

ILLINOIS COMMERCE COMMISSION

DOCKET Nos. 11-0279, 11-0282 (Cons.)

SURREBUTTAL TESTIMONY

OF

RONALD D. PATE

SUBMITTED ON BEHALF

OF

AMEREN ILLINOIS COMPANY

d/b/a Ameren Illinois

September 1, 2011

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6 **Ameren Illinois**

7 **I. INTRODUCTION**

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

9 **A. My name is Ronald D. Pate. My business address is 370 South Main Street, Decatur,**
10 **Illinois 62523.**

11 **Q. Are you the same Ronald D. Pate who provided direct testimony and rebuttal**
12 **testimony in this proceeding?**

13 **A. Yes, I am.**

14 **II. PURPOSE OF TESTIMONY**

15 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

16 **A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Illinois**
17 **Commerce Commission (Commission) Staff witnesses, Ms. Diana Hathhorn, Mr. Yassir Rashid,**
18 **Ms. Mona Elsaid, as well as The People of the State of Illinois and Citizens Utility Board (joint**
19 **AG/CUB) witness, Mr. David Effron.**

20 **Q. Are you sponsoring any exhibits with your surrebuttal testimony?**

21 **A. No, I'm not.**

22 **III. RESPONSE TO STAFF WITNESS, MS. HATHHORN**

23 **Q. On direct, Ms. Hathhorn recommended an adjustment to disallow capital costs to**
24 **implement three recommendations of the Liberty Audit. Does she still propose that**
25 **adjustment on rebuttal?**

26 **A.** No. Ms. Hathhorn has withdrawn her adjustment to disallow certain Liberty capital
27 expenditures based on clarifications in my rebuttal testimony that indicated that the plant
28 additions at issue did not include any post-test year charges. Ameren Illinois Company d/b/a
29 Ameren Illinois (AIC or Company) considers this issue resolved.

30 **IV. RESPONSE TO STAFF WITNESS, MR. RASHID**

31 **A. Capital Additions Adjustments**

32 **Q. On direct, Mr. Rashid recommended a decrease of \$3,138,114 to AIC's proposed**
33 **rate base. On rebuttal, he now proposes that the Commission disallow \$7,246,868 from**
34 **rate base. Why has his proposed disallowance more than doubled on rebuttal?**

35 **A.** The difference in Mr. Rashid's proposed rate base disallowance stems from the fact that
36 he included only two specific electric distribution projects for disallowance on direct. An
37 amount of \$1,015,250 for WO 26669 was for adding two 69 kV capacitor banks at the North
38 Champaign substation and an amount of \$2,122,864 for WO 26577 was for IT modifications that
39 would be necessary to respond to amendments to 83 Illinois Administrative Code Part 280.

40 On rebuttal, however, Mr. Rashid now proposes to disallow 14 additional specific gas
41 and electric projects identified in my rebuttal testimony as test year projects being considered for
42 cancellation or deferment beyond the test year. The sum of these 16 projects is \$7,246,868. Mr.

43 Rashid seeks disallowance of these capital dollars because he considers them to be funding
44 specific projects that will not be used and useful by the end of calendar year 2012.

45 **Q. How did Mr. Rashid identify these 14 additional projects as candidates for**
46 **disallowance?**

47 **A.** In his direct testimony, Mr. Rashid asked AIC to identify any projects included in the
48 Company's proposed rate base with completion dates after 2012. My group reviewed the current
49 status of each specific project included in the Company's proposed rate base with the responsible
50 managers and eventually identified these 14 additional projects as projects that were being
51 considered for cancellation or deferment beyond the test year.

52 **Q. Were any of these 14 projects identified by AIC in its F-4 Schedules or in response**
53 **to Staff data requests?**

54 **A.** No. The size of these projects did not meet the threshold for inclusion in the Company's
55 gas and electric F-4 Schedules. Nor were these projects included in the Company's response to
56 Mr. Rashid's discovery requests which asked the Company to identify the top 30 most costly
57 electric distribution projects not already included in the electric F-4 Schedule. To comply with
58 Mr. Rashid's request, my group had to review the remainder of the specific gas and electric
59 projects in AIC's proposed rate base, regardless of the project's cost.

