

Exhibit No.:  
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Board of Directors Expenses,  
Facilities, Payroll,  
Cash Working Capital,  
Incentive Compensation,  
Board of Directors Expenses,  
Dues and Donations, True-Up*

Witness: *Jason Kunst, CPA*  
Sponsoring Party: *MoPSC Staff*  
Type of Exhibit: *Surrebuttal / True-up  
Testimony*

Case No.: *GR-2019-0077*  
Date Testimony Prepared: *July 10, 2019*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**AUDITING**

**SURREBUTTAL / TRUE-UP DIRECT TESTIMONY**

**OF**

**JASON KUNST, CPA**

*Staff* Exhibit No. 131P  
Date 8-15-19 Reporter CDT  
File No. GR-2019-0077

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

**CASE NO. GR-2019-0077**

*Jefferson City, Missouri  
July 2019*

**\*\* Denotes Confidential Information \*\***



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**JASON KUNST, CPA**  
**UNION ELECTRIC COMPANY,**  
**d/b/a AMEREN MISSOURI**  
**CASE NO. GR-2019-0077**

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1                   SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

2   OF

3   JASON KUNST, CPA

4   UNION ELECTRIC COMPANY,  
5   d/b/a AMEREN MISSOURI

6   CASE NO. GR-2019-0077

7           Q.     Please state your name and business address.

8           A.     Jason Kunst, 111 N. 7<sup>th</sup> Street, Suite 105, St. Louis, MO 63101.

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

10          A.     I am employed by the Missouri Public Service Commission (“Commission”)

11 as a Utility Regulatory Auditor IV.

12          Q.     Are you the same Jason Kunst who contributed to Staff’s *Revenue*  
13 *Requirement Cost of Service Report* filed on April 19, 2019 in this case?

14          A.     Yes.

15           EXECUTIVE SUMMARY

16          Q.     Please provide a brief summary of your surrebuttal testimony.

17          A.     My surrebuttal testimony will respond to the rebuttal testimony of the  
18 following Union Electric Company, d/b/a Ameren Missouri (“Ameren Missouri”) witnesses  
19 regarding certain issues:

20          Tom Byrne:

- 21                 • Staff’s use of “placeholders;”
- 22                 • Staff’s recommendation that Ameren Missouri file a joint electric and gas rate  
23 case as part of their next electric case;
- 24                 • Staff’s recommendation that Ameren Missouri defer the property tax refunds  
25 and establish a tracking mechanism; and

- 26                 • \*\* \_\_\_\_\_ \*\*

1 Laura M. Moore:

- 2 • Capitalized incentive compensation adjustments associated with plant in
- 3 service and accumulated reserve;
- 4 • Columbia Gas Operations and Training Facility;
- 5 • Allocation of software assets to gas operations;
- 6 • Payroll and payroll tax expense;
- 7 • Incentive compensation expense;
- 8 • Rate case expense;
- 9 • Board of directors fees; and
- 10 • Dues and Donations.

11 Brenda L. Weber:

- 12 • Cash working capital

13 Staff will provide additional information received subsequent to my rebuttal filing supporting  
14 its proposed adjustment for the donated Eldon facility.

15 And finally, my testimony will address Staff's true up positions on payroll and payroll  
16 taxes, employee benefits, capitalized incentive compensation, rate case expense, cash working  
17 capital, software rental expense, and property tax refunds.

18 **STAFF'S USE OF PLACEHOLDERS IN DIRECT TESTIMONY**

19 Q. On page 4, lines 3-21 and page 5, 1-10 of his rebuttal testimony Mr. Byrne lists  
20 several instances where Staff utilized "placeholders" in its report. Does Staff wish to address  
21 any of these instances?

22 A. Yes. I will address the use of placeholders for \*\* \_\_\_\_\_ \*\* and the  
23 board of directors and executive expenses.

1 Q. On page 4, lines 13-16 of his rebuttal testimony Mr. Byrne includes Staff's  
2 intentions to review corporate allocations as part of its true-up audit as part of an  
3 inappropriate placeholder approach. Is this an example of a placeholder as suggested by  
4 Mr. Byrne?

5 A. No. This was not a placeholder adjustment as suggested by Mr. Byrne.  
6 This section of testimony was intended to let the Commission know that we would address  
7 corporate allocations as part of our true-up audit if necessary. If there was a significant  
8 event that changed the corporate allocation percentages, it may have been necessary to make  
9 an adjustment as part of the true-up audit to capture the impact of the change in the  
10 cost-of-service calculation. Mr. Byrne himself states on page 3, lines 12-20 and page 4,  
11 lines 1-2 that Ameren Missouri has "no objections to adjustments that are needed to  
12 accommodate true-up data" and that "it is a necessary step in calculating an up-to-date  
13 revenue requirement."

