Ameren Ex. 41.0

ILLINOIS COMMERCE COMMISSION

DOCKET NOS. 07-0585 (CONS.)

REBUTTAL TESTIMONY

OF

STEPHEN R. COLYER

SUBMITTED ON BEHALF

OF

CENTRAL ILLINOIS LIGHT COMPANY D/B/A AMERENCILCO

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY D/B/A AMERENCIPS

ILLINOIS POWER COMPANY D/B/A AMERENIP

(THE AMEREN COMPANIES)

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REBUTTAL TESTIMONY

OF

STEPHEN R. COLYER

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Stephen R. Colyer. My business address is 370 South Main Street, Decatur, Illinois 62523.

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

A. I am employed with Ameren Services Company as the Director of Gas Operations for the Ameren Illinois Utilities.

Q. What are your job duties and responsibilities?

A. My current responsibilities include overseeing many aspects of the Ameren Illinois Utilities' natural gas business, including gas transmission engineering, design, and operations, gas storage field engineering and operations, pipeline safety and compliance administration, pipeline integrity management, corrosion control, distribution pressure regulation, odorization, field meter testing, gas apprentice training and qualification, and gas standards and materials.

Q. Please summarize your education and work experience.

A. A statement of my qualifications is provided as an appendix to my testimony.

Q. What is the purpose of your rebuttal testimony?

A. I am responding to certain positions or recommendations being offered by Staff witness Eric Lounsberry.

II. <u>ACCOUNTS 856, 863, 874, AND 887</u>

Q. Is Staff recommending an adjustment with respect to accounts 856, 863, 874, and 887?

A. No. Mr. Lounsberry, however, assert some concerns with these accounts.

Q. What concerns did Mr. Lounsberry have with regard to accounts 856, 863, 874, and 887?

He had two concerns. The first concern, identified in lines 467 – 470 of Mr. Lounsberry's testimony, was with his inability to trend these expenses because of purported shifting of expenses to these accounts. The second concern, in lines 471 – 474 of his testimony, is regarding the costs associated with Department of Transportation ("DOT") Pipeline Integrity Program requirements.

Q. Before you proceed, please explain what is meant by costs shifting <u>between</u> accounts?

A. When an O&M cost is incurred, it is categorized and placed in the appropriate account. Shifting of costs between accounts simply means that costs are variable over time. These costs are charged to the appropriate O&M accounts based upon the activity that is being performed and the type of facility.

Q. Do you agree with Staff's concern that the Ameren Illinois Utilities are shifting costs to the referenced accounts from year to year?

A. No. There is no shifting of costs <u>to</u> these accounts, but rather costs are shifting or changing in amounts as between these accounts, as well as the remaining 800 series of

operations and maintenance ("O&M") accounts related to the gas transmission and distribution system.

Q. Does Mr. Lounsberry recognize and acknowledge costs are shifting between these accounts?

A. Yes, Mr. Lounsberry recognizes and acknowledges costs are shifting between these accounts based on his testimony. At line 496 Mr. Lounsberry states, "My concern is that given the switching of O&M expenses between the various accounts, I cannot conduct a review to verify that the amounts Ameren has requested in the test year are just and reasonable."

Q. What does Mr. Lounsberry request with respect to the costs for these accounts?

A. Mr. Lounsberry requests a thorough discussion of the Ameren Illinois Utilities' O&M expenses associated with its transmission and distribution ("T&D") mains.

Q. What costs are captured in these accounts?

A. Accounts 856, 863, 874, and 887 capture certain costs associated with the operation and maintenance of distribution mains and services and transmission mains. Accounts 850 through 894 represent the overall O&M costs for the T&D system.