60 **Q. These 16 projects account for what percentage of test year gas and electric gross**
61 **plant additions?**

62 **A.** A very small percentage. As indicated in my rebuttal, these projects only account for 2.4
63 percent of the approximately \$298 million in gross plant additions that will be placed in service

64 just *during* the 2012 calendar year. AIC considers this amount to be an immaterial change in the
65 amount of test year forecasted plant additions included in its proposed rate base.

66 **Q. Did any of these projects have completion dates after the end of 2012 at the time the**
67 **test year forecast was prepared?**

68 **A.** No. As I indicated in my rebuttal testimony (lines 153-160), all specific projects included
69 in the Company's proposed rate base originally had completion dates prior to the end of 2012.
70 As Company witness, Mr. Michael J. Getz explained in his response to Staff data request YMR
71 5.03, the starting point for AIC's 2012 forecast was the formal budgeting process, with the
72 Company's projection for revenues, expenses and investments for future periods for the electric
73 and gas utilities incorporated into Competisoft Budget System (CBS). Preparation for the
74 Company's February filing required a certain amount of lead time, which included time to obtain
75 the necessary approvals, convert forecasted operating and maintenance (O&M) costs into a
76 FERC account format, and make any necessary adjustments to the projected data. As a result,
77 the Company and the outside auditor who reviewed the forecast relied on a "snapshot" of
78 projected capital spending taken in advance of the filing as the forecasted expenditures to be
79 included in the Company's proposed rate base. AIC took this "snapshot" in October 2010.

80 **Q. Does AIC agree with Mr. Rashid's proposal to disallow from rate base the capital**
81 **dollars associated with these 16 projects?**

82 **A.** No. As explained by Company witness, Mr. Craig D. Nelson in his surrebuttal
83 testimony, Mr. Rashid's proposed adjustment to rate base is inappropriate.

84 **Q. Mr. Rashid notes that it is "the Company's duty to provide an accurate forecast of**
85 **test year capital project expense that may be reviewed to determine whether they are**

86 **prudent and used and useful.” Does Mr. Rashid take issue with the accuracy of the**
87 **forecast?**

88 **A.** Apparently not. Mr. Rashid does not allege that the forecast is inaccurate. Nor does he
89 propose any adjustment to the overall level of forecasted plant additions, other than his
90 disallowance for the 16 specific projects he identifies.

91 **Q. How did AIC support the accuracy of its forecast and capital budgeting in its future**
92 **test year filing?**

93 **A.** As discussed in Mr. Nelson's surrebuttal testimony, my rebuttal testimony and Mr. Getz's
94 direct testimony, the Company historically has spent at or beyond its overall capital budget. This
95 pattern supports the reasonableness and accuracy of the level of forecasted plant additions
96 included in the test year as a floor of expected capital spending. As indicated in my rebuttal, the
97 Company's response to Staff data request DLH 11.03 shows that, as of April 2011, total
98 estimated capital spending for gas and electric distribution plant additions to be placed in service
99 in 2011 or 2012 remained on target with the rate case forecast.

100 **Q. At the time of rebuttal you identified 13 specific projects that the Company needs to**
101 **do in 2011 or 2012 that were not included in the Company's forecasted rate base. Mr.**
102 **Rashid claims that AIC “would like to recover the cost that it initially allotted to projects**
103 **that it later decided to cancel or to defer beyond the test year, to pay for these new**
104 **projects.” Is that true?**

105 **A.** No. The point of Ameren Exhibit 26.1 was not to update the Company's rate base. The
106 point was simply to illustrate that the fact the Company is cancelling or deferring a handful of
107 projects in 2012 does not alter the fact that these dollars will be spent (or already have been

108 spent) on other plant additions to be placed in service by the end of the test year. The purpose of
109 Ameren Exhibit 26.1 was not to offer a counter-adjustment to Mr. Rashid's proposal; it was
110 evidence to support the position that the adjustment was unnecessary in the first place.

