2011.  
14

15 Q. Was Ameren Missouri's response adequate?  
16

17 A. No. In its response, Ameren Missouri did direct Staff to two documents that  
18 were provided previously in its Initial Production Documents provided through  
19 Ameren Missouri's Relativity Database, a web-based system. The documents  
20 identified were INITIAL\_PROD\_ATTACH 00951, the Allied Power Solutions (APS)  
21 Monthly Progress Report for March 2009 and INITIAL\_PROD\_ATTACH 01333, the  
22 S&L Cost Report for April 2009. Compiling data from both reports as directed by  
23 Ameren's response to Staff Data Request No. 139.2 provided sufficient supporting  
24 documentation to provide a better understanding of approximately \$3.9 million of the  
25 \$18 million increased project costs (See Schedule 2 attached). Neither document  
26 provided adequate supporting documentation to provide Staff with a better  
27 understanding of the \$13 million increase in AFUDC as a result of the delay in  
28 construction of the Sioux WFGD Project. There remained approximately  
29 \$15.9 million of costs identified as General Conditions that had not been explained by  
30 Ameren Missouri.  
31

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1 Q. Was Staff's request for an explanation of these costs consistent with the audit  
2 standard utilized in past audits by the Staff?

3  
4 A. Yes. In order for Staff to make a determination as to the prudence,  
5 reasonableness, appropriateness and benefit these costs may provide to the ratepayer,  
6 Ameren Missouri should at a minimum provide the following information: (1) exact  
7 start date of the delay of construction for the Sioux WFGD, (2) exact end date of the  
8 delay of construction for the Sioux WFGD, (3) Cost Base upon which the AFUDC  
9 was calculated and the AFUDC rate utilized by Ameren Missouri as well as the  
10 period utilized to determine the \$13 million increase in AFUDC resulting from the  
11 delay of construction for the Sioux WFGD Project; and (4) a detailed description of  
12 the costs. Without this information, Staff is unable to make such a determination.

13  
14 Q. Why has the Staff sought a detailed description of the costs included in the  
15 \$18 million of additional projects costs and \$13 million of additional AFUDC?

16  
17 A. In Ameren Missouri's response to Staff Data Request No. 139, Company  
18 provided an email from Robert Schweppe dated October 24, 2008 at 8:01am (Source  
19 - DocID: MPSC 0139\_ATTACH 00027), where Mr. Schweppe indicates:  
20 "The attached document contains the economics associated with delaying the tie in to  
21 Sp12 and Sp13." The Company also provided a document entitled, "Sioux FGD WO  
22 15443 Outage Shift Evaluation" was included (Source - DocID: MPSC  
23 0139\_ATTACH 00029). In this document, an Outage Shift Summary was provided  
24 identifying a breakdown of cost increases as a result of the Sioux FGD WO 15443  
25 Outage Shift. The \$53.8 million reported in this document exceeds the \$31 million  
26 increase in project costs (\$18 million) and additional AFUDC (\$13 million) for the  
27 delay of construction for the Sioux WFGD Project by approximately \$22 million.  
28 Staff concluded, therefore, that the increased costs provided by Ameren Missouri in  
29 this proceeding related to the delay of construction for the Sioux WFGD could at best  
30 be a "conservative" estimate. As such, Staff submitted Staff Data Request  
31 Nos. 432-436 to Ameren Missouri making another attempt to obtain the information

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1 from Ameren Missouri to allow Staff to identify in detail the additional costs incurred  
2 as a result of Ameren Missouri's decision to delay construction of the Sioux WFGD  
3 Project in the fall of 2008 other than the description "General Conditions" and  
4 possibly address the question of level of additional costs.

5  
6 Q. Has Ameren Missouri provided an additional explanation and detail of the  
7 increased costs related to the delay of construction for the Sioux WFGD Project?

8  
9 A. Yes. On April 13, 2011, Ameren Missouri provided responses to recent Staff  
10 Data Request Nos. 432-436.

11  
12 Q. What type of information did Ameren Missouri provide?

13  
14 A. In a supplemental response to Staff Data Request No. 139.2S2 prepared by  
15 Mr. Thomas P. Callahan, Managing Supervisor, he provides the following  
16 information:

17 Although not specifically requested in any previous Data Request, but  
18 based on the April 12, 2011 deposition of Ms. Roberta Grissum,  
19 Ameren Missouri offers the following explanation of General  
20 Conditions costs.