14 Q. Please address the use of placeholders for the \*\* \_\_\_\_\_ \*\*.

15 A. At the time of its direct filing, Staff did not have adequate time to review the  
16 responses to the data requests it submitted regarding Ameren's \*\* \_\_\_\_\_ \*\*.

17 Staff submitted its initial Data Request (DR) No. 0218 which sought information  
18 related to Ameren's \*\* \_\_\_\_\_ \*\* on February 22, 2019, and Ameren Missouri  
19 submitted its response on March 15, 2019, one day after the 20 day deadline established by  
20 4 CSR240-2.090(C). Staff also submitted DR No. 0228 on March 4, 2019 which sought  
21 additional information regarding the \*\* \_\_\_\_\_ \*\* such as cost savings and  
22 journal entries related to the \*\* \_\_\_\_\_ \*\*. Ameren Missouri requested an extension until  
23 March 28, 2019 for DR No. 0228. Staff did not receive the response to DR No. 0228 until

1 April 15, 2019, four days before Staff's direct was due to be filed and past internal review  
2 deadlines. Staff must have time to audit the information before an adjustment can be  
3 proposed if needed. Finally, Staff submitted DR Nos. 0218.1, 0218.2, and 0218.3 which  
4 sought information related to the \*\* \_\_\_\_\_  
5 \_\_\_\_\_ \*\* on March 22, 2019, Ameren Missouri did not  
6 request an extension or object to any of the three data requests; however, the responses were  
7 not received by Staff until April 15, 2019, which was four days past the due date set by  
8 Commission rule.

9 Q. Does the section of Staff's Report quoted by Mr. Byrne on page 4, lines 7-12  
10 mention that Staff would review this issue through the its true-up filing?

11 A. Yes. Ameren Missouri may have had further changes to its \*\* \_\_\_\_\_  
12 \_\_\_\_\_  
13 \_\_\_\_\_ \*\*. Changes in reasonable and prudently incurred investment levels  
14 are always considered true-up items, and \*\* \_\_\_\_\_  
15 \_\_\_\_\_  
16 \_\_\_\_\_

17 \_\_\_\_\_ \*\*  
18 Q. Please address Staff's use of a placeholder for the board of directors and  
19 executive expenses.

20 A. Staff was unable to propose an adjustment for some of the board of directors'  
21 expenses in its direct filing, due to the delay in response by Ameren Missouri. Staff  
22 submitted DR No. 0236 on March 6, 2019. Ameren Missouri requested an extension until  
23 April 2, 2019 to file a response, which was the date of the last discovery conference before

1 Staff's direct filing. Staff did not receive the response to this data request until April 22,  
2 which was after the filing of Staff's direct testimony in this case.

3 STAFF'S RECOMMENDATION FOR FILING OF JOINT ELECTRIC AND GAS  
4 RATE CASES

5 Q. On page 8, lines 5-14, Ameren Missouri witness Byrne states that requiring  
6 Ameren Missouri to file concurrent electric and gas rate cases would not be appropriate or  
7 lawful. Please explain why Staff's recommendation that Ameren Missouri file a concurrent  
8 electric and gas rate case as part of its next general electric rate case filing is appropriate.

9 A. I cannot speak to the legality of the Commission requiring Ameren Missouri to  
10 file a concurrent electric and gas case \*\* \_\_\_\_\_

11 \_\_\_\_\_ \*\* as I am not an attorney. However, there are many  
12 different reasons that Staff listed as part of its direct testimony that speak to the  
13 appropriateness of a concurrent filing. The two issues I will address in this testimony that  
14 have led to Staff's recommendation are the property tax appeals as well as the allocation  
15 of software assets among electric and gas operations. Staff witness Lisa M. Ferguson  
16 will address the reduction of the Missouri State income tax rate in her surrebuttal testimony  
17 on this issue.

