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Witness:	*Mark L. Oligschlaeger*
Sponsoring Party:	*MoPSC Staff*
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION
UTILITY SERVICES - AUDITING

REBUTTAL TESTIMONY

OF

MARK L. OLIGSCHLAEGER

NORANDA ALUMINIMUM, INC., ET AL, COMPLAINANTS

v.

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

CASE NO. EC-2014-0223

Jefferson City, Missouri
June 2014

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Q. Please state your name and business address.

A. Mark L. Oligschlaeger, P.O. Box 360, Suite 440, Jefferson City, MO 65102.

Q. Please describe your educational background and work experience.

A. I attended Rockhurst College in Kansas City, Missouri, and received a Bachelor of Science degree in Business Administration, with a major in Accounting, in 1981. I have been employed by the Missouri Public Service Commission ("Commission") since September 1981 within the Auditing Unit.

Q. What is your current position with the Commission?

A. In April 2011, I assumed the position of Manager of the Auditing Unit, Utility Services Department, Regulatory Review Division, of the Commission.

Q. Are you a Certified Public Accountant ("CPA")?

A. Yes, I am. In November 1981, I passed the Uniform Certified Public Accountant examination and, since February 1989, have been licensed in the state of Missouri as a CPA.

Q. Have you previously filed testimony before this Commission?

A. Yes, numerous times. A listing of the cases in which I have previously filed testimony before this Commission, and the issues I have addressed in testimony in cases from 1990 to current, is attached as Schedule 1 to this rebuttal testimony.

Q. What knowledge, skills, experience, training and education do you have in the areas of which you are testifying as an expert witness?

A. I have been employed by this Commission as a Regulatory Auditor for over 30 years and have submitted testimony on ratemaking matters numerous times before the Commission. I have also been responsible for the supervision of other Commission employees in rate cases and other regulatory proceedings many times. I have received continuous training at in-house and outside seminars on technical ratemaking matters since I began my employment at the Commission.

Q. With reference to Case No. EC-2014-0223, have you participated in the Commission Staff's ("Staff") review of the complaint filed by Noranda Aluminum, Inc., and 37 other electric customers ("Complainants") against Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") concerning its rate levels?

A. Yes, I have, with the assistance of other members of Staff. On April 16, 2014, the Commission directed Staff to perform an analysis and investigation regarding this earnings complaint. Staff's rebuttal testimony offers its analysis and investigation in response to the Commission's directive. Also, within its rebuttal, Staff will respond to the direct testimony of Complainant witnesses Greg R. Meyer and Michael P. Gorman filed in this proceeding.

EXECUTIVE SUMMARY

Q. Please summarize your rebuttal testimony in this proceeding.

A. In this testimony, I will discuss the policy implications of the Complainants' request that the Commission order a rate reduction for Ameren Missouri at this time. I will discuss why the Complainants' request has not been supported by adequate evidence of material and continuing overearnings on the part of Ameren Missouri, as well as its failure to consider "all relevant factors" in its revenue requirement analysis. I will discuss some history of earnings investigations conducted by Staff in the past, and why the Complainants' current request is not comparable to the situations leading to the rate reductions that followed upon those prior earnings investigations. I will also describe the process by which Staff typically reviews the earnings levels and the rates of utilities that may be overearning. I will also briefly discuss the financial impact of Ameren Missouri's Missouri Energy Efficiency Investment Act ("MEEIA") program on its earnings during the period analyzed by Staff in this proceeding.

Q. What other Staff witnesses will be submitting rebuttal testimony in this proceeding?

A. Staff witness John P. Cassidy will discuss Staff's analysis of Ameren Missouri's current earnings situation, based primarily upon a review of financial information for the Company for the period of calendar year 2013. Staff witnesses Shawn E. Lange and Dr. Seoung Joun Won will testify about the appropriateness of adjusting Ameren Missouri's 2013 reported earnings for weather normalization and other factors affecting booked revenue levels.

CRITERIA FOR EARNINGS REVIEW

Q. What criteria does Staff recommend be used to assess whether a utility's rates should be subject to audit in relation to a possible rate reduction (i.e., undergo an earnings investigation)?

A. Staff recommends that a utility's rate levels be subject to an earnings investigation when there is evidence that the utility's current rates are producing an earnings level that materially exceeds its authorized return on equity ("ROE"), and that the excessive earnings level is expected to be ongoing in nature.

Q. In the context of examining a utility's earnings, what does "material" mean in relation to overearnings?

A. Staff does not suggest that the Commission employ a strict materiality standard to measurement of overearnings. At a minimum, though, Staff would advise that an overearnings amount be at least equal to 1% of the utility's annual revenue level before any action would be considered in response to that earnings level. Almost all utility applications to increase rates involve a proposed rate increase percentage far above 1% of current revenues.