21  
22 General Conditions Work Packages costs include but are not limited to  
23 project site staff for MCI or Sachs (billed at cost and not subject to  
24 fees), office and storage trailers, travel expenses & per diems, tools,  
25 equipment, equipment maintenance, equipment operators, drug testing,  
26 weather protection, safety program, scaffolding, non-destructive  
27 testing, fuel, and other site expenses not directly associated with other  
28 Work Packages. Documentation of the charges for the general  
29 conditions are included in the monthly invoices submitted by MCI and  
30 Sachs, which have been produced to Staff.

31 In Ameren Missouri's response to Staff Data Request No. 432 prepared by  
32 Mr. Michael Flanagan, Career Engineer, he states:

33 The cost baseline used to determine the \$13M in additional AFUDC  
34 resulting from the construction slowdown is the June 2008 work order  
35 amount of \$498M. Between the \$498M estimate from the June 2008  
36 WO extension, and the \$628M estimate from the June 2009 WO

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1 extension, the AFUDC forecast increased by \$28M, of which \$13M  
2 was attributed to the construction slowdown, as previously stated in  
3 response to MPSC 0139.2S1.  
4

5 As stated in response to MPSC 0139.2S1, AFUDC forecasts are  
6 computer-generated by the corporate budgeting system and are based  
7 on varying factors, which but are not limited to, variable APR, cash  
8 flows, and schedule durations. As previously stated, this number is  
9 electronically stored and when updated, overwrites the existing file;  
10 consequently, the Company is unable to provide the exact calculations,  
11 including time period or the cash flow used for the AFUDC  
12 calculations that were reported and relied upon at the time.

13 In Ameren Missouri's response to Staff Data Request No. 434 prepared by Mr.  
14 Robert Schweppe, Manager Environmental Project Engineering, he states the  
15 following:

16 Subject to the Company's objection, the Company responds as  
17 follows:  
18

19 "Sioux FGD WO 15443 Outage Shift Evaluation" (Source - Doc ID:  
20 MPSC 0139\_ATTACH 00029) dated November 4, 2008, was  
21 developed initially by Sargent & Lundy and then finalized and  
22 approved by me.  
23

24 No further iteration of this file exists.

25 In Ameren Missouri's response to Staff Data Request No. 435 prepared by Mr.  
26 Schweppe, he states as follows:

27 Subject to the Company's objection, the Company responds as  
28 follows:  
29

30 No, MPSC 0139\_ATTACH 00029, Page 5, is not the "economics  
31 associated with delaying the tie in to Sp12 and Sp13". With regard to  
32 the questioned MPSC 0139\_ATTACH 00027, I am referring to a work  
33 document that I had attached to the email to Mr. Blank. This  
34 document is available in the folder for this DR on the Relativity  
35 extranet site.  
36

37 The \$31 million cost increase has been previously summarized in  
38 attachment INITIAL\_PROD\_ATTACH 01286, and further details of  
39 the "build-up" of the summary values were provided in the Company's  
40 response to MPSC 0139.2S1 and the attachment to that DR response.

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1 In Ameren Missouri's response to Staff Data Request No. 436 prepared by Mr. Tom  
2 Callahan, he states as follows:

3 Subject to the Company's objection, the Company responds as  
4 follows:

5  
6 Yes; the "Outage Shift" discussed in MPSC 0139\_ATTACH\_00029  
7 represents the plan under consideration in November 2008 regarding  
8 the construction slowdown of the Sioux Scrubber Project. When the  
9 decision was made in November 2008 to slowdown the Project, the  
10 decision assumed a one-year extension of outage dates for each of the  
11 units.

12  
13 The \$53.8 million value that is the Outage Shift Summary Amount  
14 represents the estimated costs for delaying both units for one year,  
15 based upon the assumptions contained in that presentation. When the  
16 decision to ramp-up construction was made in January 2009,  
17 obviously, the assumptions underlying that estimate were no longer  
18 valid. For example, previous assumptions no longer valid included in  
19 June 2009 included: an April 2011 in-service date for one of the units;  
20 different cash flows (which significantly impacts AFUDC  
21 calculations); a complete stoppage of work, de-mobilization, and re-  
22 mobilization, and a suspension of AFUDC charges during the three-  
23 month period when no construction activity would occur.  
24 Consequently, the \$31 million value in the June 2009 work order  
25 extension represents the cost for the slowdown that did occur.