111 **Q. Do the projects identified on page 2 of Ameren Exhibit 26.1 represent the extent of**
112 **the additional work that the Company will have to do in 2011 and 2012?**

113 **A.** Not at all. There are seven projects identified on page 2 that did not have project
114 numbers assigned at the time of the Company's rebuttal, but were all for only the substation
115 portion of those projects. For example, adding a new circuit position at the Marissa Substation
116 enables the unit to sustain an additional distribution circuit; it includes the work and equipment
117 needed for making the electrical connection only. As noted in the Company's response to Staff
118 data request YMR 5.07, the cost of the project associated with the distribution circuit is not
119 included in the \$219,000 for the substation-related portion identified in Ameren Exhibit 26.1.
120 The Company will expend additional dollars for the work to install poles, wires, etc. for the
121 distribution circuit.

122 **Q. Mr. Rashid does not agree with AIC's "shifting" of dollars between different**
123 **projects during the rate case proceeding. Please respond.**

124 **A.** The Company has not "shifted" dollars between projects for purposes of the rate case
125 proceeding or in response to Mr. Rashid's proposed adjustment. The Company has adjusted its
126 planned projects to address its expected operational and customer needs based on the most
127 current information available. AIC has a responsibility to provide service that is adequate,
128 reliable, efficient and safe. To do that, the Company must be afforded the opportunity to
129 prioritize planned projects and identify new projects to account for changing needs and

130 expectations. Mr. Rashid acknowledges at lines 111-113 in his rebuttal testimony (see Staff Ex.
131 28.0) that “There will always be additional capital projects that the utility could identify, if the
132 capital projects it originally identified are determined not to be used and useful within the test
133 year.” Yet he fails to acknowledge that the Company must have the discretion and flexibility to
134 manage its operations to the overall level of spending budgeted for that year, defer certain
135 projects when permissible and identify other projects for funding when needed, regardless of
136 whether the Company is in the midst of a rate case. The details presented in Ameren Exhibit
137 26.1 reflect prudent decisions to defer or cancel projects that are not immediately needed as well
138 as add new projects that are necessary or have been prioritized to ensure adequate, reliable,
139 efficient and safe service. As I stated in my rebuttal testimony, AIC needs to ensure "alignment
140 between available funds and projects which support safe and reliable service" at all times,
141 including in the midst of rate case proceedings. To be constrained to spending the precise
142 amount of capital dollars initially forecasted for each specific project - no more and no less -
143 would be imprudent. Customers would not benefit if the Company kept its planned capital
144 spending static during a rate case and continued to fund projects that were not priorities at the
145 expense of other projects that were necessary. Nor should the Company be penalized for
146 prioritizing projects in the midst of a rate case when there are operational reasons that justify
147 doing so.

148 **Q. Mr. Rashid claims that “Ameren should not be allowed to respond to adjustments to**
149 **its capital project expense by expanding its list of test year capital projects.” Did AIC**
150 **expand its list of test year projects in response to Mr. Rashid’s proposed adjustment?**

151 **A.** No. AIC did not expand its list of test year projects or shift money around in response to
152 Mr. Rashid's proposed adjustment in his direct testimony. Likewise, the Company is not
153 proposing to update its proposed rate base to include the additional projects. As noted above, the
154 Company simply contends that the Commission should take into account the total cost of the
155 projects at issue, both those that were deferred or cancelled as well as projects that were added,
156 when judging the appropriateness of making any reduction to test year rate base.

157 **Q. Mr. Rashid also claims that “[i]t is inappropriate for Ameren to fail to inform the**
158 **parties in this proceeding that it decided to implement the new projects in a timely manner,**
159 **and reveal the new projects only after I raised the issue of the cancelled or deferred**
160 **projects in the direct testimony stage.” Please respond.**

161 **A.** Although the amount of the added projects listed on Ameren Exhibit 26.1 page 2 is
162 slightly greater than the deferred and cancelled projects, the overall change is immaterial. If
163 there had been a material change to the level of forecasted test year plant additions for whatever
164 reason, the Company could have considered an update to its future test year filing, as suggested
165 by Mr. Nelson in his surrebuttal testimony. That, however, was not the case, nor has any party
166 suggested an update filing was necessary.