Q. In the context of examining a utility's earnings, what does "ongoing overearnings" mean?

A. In this context, an ongoing level of overearnings means that based upon the available evidence, the utility's current level of earnings is likely to continue into the future. Stated another way, it is a level of earnings driven by external factors that are likely to continue into the future. Examples of such external factors would be continuous strong growth in customers, a consistently declining rate base, a lower cost of capital than that upon which the current rates are premised, etc.

Q. Have the Complainants established that Ameren Missouri is currently experiencing a material level of overearnings?

A. No. Staff witness Cassidy has presented an analysis of the Company's earnings that indicates a significantly lower level of possible overearnings than that asserted by

Complainant witness Greg R. Meyer, based upon a different and updated twelve-month period of review.

Q. Have the Complainants established that Ameren Missouri is currently experiencing a level of overearnings that is ongoing in nature?

A. No. Complainant witness Meyer's calculated level of over-earnings is based upon financial information that is largely cut off as of September 30, 2013. The Complainant's testimony does not address the question of whether the calculated level of overearnings they present is likely to persist into the future.

Q, Is there reason to believe that any overearnings that may exist at this time for Ameren Missouri may not be ongoing in nature?

A. Yes. Since the fall of 2013, Staff has been aware that Ameren Missouri was planning to file a general rate increase case in the second half of 2014. This forthcoming case was forecasted by the Company to be primarily driven by certain large capital additions expected in 2014. Ameren Missouri has since made a "notice of likely contested case" filing in March of this year in Case No. ER-2015-0258 expressing its plans to file a general rate increase in 2014. Ameren Missouri expects the actual rate request and supporting evidence to be filed by July 15, 2014. While Staff and other parties obviously have not had the opportunity to express an opinion on whether Ameren Missouri will need a rate increase in response to this application, the Company's actions indicate its belief that it will need rate relief by no later than the middle of 2015.

Q. Are there any other criteria that Staff recommends that the Commission adopt in assessing whether a utility is overearning?

A. Yes. Staff recommends that the Commission require that any proposal to reduce a utility's rates be supported by a detailed and thorough analysis of all relevant factors affecting the utility's cost of service. In practice, this means that an audit process identical or highly similar to that normally employed by Staff in reviewing utility applications to increase rates should also be employed in developing recommendations to reduce a utility's rates.

Q. Does Staff believe that the Complainants have relied upon a thorough and detailed analysis of Ameren Missouri's cost of service, based upon all relevant factors, in making its recommendation to reduce the Company's rates?

A. No. Please refer to the rebuttal testimony of Staff witness Cassidy for a detailed discussion of this point.

Q. Have you reviewed the testimony and exhibits filed by the Complainants in this proceeding alleging current overearnings by Ameren Missouri?

A. Yes, I have.

Q. Is there an unusual aspect to the timing of the Complainants' filing?

A. Yes. The Complainants are alleging excess earnings by Ameren Missouri based upon a review of financial information that is cut off at a point only nine months after a Commission-ordered rate increase took effect for the Company.

Q. Does Staff have a concern with this timing?

A. Yes. Once a Commission-ordered rate change takes effect, it takes twelve (12) months for the full financial impact of that rate change to be reflected in the utility's actual earnings levels. If a rate change is contemplated less than twelve months after implementation of the last change in rates authorized for the utility, then an estimate has to be made of the revenue impact of the last rate change in order to determine the need for an additional rate change.

Barring highly unusual circumstances, Staff takes the position that it is appropriate to wait for new rates to be in effect for at least one year prior to consideration of performing an earnings investigation of that utility. Staff's analysis of Ameren Missouri's current earnings, as discussed in Mr. Cassidy's rebuttal testimony, pertains to a period of time when the last rates authorized for the Company had been in effect for a full year.

PRIOR STAFF EARNINGS INVESTIGATIONS

Q. Have you been involved in prior earnings investigations or overearnings complaint cases in the past on behalf of Staff?

A. Yes, I have. Please refer to my Schedule 1 for a listing of the specific earnings complaint cases in which I have filed testimony. These proceedings include Case No. EC-2002-1, an earnings complaint case filed by Staff against Ameren Missouri in 2001.

Q. Can you discuss some of the circumstances under which Staff has conducted earnings investigations of utilities in the past?

A. Yes. Most of my direct experience has concerned earnings investigations initiated due to the Tax Reform Act of 1986 and earnings investigations triggered by the expiration of "earnings sharing plans" involving Southwestern Bell Telephone Company ("SWBT") and Ameren Missouri. I will discuss both of these types of cases in turn.

Q. How did the Tax Reform Act of 1986 ("TRA") affect Missouri utilities?

A. Among other effects, the TRA reduced the top federal income tax rate paid by Missouri utilities (in fact, all U.S. corporations) from 46% to 34%. The dramatic drop in the federal income tax rate meant that utility rates, premised upon a substantially higher tax rate, would likely be materially overstated for all or most major utilities in Missouri after this law took effect. After enactment of the TRA, based upon a Commission directive, Staff initiated a series of earnings investigations for all large Missouri utilities, in order to determine whether rate reductions were in order. These earnings investigations involved a review of all relevant factors affecting the utilities' revenue requirement. Almost all of these earnings investigations were resolved through voluntary agreements by the utility to reduce their rates. One utility, SWBT, resisted the effort to have its rates reduced after the TRA. Subsequently, Staff performed a full earnings review of that utility, and later filed an earnings complaint against SWBT. The Commission ultimately ordered a rate reduction for SWBT in that instance.