26 Q. What does Staff conclude from the information provided by Ameren Missouri  
27 in response to these Staff data requests?

28  
29 A. Staff concludes that the \$31 million disallowance recommended in Staff's  
30 Construction Audit and Prudence Review for the Sioux Wet Flue Gas Desulfurization  
31 Project for Costs Reported as of September 30, 2010 for the increased costs related to  
32 the delay in construction of the Sioux WFGD Project is the appropriate amount for  
33 Staff to recommend for disallowance and, therefore, asks the Commission to exclude  
34 these costs from rates for ratemaking purposes in this proceeding.

35  
36 Q. In his rebuttal testimony beginning on Page 19 at Line 20 and ending on  
37 Page 20 at Line 9, Company witness Birk identified what he believes are offsets  
38 and/or benefits that were realized as a result of the construction slowdown. Did

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1 Ameren Missouri provide any specifics about the offsets identified by Mr. Birk in his  
2 response to Staff Data Request No. 139?

3  
4 A. No. Mr. Birk did not provide any specifics about the offsets to which he  
5 refers in his response to Staff Data Request No. 139.

6  
7 Q. Did Staff ask Mr. Birk to elaborate on his response to Staff Data Request  
8 No. 139?

9  
10 A. Yes. On March 2, 2011, at the technical conference, Staff requested that  
11 Mr. Birk provide workpapers to support his statement in Ameren Missouri's response  
12 to Staff Data Request No. 139. Ameren Missouri committed to provide this  
13 information.

14  
15 Q. Did Ameren Missouri provide this information to Staff as it committed to do?

16  
17 A. Eventually, but Staff had to submit an email to Ameren Missouri on  
18 March 17, 2011 asking when Staff could expect to receive the information promised  
19 at the March 2, 2011 technical conference to support Sargent & Lundy's calculation  
20 of the additional \$18 million in construction costs and additional \$13 million in  
21 AFUDC that was incurred by Ameren Missouri as a result of the Company's decision  
22 to slow-down the construction of the Sioux WFGD project in response to the  
23 financial crisis. Ameren Missouri provided a supplemental response to Staff Data  
24 Request No. 139.2 on March 22, 2011.

25  
26 Q. Mr. Birk discusses in his rebuttal testimony on Page 20 at Lines 2-9 a problem  
27 identified at the Duck Creek and Coffeen plants relating to the flake-glass absorber  
28 lining. How much additional time was added to the Sioux WFGD project schedule as  
29 a result of the lesson learned related to the absorber lining and Ameren Missouri's  
30 decision to change from the flake-glass absorber lining used at Coffeen and Duck  
31 Creek to the Stebbins lining ultimately used at the Sioux WFGD Project?

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A. Based upon information provided by Ameren Missouri in its response to Staff Data Request No. 139, an additional nine weeks was added to the project schedule as a result of the change from the flake-glass lining to the Stebbins lining (Source: Purchase Change Request No. SX0-FGD-0095, Doc ID: MPSC 0139\_ATTACH 00056 at page 15 of 35).

Q. Were actions taken by Ameren Missouri to delay construction at its Sioux WFGD Project prudent, reasonable or appropriate or of benefit to the Missouri ratepayer?

A. No. Ameren Missouri's decision was not prudent, reasonable, appropriate or of benefit to the Missouri ratepayer. As such, Missouri ratepayers should not be required to bear the burden of these increased costs in rates.

Q. On Page 20 at Lines 12-15 of his rebuttal testimony, Mr. Birk responds to Staff's proposal to disallow charges related to unresolved backcharges. Is Staff still proposing to disallow charges related to unresolved backcharges?

A. No. Ameren Missouri has provided sufficient supporting documentation to support Mr. Birk's claim that the actual backcharges pending at December 31, 2010 is equal to approximately \$18,215. Staff considers these unresolved backcharges immaterial in light of the overall cost of the Sioux WFGD Project and will, therefore, not be proposing a disallowance of unresolved backcharges in this proceeding.

Q. In Staff's Construction Audit and Prudence Review Report dated February 8, 2011, Staff reserved the right to complete its examination of approximately 1,400 vouchers sample and propose any disallowance as deemed appropriate. Is Staff proposing any disallowance in this proceeding as a result of its completed sample invoice review of the 1,400 vouchers?