167 **Q. Mr. Rashid also claims that “Ameren’s late declaration of its decision to implement**
168 **the new projects effectively nullifies the meaningfulness of the review of test year capital**
169 **projects.” Please respond.**

170 **A.** Throughout the proceeding, AIC has been responsive to all requests for information on
171 forecasted plant additions, including the voluminous data requests from Mr. Rashid. In addition
172 to the required projects to be presented in accordance with the F-4 Schedule, AIC responded to

173 Staff data request YMR 1.01, which included the next 30 electric distribution projects in the
174 same format as the F-4 Schedule. A great deal of effort was expended in order to gather the
175 details, reports, dates, and justification for these projects in the format requested. In response to
176 Staff data requests YMR 1.02 through 1.09, AIC provided further information on specific
177 projects that were primarily those on the F-4 Schedule. AIC then reviewed every remaining
178 specific project in its proposed rate base, at Mr. Rashid's request, to verify whether any other
179 projects were being considered for deferment or cancellation at the time of the Company's
180 rebuttal. The end result of this process has been to identify a handful of projects that likely will
181 not be completed by the end of 2012. To imply that AIC has not been forthright and transparent
182 in response to Mr. Rashid's request for information and review of test year capital additions is
183 unfair.

184 **Q. Did Mr. Rashid conduct any "meaningful" review of the additional planned work?**

185 **A.** Yes. Project 26669 was reviewed by Mr. Rashid in Staff data request YMR 3.01, as well
186 as in my rebuttal testimony. The Company responses to Staff data requests YMR 4.01 through
187 4.03 provided Mr. Rashid with the requested information for projects that were both added and
188 deferred/cancelled as listed on Ameren Exhibit 26.1. Other information that helped with Mr.
189 Rashid's meaningful review of additional planned work was discussed in response to Staff data
190 requests YMR 5.01-5.08.

191 **Q. Will these additional projects be used and useful by the end of the test year?**

192 **A.** Yes. All of the completion dates listed on page 2 of Ameren Exhibit 26.1 reflect a
193 completion date that is on or before the end of 2012. As a matter of fact, some projects have
194 already been completed in 2011. As Ameren Exhibit 26.1 illustrates, AIC will place in service

195 as many, if not more, plant additions by the end of the test year than what was included in the
196 Company's initial filing.

197 **Q. What adjustment, if any, should the Commission make to AIC's proposed rate**
198 **base?**

199 **A.** As Mr. Nelson explains in his surrebuttal testimony, the Commission should not make
200 any adjustment to AIC's proposed base rate. Ameren Exhibit 26.1 shows that the Company's
201 original forecast remains accurate, despite the necessary prioritization of projects.

202 **Q. If the Commission wanted to adjust AIC's proposed rate base by the difference**
203 **between the deferred/cancelled projects and the additional work identified, what would be**
204 **that adjustment?**

205 **A.** Based on the information provided in Ameren Exhibit 26.1, the Commission would need
206 to increase rate base by \$1,538,184 to account for the difference between the 13 added and the
207 16 deferred/cancelled projects.

208 **B. O&M Expenses**

209 **Q. On direct, Mr. Rashid was concerned with AIC's higher level of O&M spending**
210 **during its historical test years in 2006 and 2008. Has that concern been addressed?**

211 **A.** Yes. Mr. Rashid states "The updated graph indicates that Mr. Getz's explanation
212 regarding AIC's O&M expenses between 2006 and 2008 may have been valid." AIC considers
213 this concern resolved.