Q. How were the past TRA earnings investigations and rate reductions different from the Complainants' proposal to reduce Ameren Missouri's rates in this proceeding?

A. These earnings investigations and rate reductions were largely driven by an external factor that was reasonably assumed to result in both a material and ongoing reduction in Missouri utilities' cost of service.

Q. What are "earnings sharing plans?"

A. These are plans I would characterize as allowing a utility in an overearnings situation to forego receiving a permanent reduction to their rates in return for sharing with customers through bill credits all earnings above a certain stated ROE percentage. SWBT was covered by this type of plan in 1990-1992, following its rate reduction mentioned above. Ameren Missouri was regulated under this format from 1996 to 2001. Upon the expiration of both plans, Staff initiated full earnings investigations of both companies.

Q. Why did Staff initiate earnings investigations of both SWBT and Ameren Missouri upon expiration of their earnings sharing plans?

A. During the course of these plans, both utilities consistently paid out customer credits based upon high annual ROE values achieved over a period of years. (The calculated

ROEs under both plans were not computed using only unadjusted book earnings; some adjustments were allowed under the terms of the earnings sharing plans.) For that reason, Staff perceived that both utilities had been materially overearning for a prolonged period of time and that a permanent rate reduction might be appropriate.

Q. What were the results of these earnings investigations?

A. For both companies, Staff filed earnings complaints as a result of their investigations. In the SWBT case, the Commission ultimately ordered another rate reduction of that utility. Ameren Missouri, in contrast, entered into a stipulation and agreement and voluntarily agreed to reduce its rates in 2002.

Q. At the time Staff initiated its earnings complaint case against Ameren Missouri in Case No. EC-2002-1, when was the last time Ameren Missouri had received a rate increase from the Commission?

A. Ameren Missouri had last received a rate increase in Missouri in 1988.

Q. How is the situation leading to the earnings investigations/rate reductions associated with the expiration of SWBT's and Ameren Missouri's earnings sharing plans different from Ameren Missouri's current financial and rate environment?

A. In both the cases of SWBT in the early 1990s and Ameren Missouri in the early years of the last decade, it had been a number of years since either utility had sought or received a rate increase, and their performance under their respective earnings sharing plans indicated the potential existence of material and ongoing overearnings. In contrast, the Complainants' evidence is based upon a period of time less than one year after the Commission had authorized a rate increase for the Company. Further, Ameren Missouri has consistently filed rate increase applications every 18-24 months in Missouri since 2006, and in every instance the Commission has authorized a rate increase for it. The following chart summarizes Ameren Missouri's recent rate case history:

Ameren Missouri Rate Case History 2006 – 2014

Case Number	Date Filed	Amount Requested Millions	Increase Granted	Effective Date
ER-2007-0002	July 7, 2006	$360.7	$41.8	June 1, 2007
			$ 1.0	July 23, 2007
ER-2008-0318	April 4, 2008	$251.0	$161.7	March 1, 2009
ER-2010-0036	July 24, 2009	$401.5	$229.6	June 21, 2010
ER-2011-0028	Sep 3, 2010	$263.3	$173.2	July 31, 2011
ER-2012-0166	Feb 3, 2012	$375.6	$259.6	Jan 2, 2013

STAFF EARNINGS REVIEW PROCESS

Q. Please describe the normal process by which Staff has examined utility earnings for potential overearnings in the past.

A. In my experience, Staff has generally employed a three-phase process to review Company earnings to ascertain whether a rate reduction is justified. These three (3) phases are: (1) a broad-based review of a utility's per-book earnings results, with a focus on making necessary adjustments to conform actual earnings results to a ratemaking format; (2) an assessment of the need for application of major normalization, annualization or disallowance adjustments to the book earnings amount being examined; and (3) if warranted, a detailed review and audit of all relevant factors affecting the utility's cost of service.

Q. When examining a utility's earnings for evidence of overearnings, what should the actual earned return on equity of the utility be compared to as a benchmark?

A. In most circumstances, the benchmark ROE should be the utility's authorized ROE as previously established by the Commission.

Q. What is Ameren Missouri's current authorized ROE?

A. For Ameren Missouri, its current authorized ROE is 9.8%, set by the Commission in Case No. ER-2012-0166, in a Report and Order issued in December 2012.

Q. Under what circumstances might it be appropriate to utilize a different benchmark ROE than the last authorized ROE value for a utility for purposes of an earnings investigation?

A. A utility's required ROE can fluctuate over time, based upon general financial market conditions and factors specific to the company in question. If the factors affecting a utility's required ROE at the point in time its earnings are being examined are believed to be substantially different from when its current authorized ROE was set, then Staff might consider using a more current required ROE value for purposes of assessing whether overearnings exists. This circumstance is more likely if a substantial amount of time had elapsed between the point the earnings review occurs compared to when the utility's authorized ROE was set.