Q. It is reasonable for costs to shift or change between accounts 856, 863, 874, and 887?

A. Yes. The majority of O&M activities performed on the T&D main facilities are very similar, and are managed, supervised, and performed by essentially the same resources, which include Ameren Illinois Utilities' employees and third-party contractors. The shift or change in costs between these accounts occurs based on the specific level of O&M activities needed and performed for the T&D main facilities in a given year. For

example, exposed pipe remediation, leak surveys, leak repairs, right-of-way clearing, main relocations, corrosion control, and painting are types of O&M work performed on T&D mains that may vary based on inspection cycle, facility condition, problem severity and magnitude, or highway department needs. Based on the classification of main, either transmission or distribution, and the type of work, operations or maintenance, the appropriate account is charged. Thus it would be expected that, depending on the specific O&M needs, costs would not remain static among accounts.

Q. Have the aggregate T&D O&M costs for these four accounts stayed relatively uniform?

A. Yes, during the period of 2005-2007, which includes the test year, the aggregate O&M costs for T&D mains have remained relatively constant, as shown in the table below. On average, the cost for the T&D mains is approximately $11.76 million and no year deviates by more than 4% from this average.

Year	2005	2006	2007
Total costs Ameren Illinois Utilities accounts 856, 863, 874, 887	$11,281,606.00	$12,074,322.00	$11,935,218.31

Q. Should the expense levels of accounts 856, 863, 874, 887 be considered on an individual basis, for a given year, to verify if the amounts are reasonable?

A. No. These costs represent only the costs for these four accounts. These costs do not represent the total O&M cost for the entire T&D system, which is a better measure for evaluating the trends associated with O&M costs. No meaningful conclusion can be reached by a limited review of certain accounts without anything more.

Q. What O&M accounts represent the cost of operating and maintaining the entire T&D system?

A. As stated above, accounts 850 through 894 are the accounts which represent the overall O&M cost for the T&D system.

Q. Why is it important for Staff to review and consider all O&M accounts for the T&D system rather than individual accounts?

A. Mr. Lounsberry addressed specific O&M accounts in his testimony. However, those addressed are only a sub-set of the larger grouping of T&D accounts. O&M costs shift between T&D accounts based upon the activities performed as outlined previously. Therefore, to obtain a more accurate representation, Staff should review and trend the O&M costs for the T&D system in aggregate. This approach will provide a more accurate assessment of the reasonableness of the O&M costs versus evaluating individual accounts. In addition, Mr. Lounsberry's logic could also be applied to individual accounts where 2006 represented the lowest level of expense for 2005-2007. However, he did not recommend increasing the amounts requested to any account that had the lowest expenditure in 2006 and higher expenses in 2005 and 2007. To properly capture cost variations, Mr. Lounsberry would need to average costs for all T&D O&M accounts, not just the ones that were higher.

Q. How do the total O&M costs for the T&D system relate to the costs in accounts 856, 863, 874, and 887?

A. As with accounts 856, 863, 874, and 887, for the entire series of O&M accounts, O&M costs shift between accounts based on the specific level of O&M activities needed and performed for the entire T&D system in a given year. It is reasonable that charges in one particular O&M account may increase in a given year and that charges in one or more O&M accounts will correspondingly decrease. For example, labor resources may be utilized to increase the level of regulating station and metering painting performed in a

given year, whereas those same resources were utilized for mains maintenance in a previous year. In this situation accounts 890 or 891 would increase but account 887 would decrease. Since work activities, projects, and initiatives vary year to year across the overall T&D system, the resulting costs will also vary between accounts that represent the entire T&D system, not just the T&D main facilities.

Q. How should O&M costs for the activities performed on the T&D system be evaluated to determine if they are just and reasonable?

A. As discussed above, costs shift between T&D accounts. Therefore, the best way to determine if the O&M costs are just and reasonable is to evaluate and understand the trend for the overall cost of operating and maintaining the T&D system. This level of analysis provides the most accurate representation of the O&M costs associated with the T&D system.

Q. What has been the overall trend for the T&D O&M costs?

A. Overall, costs have been reasonably consistent with a slight upward trend. Below is a summary of the 800 series of T&D O&M costs for 2005-2007, which includes the test year. Again, the average over this period for all T&D O&M costs is approximately $59.93 million and no year deviates from this average by more than 6%.