214 **Q. Mr. Rashid claims though that AIC "failed to provide a viable justification" for the**
215 **claimed decrease in O&M spending for 2009-2011. He says that the premise that a utility**

216 **may choose to decrease O&M spending on its electric distribution system because of**
217 **inadequate revenues is “dangerous.” Please respond.**

218 **A.** As explained by Mr. Nelson and myself, the "viable justification" for the decreased
219 spending is that AIC simply did not have the available funds. Without sufficient revenue, it was
220 necessary to take measures to reduce O&M spending in the short-term without causing an
221 adverse impact to the adequacy, reliability and safety of the service provided. In other words,
222 you cannot spend what you do not have. And what you do have, you must spend judiciously.
223 The Company has been addressing the critical and highest priority work, while applying a "band-
224 aid" approach in other areas as long as we can, until it has an adequate revenue stream to return
225 to a level of spending necessary for long-term sustainability. Did we complete every capital
226 project and fund every operational activity that we could have done during 2009-2011? No.
227 That is why the Company has identified the amount of work that needs to be done in the test year
228 to ensure that the reliability, adequacy and safety of its service are not adversely impacted.

229 **Q. Mr. Rashid claims that AIC fails to explain whether, or to what extent the levels of**
230 **the Company's O&M spending for 2009, 2010, and 2011 affected the reliability of its**
231 **distribution system. He opines that “it is likely that reliability would be negatively affected**
232 **by reduced O&M spending in 2009, 2010, and 2011.” Does AIC agree?**

233 **A.** No. Reduced spending in a single year does not support reliability as being negatively
234 affected in that year. Day-to-day O&M work activities such as replacing aging poles or
235 upgrading older wires that are still in viable conditional and have not yet failed can be
236 postponed, just not indefinitely. The level of actual O&M spending in 2009 and 2010 did not
237 negatively affect the reliability of the Company's electric distribution system. Nor does the

238 Company expect the level of projected O&M spending in 2011 to negatively impact reliability.

239 The bigger concern for the Company remains the potential impact of an ongoing, reduced
240 level of O&M spending to system reliability. The long-term impact is detrimental in two ways.
241 First, as infrastructure continues to age, the probability of failure increases. Playing “catch up”
242 after spending has been reduced becomes a tighter race to replace facilities before they indeed
243 fail. The balance between deploying resources and beginning to replace infrastructure will have
244 a weighted impact on reliability.

245 Second, there is an unknown point in time when aging infrastructure will fail. The cost to
246 perform day-to-day O&M work can be significantly impacted by both when the work must be
247 performed and the lead-time for material. The cost to replace a pole during normal working
248 hours on a clear day in September, for example, would be significantly less than replacing it
249 during a winter storm in the middle of the night in January. Additionally, when more work is
250 performed on an emergency basis, the cost for materials may be higher because there is no
251 longer the opportunity for bulk purchases or for planned purchasing when costs are lower.

252 **Q. Has Mr. Rashid identified any evidence that AIC’s spending patterns from 2009-**
253 **2011 has impacted reliability thus far?**

254 **A.** No. Mr. Rashid did not provide any examples or show supporting information that AIC’s
255 spending pattern has adversely impacted reliability. However, the Commission's own press
256 release dated 2/8/11, “ICC Says Ameren and ComEd Well Prepared for Recent Winter Storm”
257 commends the Company’s effort to reduce the potential for power outages. “The ICC noted
258 improvements from the utilities in a number of areas including more frequent tree trimming and

259 vegetation management as well as routine inspection and maintenance of the transmission and
260 distribution systems.”

261 **V. RESPONSE TO STAFF WITNESS, MS. ELSAID**

262 **Q. In her rebuttal, Ms. Elsaid discusses the impact of implementation of certain**
263 **Liberty recommendations on Ameren Illinois’s future storm costs. Has the issue of the**
264 **appropriate normalization of storm costs been resolved between Staff and the Company?**

265 **A.** Yes. It is my understanding that Staff and the Company have agreed to base normalized
266 test year storm costs on the average expense over a six and 1/2 year period from 2005 through
267 June 2011. AIC considers this issue resolved, at least with respect to Staff. However, in the
268 event other parties seek to adopt the adjustment proposed by Staff in rebuttal, I will still respond
269 to Ms. Elsaid's opinions on the impact of the implementation of certain Liberty projects on future
270 storm expense.