Q. What ROE does Staff assert should be utilized for any review of Ameren Missouri's earnings at this time?

A. Staff recommends that the current authorized ROE for the Company of 9.8% be used for this purpose. The current rates were established to provide a reasonable opportunity to earn a 9.8% ROE, and Ameren Missouri's current earnings should be judged accordingly.

Q. What ROE do the Complainants advocate the Commission use in its request to reduce Ameren Missouri's rate levels?

A. Complainant witness Gorman recommends that an ROE of 9.4% be used for this purpose.

Q. What is the Staff's position on this ROE recommendation?

A. Use of a lower ROE than that currently authorized to assess the adequacy of Ameren Missouri's current rate levels is inappropriate at this time and in these particular circumstances, in Staff's opinion. First, Ameren Missouri's current rates were first charged to customers in January 2013, and its current rates are premised upon a 9.8% ROE. The Complainants' request for a rate reduction is largely based upon financial information cut off at a point in time less than a year after the Company's current rates went into effect. It seems most reasonable that any examination of the continuing reasonableness of those rates would use the Commission's most recent finding as a benchmark as to an appropriate ROE for the Company. In his direct testimony, Mr. Gorman does not appear to assert that the factors affecting calculation of an appropriate ROE for Ameren Missouri have materially changed since the time of Case No. ER-2012-0166. Advocacy of a different ROE value at this time may be suggestive of a desire to "relitigate" the ROE issue in the context of an earnings investigation and complaint. Staff does not believe relitigation of issues should be a primary driver of an overearnings investigation.

Q. Isn't it true that Staff advocated an ROE value lower than both the current 9.8% authorized ROE for Ameren Missouri and Mr. Gorman's recommendation of 9.4% in Ameren Missouri's last general rate case?

A. That is correct. However, Staff argued for its position in Case No. ER-2012-0166, and the Commission found a different ROE value to be more reasonable. The Commission's current authorized ROE should be used in any test of the ongoing reasonableness of Ameren Missouri's rate levels.

Q. What is the relevance of a utility's annual level of per-book earnings to an allegation of overearnings?

A. A utility's level of annual earnings as measured over a recent period is an appropriate starting point for a review of potential overearnings. However, the fact that a utility's reported earnings may be above its authorized ROE, or even a more updated ROE percentage, is only suggestive of the possibility of the existence of overearnings, and does not constitute substantial evidence of that phenomenon.

Q. Why can't actual book earnings results of a utility be compared directly to an authorized or otherwise appropriate ROE percentage to determine the existence of overearnings?

A. Actual earnings and ratemaking earnings can be and often are computed in a materially different manner. For example, the ratemaking process is premised upon inclusion of "normal" levels of ongoing revenues, expenses and rate base investment impacts in rates, while annual earnings results may be significantly affected by the financial consequences of abnormal, non-recurring and extraordinary events. In some circumstances, utility expenses may be treated in a different manner for purposes of setting rates than for financial reporting purposes. Also, actual earnings results can be and often are materially affected by abnormal weather impacts, while ratemaking assumes normal weather conditions.

Q. Please provide a recent example of a utility's actual earnings level being a misleading indicator of its rate status.

A. In Ameren Missouri's last general rate case, No. ER-2012-0166, evidence was submitted that the Company's actual earnings level during the pendency of the case was in excess of its then-authorized ROE. Notwithstanding that the earnings period producing the high per-book earnings coincided, in large part, with the test year, update period and true-up periods used in setting rates in that case, the Commission ultimately ordered a significant rate increase for Ameren Missouri in that proceeding.

Q. Is it also possible that an actual earnings level by a utility that is lower than an authorized or otherwise reasonable ROE may translate into overearnings when adjusted for ratemaking purposes?

A. Yes.

Q. What sorts of potential earnings impacts would Staff examine in the first phase of its earnings investigation (the review of per book earnings)?

A. First, and primarily, Staff would examine the impact of weather conditions on the utility's earnings during the period being analyzed. It is possible that all or most of a utility's overearnings as indicated by its actual earnings level may be eliminated once the impact of abnormal weather is eliminated.

Also, Staff would review whether unusual, non-recurring or extraordinary events are affecting the utility's reported earnings in a material way.

Also, Staff would review whether the utility has incurred costs in the recent past that have not affected its earning levels, but nonetheless would have ratemaking implications in the event a utility's rates were subject to change.

Q. Please explain your last point in more detail.

A. As the Commission is no doubt aware, utilities are sometimes allowed to "defer" or "track" changes in the levels of certain expenses through the issuance of accounting authority orders ("AAOs") or tracker mechanisms in AAO applications or rate cases. Deferral or tracking treatment has the result of allowing a utility to effectively shield its earnings from the impact of the change in the particular cost being deferred or tracked, while also preserving an ability to seek rate treatment of the increase or decrease in the cost in future general rate proceedings.