Year	2005	2006	2007
Total costs Ameren Illinois Utilities accounts 850-894	$56,148,558.00	$60,193,878.00	$63,447,036.37

Q. Is it reasonable to expect O&M costs to increase each year?

A. Yes, it is reasonable to expect overall O&M costs to increase each year. The cost of the major expense drivers associated with O&M of the T&D system typically increase annually, or even more frequently, which results in the overall costs increasing. Examples of major expense drivers that have typically increased each year include the cost for labor and benefits, materials, fuel, tools, and equipment. In particular, costs for materials and equipment comprised of steel, polyethylene, aluminum, and mercaptan (odorant), have increased substantially over the last several years. The impact of these cost increases is reflected throughout the various accounts and ultimately in the overall O&M cost of the T&D system.

Q. Based on the trend of the overall O&M costs for the T&D system, do you believe the test year data for accounts 856, 863, 874, and 877 is a reasonable representation of costs for these accounts?

A. Yes. The costs reflected in these four accounts represent actual costs reasonably incurred in the operation and maintenance of the T&D system and provision of service to customers. Because costs shift between these four accounts, and can shift between the other O&M accounts, the costs reflected in these accounts should not be viewed in

isolation. When viewed as a variable piece of the overall T&D O&M costs, the costs in these four accounts are just and reasonable.

Q. Does Mr. Lounsberry propose a reduction to any specific T&D O&M accounts?

A. Yes, in line 567 of Mr. Lounsberry's testimony, a reduction of $1,026,000 is recommended for AmerenIP account 880 based on the average costs in this account from 2005-2007.

Q. Is account 880 included in the group of accounts that represent the aggregate O&M costs for T&D facilities?

A. Yes, account 880 is one of the accounts from 850 though 894 that capture O&M costs for the overall T&D system. Account 880, like all of the other T&D accounts as discussed above, can vary from year to year resulting in cost fluctuations in individual accounts and should be considered as part of the aggregate. I will address Mr. Lounsberry's proposed reduction for account 880 later in my testimony.

Q. Did Staff have any other concerns with T&D O&M costs?

A. Yes, in line 501, Mr. Lounsberry expressed a concern that costs to comply with recent DOT requirements may be higher in the test year than in the future.

Q. What DOT requirement is Mr. Lounsberry referring to?

A. Mr. Lounsberry is referring to the DOT Pipeline and Hazardous Materials Safety Administration ("PHMSA") requirements for transmission pipeline integrity management ("PIM").

Q. In what accounts are the costs for compliance with the PHMSA PIM requirements captured?

A. The O&M costs for complying with the PHMSA PIM requirements are primarily captured in accounts 856 and 863.

Q. Are these costs part of the aggregate O&M costs for the T&D system previously discussed?

A. Yes, the PHMSA PIM costs are part of the costs for these accounts

Q. What is the specific basis of Mr. Lounsberry's concern?

A. Mr. Lounsberry references a table showing miles of transmission main planned and completed for pipeline integrity assessments. Mr. Lounsberry claims that the cost for the test year is overstated because future miles of pipe to be assessed are less than the miles assessed during the test year.

Q. Is there a direct correlation between the miles of pipe to be assessed and the annual cost of assessments?

A. No, there is not this direct correlation. There are a number of factors which impact the cost to comply with the PIM requirements. Therefore, a simple multiplier of the raw mileage to be assessed to determine cost cannot be utilized.

Q. What other factors impact the cost to comply with the PIM requirements?

A. The primary cost drivers for PIM-related maintenance is the number of excavations, the type of assessment performed, and the remediation cost for any problems identified during the assessments. Each mile of pipe will incur a different cost because of the many variables that exist. The total cost to assess transmission facilities is the sum of the cost to utilize assessment techniques for external corrosion, internal corrosion, and cased pipe, plus the cost of remediation of any problems found and the cost of any follow up actions identified by the assessment that may require remediation to other transmission facilities.