271 **Q. In her rebuttal, Ms. Elsaid refers to the implementation of these recommendations**
272 **as “significant changes to operational practices and processes.” Which Liberty**
273 **recommendations does she discuss?**

274 **A.** Ms. Elsaid discusses three groups of Liberty recommendations: (1) Liberty
275 Recommendation V-11b, which is intended to determine corrective measurements that can
276 prevent conductor galloping for sub-transmission lines; (2) Liberty Recommendations VI-35,
277 VI-37, VI-41, VI-42 and VI-46, which are intended to strengthen vegetation management
278 practices; and (3) Liberty Recommendation VI-26, which is intended to improve lightning
279 protection.

280 **Q. Ms. Elsaid testifies that Liberty Recommendation V-11b is an example of a change**
281 **in operational practices or processes included in the rate case that are expected to lessen**
282 **the consequences of future storms. Please respond.**

283 **A.** Analyzing and then implementing corrective measures on sub-transmission lines prone to
284 galloping conductors could lessen the amount of future instances of galloping and thus the
285 consequences of future storms, assuming AIC experienced similar conditions in the same areas
286 of the sub-transmission systems that caused galloping to occur in the first place.

287 For example, in February 2004, a very strong winter storm moved through the Ameren
288 Illinois service territory, impacting New Berlin and surrounding areas. Between approximately
289 5:30 a.m. until 11:30 a.m., storm winds were very strong and steady. This caused the 69 kV
290 (V18732) and 12 kV (V14579) lines to come into contact. In August 2004, the Company
291 installed spoilers on approximately five miles of line from Route 104, Waverly Road north to
292 New Berlin. Following that work, AIC did not experience additional galloping in that area.

293 In February 2011, another strong wind storm moved through the same area. The
294 strongest winds were experienced beginning around 2:00 p.m. and continued until about 6:00
295 a.m. the following morning, much longer than the previous storm. Line V18732 was again
296 impacted, causing interruptions in Auburn, Auburn Coop, New Berlin, Loami, Waverly,
297 Modesto, Scottville, Palmyra and Hettick. Four floating conductors were found on the 69 kV
298 line and twenty-five braces were broken or off, including eight locations where spoilers had been
299 installed.

300 Spoilers make galloping less problematic, but they do not eliminate the phenomenon
301 under all conditions. While work completed after the February 2004 storm, as well as routine

302 maintenance and repairs from a 2006 tornado that required replacing 91 poles helped lessen the
303 impact, it did not eliminate the galloping related to the February 2011 storm.

304 **Q. Will the implementation of Liberty Recommendation V-11b necessarily reduce**
305 **AIC's future storm costs?**

306 **A.** No, not necessarily. As discussed with the New Berlin incident above, it is not possible
307 to predict the exact location and frequency of galloping conductors. Similarly, it is not plausible
308 that the exact same weather conditions would impact the locations where corrective measures are
309 taken. Responding to a summer storm involves different elements than does a winter storm.
310 Repairing facilities in an isolation area versus spread over a vast amount of the AIC service
311 territory also impacts storm costs. The amount of money projected for the test year to implement
312 this particular Liberty Recommendation only covers a portion of the sub-transmission network.
313 While implementing Liberty Recommendations V-11b may help with combating future
314 conductor galloping at specific locations, it cannot be known with any certainty that it will
315 necessarily reduce the Company's future storm costs in any given year.

316 **Q. Ms. Elsaid also testifies that the "tree-related Liberty Recommendations VI-35,**
317 **VI-37, VI-41, VI-42 and VI-46 are test year operational practices or processes that are**
318 **expected to lessen the consequences of future storms." Please respond.**

319 **A.** As indicated in response to Staff data request ME 6.02(b), AIC agrees that
320 implementation of these "tree related" Liberty Recommendations are expected to improve
321 service reliability and should help to lessen the consequences of future storms, all other things
322 being equal.