Q. Is Staff aware of any costs being deferred by Ameren Missouri that would have future rate implications?

A. Yes, there are several categories of such costs, including pensions/employee benefits other than pensions ("OPEBs"), vegetation management costs, and costs associated with compliance with the Missouri Renewable Energy Standards ("RES"). Of particular significance and materiality at the present time are certain "solar rebate" costs incurred by Ameren Missouri pursuant to RES compliance. In the Stipulation and Agreement reached in Case No. ET-2014-0085, Ameren Missouri agreed to pay out a maximum of approximately $91.9 million in solar rebate payments to qualifying recipients. That agreement also provided that Ameren Missouri would receive recovery of these amounts, including carrying costs, over a three-year amortization period starting with the Company's next general rate case.

Q. What will be the rate impact of the solar rebate agreement in Case No. ET-2014-0085 on Ameren Missouri's revenue requirement in its next rate case?

A. It is expected that this treatment will increase Ameren Missouri's revenue requirement in an amount of more than $33 million annually in Case No. ER-2014-0258.

Q. Has Staff performed a typical first phase review of earnings in its examination of Ameren Missouri's 2013 earnings results?

A. Yes. In its rebuttal testimony, Staff has presented estimates of the impact of abnormal weather on the Company's 2013 earnings results, and also identified non-recurring fuel adjustment clause refunds that materially affected the period in review. In addition, Staff identified a significant impact of the Company's MEEIA programs on calendar year 2013 financial results for Ameren Missouri. I will discuss this impact in detail later in this testimony.

Q. Did the Complainants present evidence in their direct filing concerning what Staff calls a first phase review of Ameren Missouri's actual earnings level?

A. Not to the extent performed by Staff. For example, Complainant witness Meyer did not present evidence of the impact of abnormal weather on the twelve-month period he reviewed. Nor did Mr. Meyer address the impact of MEEIA cost recovery on Ameren Missouri's financial results in the period, or the impact of the solar rebate amortization on any future calculated rate increase or decrease amount.

Q. Please describe the second phase of Staff's typical approach to an overearnings review.

A. If the results of the first phase of the review indicate that further analysis is appropriate, Staff will examine the unadjusted per book annual earnings results of the utility for the twelve months of the selected review period to determine whether normalization, annualization or disallowance adjustments to per-book earnings results are appropriate in order to accurately determine whether a true material overearnings situation exists for the utility in question.

Q. Why would consideration of annualization adjustments be appropriate in some circumstances in analyzing potential overearnings?

A. As discussed, an actual earnings results measured over a twelve-month period is generally used a starting point for an overearnings analysis. However, rates are not and should not be based upon unadjusted annual financial results. Instead, rates are based in Missouri on financial results calculated as much as possible as of a particular point in time, such as the end of a test year, test year update period or true-up period. For this reason, among other items, rate base items are normally measured for ratemaking purposes at end-of-period values, major expenses such as payroll and benefits costs are reflected in rates at their most recent values (i.e., the most current salary/wage and employee number information), and revenues are calculated based upon the most current customer numbers.

Q. In the context of earnings investigations, why is consideration of potential annualization adjustments important?

A. The amount of annual earnings by definition result from the financial impact of events occurring generally within a twelve-month time period, and much can happen to a utility's cost of service over that duration. For example, a utility's financial results can show overearnings over a given twelve-month period, but adjustment for the most recent trends in the company's revenues, expenses and rate base might show that little or no overearnings exist if measured on a more current basis. These trends may indicate that the overearnings can be eliminated in the future without any rate change. The opposite scenario of a utility earning an adequate or low ROE in a twelve-month period, but overearning when major cost of service components are measured on an end-of-period basis, is possible as well.

Q. Why is consideration of normalization adjustments appropriate in an overearnings review context?

A. As previously discussed, ratemaking is generally premised upon the use of normal and ongoing levels of revenues, expenses and rate base. To the extent a utility's actual earnings results for a twelve-month period are materially affected by abnormal, fluctuating or unusual financial results, those results should be adjusted out of the utility's earnings results in order to determine whether a permanent change in rates based on "normal" cost of service values may be appropriate.

Q. Why is consideration of disallowance adjustments sometimes appropriate in an overearnings context?

A. There are certain items of cost that are routinely excluded from the ratemaking process for policy reasons, such as some types of advertising, certain types of incentive compensation expenses, dues and donations, and lobbying costs. To the extent a utility chooses to continue to incur these costs even after they are excluded from the ratemaking process, the result will be lower earnings for the utility. In an earnings investigation context, these items serve to artificially lower a utility's earnings return compared to its ROE calculated for ratemaking purposes.

Q. Did Staff take into account the need for potential annualization and normalization adjustments in reviewing Ameren Missouri's per book earnings for the twelve (12) months ending December 31, 2013?