The cost to complete the required assessment techniques is not linear, and the cost for remediation or follow up actions cannot be predicted based solely on mileage assessed, number of casings, or facility attributes. Excavation requirements are based on age, coating, configuration, and location, which subsequently determine the number and type of corrosion assessments and are independent of the mileage of main to be assessed. The following table shows the number of excavations by type of excavation since 2005, and the projected minimum excavations in 2008, 2009 and 2010. Also included in the table are the miles of main reported in the table on line 515 of Mr. Lounsberry's testimony. This comparison shows that there is not a direct correlation between the miles of main assessed, the number of excavations, and ultimately the overall cost to comply with the PIM requirements.

	2005	2006	2007	2008 (projected)	2009 (projected)	2010 (projected)
Number of lines Assessed	7	9	11	23	15	12
ECDA Excavations	16	21	20	24	28	12
ICDA Excavations	6	32	29	22	22	24
Casing Excavations	8	16	8	6	11	12
Miles Assessed	16.93	17.3	17.94	16.73	14.6	12.6
Total Ameren Illinois excavations	27	55	51	52*	61*	48*

***** Minimum projected excavations; survey results and findings may increase this number

Q. Is the cost for complying with DOT pipeline integrity requirements reasonable for the test year?

A. The costs are reasonable for the test year and reflect the actual cost for complying with the PIM requirements. In addition, the scope of projected pipeline integrity assessments in 2008 and the costs to perform the assessments will likely result in these future costs exceeding the test year costs.

III. ACCOUNT 880 – AMERENIP

Q. What is Mr. Lounsberry's concern with Account 880?

A. He recommends that the Commission reduce AmerenIP's Account 880 expense levels by $1,026,000 because he believes the amounts are too high.

Q. Do you believe Staff's proposed reduction is appropriate?

A. As I discussed above, it is not reasonable to evaluate this account on an individual basis. Account 880 is only one of a number of related T&D O&M accounts where costs can shift and vary year to year based on the level of activity and required work. Since the charges to each account will vary in any given year, as explained previously, an average cost for a single account does not recognize or reflect the fact that costs charged to this account can increase and decrease in any given year. These T&D O&M costs, including costs of Account 880, must be considered at the aggregate level, as opposed to the individual account level, to accurately evaluate the O&M costs for the T&D system.

Q. Is it reasonable to use the average cost charged to this specific account to make this adjustment?

A. No. For the reasons discussed above, I do not consider an adjustment based upon an average for account 880 by itself to be reasonable. Account 880 should be considered as a variable part of the aggregate 800 series of O&M accounts for the T&D system. Moreover, Mr. Lounsberry also did not indicate what, if anything made the test year expense for Account 880 unreasonable other than the fact that it was higher than other years. Mr. Lounsberry's proposed reduction for Account 880 should therefore be rejected.

IV. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

APPENDIX – STATEMENT OF QUALIFICATIONS

I received a Bachelor of Science Degree in Petroleum Engineering from The University of Tulsa in 1988. I joined Central Illinois Public Service Company n/d/b/a AmerenCIPS in September 1991 as a Gas System Design Engineer in CIPS' Gas Department located in Springfield, Illinois. Prior to my employment at CIPS, I worked as a Project Engineer for an engineering services and software development company in Carlisle, Pennsylvania.

In 1996, I was transferred to Union Electric Company where I worked in Jefferson City, Missouri as a Senior Gas Engineer. In 1999, I was named Supervising Engineer with responsibilities that included operation of the Mexico, Missouri gas meter shop, engineering support for the AmerenUE District operations, and the primary company contact with the Missouri Public Service Commission ("MPSC") pipeline safety staff regarding pipeline safety matters. In March 2001, I returned to Springfield, Illinois as General Supervisor of Ameren's Gas Operations Support Department and was named Manager, Gas Operations Support in May 2002 with responsibility for gas engineering and operations support for both AmerenUE and AmerenCIPS and the gas storage fields owned by the Ameren Companies.

In October 2007, I was named Director, Gas Operations for the Ameren Illinois Utilities which is the position I currently hold.