323 **Q. Will the implementation of these “tree-related” Liberty Recommendations**
324 **necessarily reduce AIC’s future storm costs?**

325 **A.** No. As indicated in response to Staff data request ME 6.02(e), “[w]hile Ameren Illinois
326 agrees with Liberty that tree-related work identified in the Liberty audit recommendations is
327 expected to improve service reliability, due to the number of variables driving any one specific
328 storm's impact, it is not possible to accurately quantify or predict the impact of implementing
329 these particular Liberty recommendations on the Company's overall storm costs in any given
330 year. In other words, the expense incurred as a result of any specific storm cannot be predicted
331 because the impact of the storm is driven by a number of factors in addition to vegetation
332 clearances or other reliability improvements, such as the strength, timing, type (wind, ice,
333 lightning, etc), location and duration of the storm event.”

334 **Q. Did you provide Ms. Elsaid with an example of an instance where the unexpected**
335 **volatility of a storm resulted in storm-related damage that likely would not have been**
336 **prevented by implementation of the "tree-related" Liberty recommendations?**

337 **A.** Yes. Also in response to data request ME 6.02(e), I noted that for example the town of
338 Quincy experienced a significant number of downed trees and branches during a June 27, 2011
339 storm. Even if AIC had already implemented every single action in these Liberty
340 recommendations, the Company’s electrical facilities in Quincy would still have experienced
341 significant damage due to strong and sustained winds. Much of the damage was caused by trees
342 that were not in the right-of-way, but were completely uprooted and fell into lines. The
343 extensive tree damage in Quincy suggested winds reached over 80 mph; an area of even more
344 extensive tree damage occurred along Highway 57 just south of Turtle Lake Road where a

345 narrow intense area of damage indicated wind speeds of 90 to 100 mph. Tree damage in the
346 Quincy area was so significant that the City had to engage snow plows in June to clear roads.

347 **Q. Ms. Elsaid also testifies that Liberty Recommendation VI-26 is a test year**
348 **operational process or practice that is expected to lessen the consequences of future storms.**
349 **Please respond.**

350 **A.** As indicated in the Company's response to Staff data request ME 6.03(a), AIC agrees that
351 implementation of this recommendation is expected to reduce, but not eliminate, lightning-
352 related outages for the distribution circuits where protective measures are taken.

353 **Q. Will the implementation of Liberty Recommendation VI-26 necessarily reduce**
354 **AIC's future storm costs?**

355 **A.** No, not necessarily. Again not only do conditions need to be similar for one storm versus
356 another; the same location would need to be impacted as well in order to have the propensity to
357 reduce future storm costs. If AIC implemented lightning protection in a specific area that was
358 later hit with a tornado, the implementation of Liberty Recommendation VI-26 would have no
359 impact on reducing future storm costs. It is not practical to think that damages from one storm
360 will be caused by the same condition as damages from another storm. As indicated in response
361 to Staff data request ME 6.03(c), "[w]hile it is true the implementation of Liberty
362 recommendation VI-26 is expected to lessen the consequences of lightning related outages in
363 storms, due to the number of variables driving any one specific storm's impact, it is not possible
364 to accurately quantify or predict the impact of implementing these particular Liberty
365 recommendations on the Company's overall storm costs in any given year. In other words, the
366 expense incurred as a result of any specific storm cannot be predicted because the impact of the

367 storm is driven by a number of factors such as the strength, timing, type (wind, ice, lightning,
368 etc), location and duration of the storm event. Also, these lightning expenditures will not have
369 any impact on the consequences of damage caused purely by wind or ice storms."