A. Yes, it did. Staff considered the need for potential annualization and normalization adjustments for such items as payroll expense (salary increases) and certain maintenance expenses. Please refer to the rebuttal testimony of Staff witness Cassidy for a further discussion of these items. It should be noted that, due to time constraints, Staff did not examine the Company's calendar year 2013 financial records for potential annualization or normalizations adjustments to the same degree it would in other earnings investigation situations, or as it would as part of a detailed rate case or earnings complaint audit.

Q. Did Staff take into account the need for potential disallowance adjustments in reviewing Ameren Missouri's per book earnings for the twelve months ending December 31, 2013?

A. Yes, it did. The only "standard" disallowance that Staff proposes in most rate cases that it considered to be material to the Company's 2013 actual earnings results pertained to incentive compensation expenses. Again, please refer to the rebuttal testimony of Mr. Cassidy for a further discussion of this item.

Q. Please discuss the third phase of Staff's normal approach to an overearnings review.

A. The third phase of a Staff overearnings investigation would be a detailed audit of the utility's revenue requirement, encompassing all relevant factors affecting a utility's cost of service. The time devoted to this phase, and the level of effort, would be largely identical to Staff's normal rate case audit undertaken in response to a utility application to increase its rate levels. Because this type of audit requires a great deal of dedicated Staff personnel and audit time, this effort would not be undertaken unless the results of Staff's first and second phase reviews indicated the clear existence of material and continuing levels of overearnings by the utility.

Q. Does Staff intend to conduct a full earnings audit of Ameren Missouri in response to the Complainants' allegations in this proceeding?

A, No, not unless directed to do so by the Commission. The results of Staff's analysis of Ameren Missouri's calendar year 2013 earnings conducted so far, as discussed by Mr. Cassidy, do not indicate that Ameren Missouri is materially or continually overearning at the present time when its recent actual earnings levels are analyzed in light of traditional Missouri ratemaking practices.

Q. Does Staff expect that it and other parties will have an opportunity to conduct a thorough audit of Ameren Missouri in the near future?

A. Yes. As previously discussed, Ameren Missouri has submitted a notice of intent to file a general rate case in 2014 seeking to increase its rates, probably within the next several months. In response, as Staff always does, auditors and other Staff personnel will be assigned to perform a thorough and detailed audit and review of Ameren Missouri's current financial situation. If Staff or other parties conclude that, after this review, Ameren Missouri is in fact overearning, appropriate action will be taken in the context of the Company's rate increase application (Case No. ER-2014-0258).

MEEIA EARNINGS IMPACTS

Q. What is MEEIA?

A. MEEIA is the "Missouri Energy Efficiency Investment Act of 2009." The intent of MEEIA is to authorize the Commission to enact measures that encourage utilities to seek demand side savings from energy efficiency initiatives as an alternative to construction of additional generation facilities or utilization of other supply-side resources to serve future customer load. MEEIA, along with the Commission's rules implementing this legislation, largely prescribes the design and cost-effectiveness of demand-side programs and the ratemaking treatment to be provided to the utilities to reimburse them for the financial impact of offering demand side programs.

Q. Does Ameren Missouri have MEEIA programs in place at this time?

A. Yes. In Case No. EO-2012-0142, Ameren Missouri sought authorization to offer such programs, as well as specific ratemaking treatment for the financial impact of the MEEIA programs. A Stipulation and Agreement authorizing the programs and their accounting and ratemaking treatment in that case was filed in July 2012 and approved by the Commission in August 2012. The prescribed ratemaking treatment was also incorporated into the rates set for the Company in its concurrent general rate increase case, No. ER-2012-0166.

Q. What ratemaking treatment for MEEIA financial impacts was included in the rates set in Case No. ER-2012-0166?

A. There are two components of MEEIA ratemaking currently allowed for Ameren Missouri.

The Stipulation and Agreement in Case No. EO-2012-0142 specified that Ameren Missouri was to charge approximately $48 million per year for "program costs" associated with offering MEEIA programs to customers. Any difference between the amount of program costs actually incurred by the Company and the amount of its actual charges to customers for program costs was to be deferred for either later recovery by Ameren Missouri or flow back to customers. In 2013, Ameren Missouri charged approximately $12.3 million more in rates for MEEIA program costs than it actually spent for this item. However, that difference was booked to a regulatory liability account by Ameren Missouri and accordingly had no impact on the Company's 2013 earnings level.

The Stipulation and Agreement in Case No. EO-2012-0142 also provided that Ameren Missouri would recover amounts in rates prospectively to reimburse it for what is called "throughput disincentive," also commonly known as "lost revenues." The throughput disincentive in question will result from the Company's MEEIA program offerings, if the programs are successful. The agreement in Ameren Missouri's MEEIA application case provided for the Company to receive reimbursement for its estimated throughput disincentive by retaining a portion of the "net benefits" associated with the MEEIA programs. (The net benefits of MEEIA demand side programs consist primarily of savings resulting from avoided energy and demand costs as a result of the MEEIA programs less the program costs.) The Stipulation and Agreement in Case No. EO-2012-0142 provided a front-loaded recovery of MEEIA net benefits to Ameren in 2013. The Company has calculated that its appropriate share of MEEIA net benefits in 2013 was approximately $37.1 million per the terms of the Stipulation and Agreement in Case No. EO-2012-0142, while its estimated actual throughput disincentive in that year was approximately $11.5 million. Because of the difference between the amount of throughput disincentive that was estimated to occur for Ameren Missouri in 2013 and the amount of MEEIA net benefits Ameren Missouri calculates that it should receive related to its MEEIA programs in 2013, Ameren's Missouri's earnings in 2013 were boosted by approximately $25.7 million (before-tax).