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1 A. No. Although Staff did identify approximately \$126,000, and a potential  
2 maximum of \$250,000 of charges that should not have been charged to the Sioux  
3 WFGD Project, Staff considers this amount immaterial in light of the overall cost of  
4 the Sioux WFGD Project and will, therefore, not propose a disallowance related to  
5 the results of Staff's voucher review. Staff does, however, recommend Ameren  
6 Missouri make any corrections to its books and records for any amounts identified by  
7 the Staff that should not have been charged to the Sioux WFGD Project. In  
8 determining that these charges should not be charged to the Sioux WFGD Project,  
9 Staff is not saying that these costs were in themselves imprudent, unreasonable or  
10 inappropriate or not of benefit to the Missouri ratepayer.

11  
12 Q. In Staff's Construction Audit and Prudence Review Report dated  
13 February 8, 2011, Staff reserved the right to complete its examination of work  
14 packages that exceeded budget and propose any disallowance as deemed appropriate.  
15 Is Staff proposing any disallowance in this proceeding as a result of Staff's review of  
16 work packages that exceeded budget as of September 30, 2010?

17  
18 A. No. Staff has reviewed Ameren Missouri's responses to Staff Data Request  
19 Nos. 348, 348.1 and 348.2 relating to work packages that exceeded budget as of  
20 November 30, 2010 and determined that no disallowance is warranted.

21  
22 Q. In Staff's Construction Audit and Prudence Review Report dated  
23 February 8, 2011, Staff reserved the right to recommend disallowance related to  
24 Ameren Missouri's calculation of AFUDC, specifically, Ameren Missouri's  
25 methodology that adjusted the AFUDC interest rate monthly rather than  
26 semi-annually as dictated by FERC Order 561 and Instruction 17. Is Staff proposing  
27 any disallowance with regard to Ameren Missouri's methodology that adjusted the  
28 AFUDC interest rate monthly rather than semi-annually?

29  
30 A. No. Ameren Missouri provided a letter from FERC that provides a waiver to  
31 Ameren Missouri of FERC Order 561 and USOA Electric Plant Instructions --

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1 Components of Construction Costs Item 17 as it relates to the semi-annually change  
2 in AFUDC interest rate. As such, Staff will not be proposing any disallowance of  
3 AFUDC as it relates to the monthly change in AFUDC interest rate. However, Staff  
4 will continue to propose disallowance of the additional \$13 million of AFUDC  
5 related to Ameren's decision to delay construction of the Sioux WFGD Project in the  
6 fall of 2008.

7  
8 Q. Ameren Missouri was allowed to extend construction accounting,  
9 capitalization of AFUDC and deferred depreciation expense from the in-service date  
10 of the Sioux WFGD Project through the effective date of rates, as part of a stipulation  
11 and agreement in Case No. ER-2010-0036. In its true-up workpapers, the Company  
12 calculated the value of this additional cost and added it to the Sioux plant balance.  
13 Has the Staff made an adjustment in its calculation of revenue requirement to  
14 determine the reduction to the Company's Sioux construction accounting cost  
15 associated with Staff's \$31 million disallowance?

16  
17 A. Yes. Consistent with the Company's calculation of the construction  
18 accounting cost, Staff has made a construction accounting cost reduction adjustment  
19 associated with its \$31 million disallowance.

20  
21 Q. Does this conclude your surrebuttal testimony?

22  
23 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

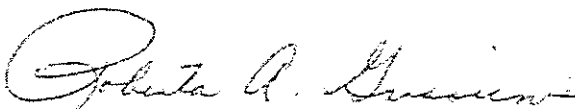
OF THE STATE OF MISSOURI

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 )

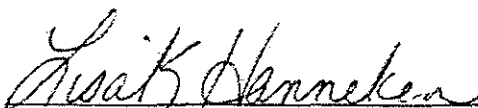
AFFIDAVIT OF ROBERTA A. GRISSUM

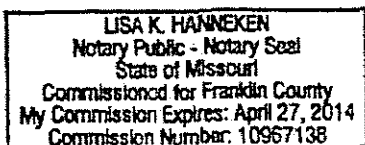
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF SAINT LOUIS )

Roberta A. Grissum, 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 25 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.

  
\_\_\_\_\_  
Roberta A. Grissum

Subscribed and sworn to before me this 11<sup>th</sup> day of April, 2011.

  
\_\_\_\_\_  
Notary Public



**SCHEDULES 1 and 2**

**HAVE BEEN DEEMED**

**HIGHLY CONFIDENTIAL**

**IN THEIR ENTIRETY**