370 **Q. Are there examples of Liberty Recommendations the implementation of which**
371 **actually could increase storm expense while at the same time lessening consequences?**

372 **A.** Yes. As indicated in the Company's response to Staff data request ME 6.02(e), "[i]t is
373 also worth noting that while some Liberty recommendations are directed towards reducing the
374 frequency of outages, other recommendations are directed towards reducing the duration of
375 unavoidable outages. For example, as noted in the Commission's February 8, 2011 press release
376 (see ME 6.02 Attach) AIC was well prepared for the early February storm by staging materials
377 and crews in locations expected to be impacted and staffing call centers outside of normal
378 operating hours. These preemptive and proactive efforts are in alignment with the Company's
379 emergency planning process and protocol, as recommended and approved by Liberty. However,
380 implementation of these particular Liberty recommendations may increase, not decrease, storm
381 costs on an annual basis. Regardless, taking these steps lessens the storm impact to customers by
382 providing faster response and thereby shortening the duration of outages."

383 As pointed out in the Commission's press release, prior to the winter storm, AIC had
384 taken pre-emptive steps to ensure a rapid and organized response.

385 "Ameren and ComEd were well prepared for the storms which allowed them
386 to repair lines and restore power efficiently despite the heavy snow, freezing
387 rain and high winds. Ameren began staging crews and supplies in the areas
388 most likely to be affected before the storm occurred and increased staffing in
389 the customer call centers to respond to anticipated call volumes."

390 There is a cost associated with such pre-emptive measures. As the saying goes, “an ounce of
391 prevention is worth a pound of cure.” However, there is still a cost for an “ounce of prevention.”

392 **Q. To the extent that implementation of any Liberty Recommendation directly impacts**
393 **AIC’s future storm expense, when would that impact be realized?**

394 **A.** The impact of the implementation of any Liberty recommendations on future storm
395 expense would be realized in the test year of the Company's future rate filings. To the extent that
396 these operational activities are a variable impacting future storm expense, that variable and any
397 associated trend would be captured in the normalized storm costs in future rate cases.

398 **Q. Ms. Elsaid concludes that “the Commission should expect storm costs to lessen in**
399 **the future” and that expected cost reduction should be kept in mind when forecasting for**
400 **the future or selecting between normalization periods. Do you agree?**

401 **A.** No. The only thing that guarantees lower storm costs are less frequent and less severe
402 storms. Some years have had lower storm costs, but those years have also had fewer storms. For
403 example, storm costs in 2005 were \$1.4 million, while just the following year AIC saw a peak of
404 \$32.3 million as result of the severe impact from the 2006 storms.

405 **VI. RESPONSE TO AG/CUB WITNESS, MR. EFFRON**

406 **Q. Mr. Efron testifies on rebuttal that AIC “has offered no plausible justification for**
407 **the 2010 and 2011 distribution O&M being anything less than what is necessary to**
408 **properly maintain and operate its electric distribution system.” Do you agree?**

409 **A.** No. As explained in both my direct and rebuttal testimonies, the cost drivers for test year
410 electrical distribution expense include the work associated with substation maintenance, circuit
411 maintenance, vegetation management and implementation of recommendations from the Liberty

412 Audit. In testimony and in response to data requests, the Company has identified the work that it
413 will perform in the test year that will result in the forecasted level of electrical distribution
414 expense.

415 **Q. Mr. Effron also states that the increase in distribution O&M from actual 2010**
416 **expense implicit in his recommendation is “more than reasonable.” Do you agree?**

417 **A.** No. Take the example of the incremental dollars needed for substation maintenance. At
418 present, AIC is able to complete half of the open work orders within one year. It will require
419 additional resources in order to escalate this completion rate. Given the aging workforce,
420 exacerbated within the substation personnel group particularly, the sooner new employees are
421 brought in, the sooner they can be trained to be as effective as possible as retirements occur.
422 Lastly, the substation facilities themselves are aging, with the ability to obtain replacement parts
423 limited by market availability. Without adequate funding, the gap will continue to widen
424 between the work that can be completed within a year, the number of resources needed to bridge
425 the gap, and the ability to repair individual facilities. The current funding is not adequate given
426 these hurdles. Funding this work today is the most reasonable approach rather than waiting until
427 it will be more costly to implement.

428 **VII. CONCLUSION**

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

430 **A.** Yes, it does.