Q. Does the potential existence of additional earnings booked by the Company in 2013 associated with MEEIA rate treatment justify the need for a rate reduction for the Company?

A. No, not in Staff's opinion. The structure of the ratemaking treatment granted to Ameren Missouri in Case No. EO-2012-0142 calls for it to under-recover program costs and throughput disincentive in rates in later years to balance out its over-recovery of these items in 2013 (and succeeding years, if applicable). In essence, rates were designed in Case No. ER-2012-0166 to allow Ameren Missouri to earn more in 2013 than its authorized ROE of 9.8%, although rates were also designed to allow the Company to earn less than 9.8% in later years due to MEEIA financial impacts, all other factors being equal. Seen in that light, the over-recovery of throughput disincentive in 2013 by the Company was foreseen and intentional by the parties to Ameren's MEEIA application, and did not result simply from an inadvertent mismatch of Ameren's rate recovery and cost of service for this item. For that reason, as shown in Mr. Cassidy's rebuttal testimony, Staff had adjusted Ameren Missouri's actual 2013 earnings to remove the impact of MEEIA ratemaking treatment in its overearnings analysis.

Q. Did you provide the amount of $25.7 million for the MEEIA related adjustment to Ameren Missouri's 2013 actual earnings to Mr. Cassidy for his use in an overall analysis of the Company's 2013 earnings, as presented in his rebuttal testimony?

A. Yes, I did.

Q. Has Ameren Missouri's authorized rate recovery method for MEEIA financial impacts changed subsequent to 2013?

A. Yes. In February 2014, a rate rider mechanism was implemented to allow Ameren Missouri to begin recovery of MEEIA program costs and MEEIA net benefits outside of a general rate case. However, the rider is structured so that Ameren Missouri's over-recovery of both program costs, and shared benefits (compared to throughput disincentive), in 2013 will still be returned to the Company's ratepayers over time.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

Noranda Aluminum, Inc., et al., Complainants, v. Union Electric Company d/b/a Ameren Missouri, Respondent	)))	Case No. EC-2014-0223

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 23 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Mark L. Oligschlaeger

Mark L. Oligschlaeger

Subscribed and sworn to before me this 6th day of June 2014.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070

D Suzie Mankin

Notary Public

CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
Missouri Gas Energy, A Division of Laclede Gas Company	GR-2014-0007	**Surrebuttal:** Pension Amortizations
Kansas City Power & Light Company	EO-2014-0095	**Rebuttal:** DSIM
Union Electric Company d/b/a Ameren Missouri	ET-2014-0085	**Surrebuttal:** RES Retail Rate Impact
Kansas City Power & Light Company & KCP&L Greater Missouri Operations Co	EU-2014-0077	**Rebuttal: Accounting Authority Order**
Kansas City Power & Light Company	ET-2014-0071	**Rebuttal:** RES Retail Rate Impact **Surrebuttal:** RES Retail Rate Impact
KCP&L Greater Missouri Operations Company	ET-2014-0059	**Rebuttal:** RES Retail Rate Impact **Surrebuttal:** RES Retail Rate Impact
The Empire District Electric Company	ER-2012-0345	**Direct (Interim):** Interim Rate Request **Rebuttal:** Transmission Tracker, Cost of Removal Deferred Tax Amortization; State Income Tax Flow-Through Amortization **Surrebuttal:** State Income Tax Flow-Through Amortization
KCP&L Greater Missouri Operations Company	ER-2012-0175	**Surrebuttal:** Transmission Tracker Conditions
Kansas City Power & Light Company	ER-2012-0174	**Rebuttal:** Flood Deferral of off-system sales **Surrebuttal:** Flood Deferral of off-system sales, Transmission Tracker conditions
Union Electric Company d/b/a Ameren Missouri	ER-2012-0166	**Responsive:** Transmission Tracker
Union Electric Company d/b/a Ameren Missouri	EO-2012-0142	**Rebuttal:** DSIM
Union Electric Company d/b/a Ameren Missouri	EU-2012-0027	**Rebuttal:** Accounting Authority Order **Cross-Surrebuttal:** Accounting Authority Order
KCP&L Greater Missouri Operations Company	EO-2012-0009	**Rebuttal:** DSIM
Missouri Gas Energy, A Division of Southern Union	GU-2011-0392	**Rebuttal:** Lost Revenues **Cross-Surrebuttal:** Lost Revenues
Missouri-American Water Company	WR-2011-0337	**Surrebuttal:** Pension Tracker

CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
The Empire District Electric Company	ER-2011-0004	**Staff Report on Cost of Service: Direct:** Report on Cost of Service; Overview of the Staff's Filing, **Surrebuttal:** SWPA Payment, Ice Storm Amortization Rebasing, S02 Allowances, Fuel/Purchased Power and True-up
The Empire District Electric Company, The-Investor (Electric)	ER-2010-0130	**Staff Report Cost of Service: Direct** Report on Cost of Service; Overview of the Staff's Filing; Regulatory Plan Amortizations; **Surrebuttal:** Regulatory Plan Amortizations
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	**Staff Report Cost of Service: Direct** Report on Cost of Service; Overview of the Staff's Filing; **Rebuttal:** Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; **Surrebuttal:** Environmental Expense, FAS 106/OPEBs
KCP&L Greater Missouri Operations Company	EO-2008-0216	**Rebuttal:** Accounting Authority Order Request
The Empire District Electric Company	ER-2008-0093	Case Overview; Regulatory Plan Amortizations; Asbury SCR; Commission Rules Tracker; Fuel Adjustment Clause; ROE and Risk; Depreciation; True-up; Gas Contract Unwinding
Missouri Gas Utility	GR-2008-0060	Report on Cost of Service; Overview of Staff's Filing
Laclede Gas Company	GR-2007-0208	Case Overview; Depreciation Expense/Depreciation Reserve; Affiliated Transactions; Regulatory Compact
Missouri Gas Energy	GR-2006-0422	Unrecovered Cost of Service Adjustment; Policy
Empire District Electric	ER-2006-0315	Fuel/Purchased Power; Regulatory Plan Amortizations; Return on Equity; True-Up
Missouri Gas Energy	GR-2004-0209	Revenue Requirement Differences; Corporate Cost Allocation Study; Policy; Load Attrition; Capital Structure
Aquila, Inc., d/b/a Aquila Networks-MPS-Electric and Aquila Networks-L&P-Electric and Steam	ER-2004-0034 and HR-2004-0024 (Consolidated)	Aries Purchased Power Agreement; Merger Savings
Laclede Gas Company	GA-2002-429	Accounting Authority Order Request

CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
Union Electric Company	EC-2002-1	Merger Savings; Criticisms of Staff's Case; Injuries and Damages; Uncollectibles
Missouri Public Service	ER-2001-672	Purchased Power Agreement; Merger Savings/Acquisition Adjustment
Gateway Pipeline Company	GM-2001-585	Financial Statements
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs
Missouri Gas Energy	GR-2001-292	SLRP Deferrals; Y2K Deferrals; Deferred Taxes; SLRP and Y2K CSE/GSIP
KLM Telephone Company	TT-2001-120	Policy
Holway Telephone Company	TT-2001-119	Policy
Peace Valley Telephone	TT-2001-118	Policy
Ozark Telephone Company	TT-2001-117	Policy
IAMO Telephone Company	TT-2001-116	Policy
Green Hills Telephone	TT-2001-115	Policy
UtiliCorp United & The Empire District Electric Company	EM-2000-369	Overall Recommendations
UtiliCorp United & St. Joseph Light & Power	EM-2000-292	Staff Overall Recommendations
Missouri-American Water	WM-2000-222	Conditions
Laclede Gas Company	GR-99-315 (remand)	Depreciation and Cost of Removal
United Water Missouri	WA-98-187	FAS 106 Deferrals
Western Resources & Kansas City Power & Light	EM-97-515	Regulatory Plan; Ratemaking Recommendations; Stranded Costs
Missouri Public Service	ER-97-394	Stranded/Transition Costs; Regulatory Asset Amortization; Performance Based Regulation

CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER

Company Name	Case Number	Issues
The Empire District Electric Company	ER-97-82	Policy
Missouri Gas Energy	GR-96-285	Riders; Savings Sharing
St. Louis County Water	WR-96-263	Future Plant
Union Electric Company	EM-96-149	Merger Savings; Transmission Policy
St. Louis County Water	WR-95-145	Policy
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer
Generic Electric	EO-93-218	Preapproval
Generic Telephone	TO-92-306	Revenue Neutrality; Accounting Classification
Missouri Public Service	EO-91-358 and EO-91-360	Accounting Authority Order
Missouri-American Water Company	WR-91-211	True-up; Known and Measurable
Western Resources	GR-90-40 and GR-91-149	Take-Or-Pay Costs

Cases prior to 1990 include:

COMPANY NAME	CASE NUMBER
Kansas City Power and Light Company	ER-82-66
Kansas City Power and Light Company	HR-82-67
Southwestern Bell Telephone Company	TR-82-199
Missouri Public Service Company	ER-83-40
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	EO-84-4
Kansas City Power and Light Company	ER-85-128 & EO-85-185
COMPANY NAME	CASE NUMBER
KPL Gas Service Company	GR-86-76
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14