18 Ameren Missouri is currently in the process of appealing its property tax payments  
19 made during the time frame of 2013-2018. Ameren Missouri currently has the potential to  
20 recover up to \*\* \_\_\_\_\_ \*\* of property taxes that were paid in protest. In addition to  
21 the potential refunds from past years' appealed assessments, Staff is recommending inclusion  
22 of the full amount of property taxes that were paid by Ameren Missouri in 2018. This tax  
23 year has not undergone the entire appeals process, nor have the prior year's appeal decisions

1 | been applied to 2018 property tax by the true-up cut-off date in this case. The taxes paid by  
2 | Ameren Missouri in 2018 include \*\* \_\_\_\_\_ \*\* that is related to the ongoing appeal  
3 | process and paid in protest. If Ameren Missouri were to re-establish its infrastructure system  
4 | replacement surcharge (ISRS) as part of this gas rate case and then drop that ISRS without  
5 | base rate recovery or if Ameren Missouri decides not to file another gas rate case for many  
6 | years, it is likely that the amount of property taxes included in rates would be overstated by a  
7 | significant amount for an extended period. This is not just a theoretical possibility; the  
8 | effective date of rates in Ameren Missouri's last gas case was February 20, 2011. Ameren  
9 | Missouri had an ISRS which they allowed to expire in 2016. Ameren Missouri did not file  
10 | another gas case again until December 3, 2018 when this current case was filed. If Staff had  
11 | included a level of property tax that was higher than was actually experienced based on  
12 | known information related to appeals, Ameren Missouri would have kept a significant amount  
13 | of money during the almost ten year period for which there was no change in gas rates.  
14 | If Staff includes a level of property tax in the cost of service that would cover what is believed  
15 | to be an ongoing level of property tax, and that ongoing level of property tax then is reduced  
16 | dramatically, customers should not have to continue to pay that higher level of property tax in  
17 | rates going forward. In that situation, Ameren Missouri should file a case within a reasonable  
18 | amount of time to readjust rates based on this dramatic change.

19 | Concurrent rate cases are also appropriate in order to address the software allocation  
20 | issue that was discussed in the direct testimony of Ameren Missouri witness Laura M. Moore.  
21 | Ms. Moore's position is to allocate a portion of the software costs that are already being  
22 | recovered in electric rates as of the last general electric case, ER-2016-0179, to gas operations  
23 | as part of this current gas rate proceeding. If Ameren Missouri's position is accepted, a



1 double recovery of a portion of the software costs will occur as Ameren Missouri will be  
2 collecting the same costs in both its electric and gas rates. This is particularly true for the  
3 customers of Ameren Missouri who receive both electric and gas service. To avoid any  
4 double recovery of these software costs that are already being recovered in electric rates,  
5 Ameren Missouri proposes a tracking mechanism so as to return those amounts to electric  
6 customers in the next electric case, ER-2019-0335. Staff is recommending that the issue  
7 should be first corrected in Ameren Missouri's next general electric case, No. ER-2019-0335,  
8 where the gas portion of the software cost is removed from rates and then the gas portion of  
9 the software can be appropriately included in gas rates during Staff's proposed \*\* \_\_\_\_\_  
10 \_\_\_\_\_ \*\*. Customers should not bear the burden of errors in the  
11 allocation and recording of costs by Ameren Missouri.

12 If approved, Ameren Missouri's proposal allows full recovery of costs and cash flow  
13 related to the misallocation with no burden of risk to the Company because of its proposed  
14 tracking mechanism. Some customers would have the burden to pay twice and lose cash flow  
15 due to allocation errors recorded on the part of Ameren Missouri.

16 Finally, filing a concurrent case would assist Staff in the examination of joint costs  
17 allocated to gas operations. When general costs are allocated to gas operations, they tend to  
18 lose their specific identity when recorded to the gas ledger. If both electric and gas costs are  
19 reviewed at the same time, burden may be relieved from Staff in identifying costs allocated to  
20 gas so as to determine whether these charges are prudent. If Staff cannot recognize allocated  
21 costs in the general ledger then Staff must use additional time to ask what those costs pertain  
22 to because Ameren Missouri has all pertinent and needed detail related to the information.  
23 Staff does not have the necessary detail readily available to it. This would require further data

1 requests when typically the detail for the recording of electric costs will provide information  
2 on what the costs are, allocated or not.

3 Q. Ameren Missouri witness Byrne discusses on page 8, lines 15-20 and page 9,  
4 lines 1-2 that there is no basis for the Commission to invoke its authority to initiate a  
5 complaint to compel the examination of Ameren Missouri's gas rates. Has Staff determined  
6 that rates in a future rate case are inappropriate and has Staff requested the Commission to file  
7 a complaint on Ameren Missouri?

8 A. No. Staff is not asserting what earnings will look like in a future rate case;  
9 Staff is simply attempting to establish a level of property tax in rates that is based on actual  
10 costs incurred. However, given that Ameren Missouri is currently in the process of appealing  
11 \*\* \_\_\_\_\_<sup>1</sup> \*\* of property taxes it paid for gas operations in the most recent year (2018),  
12 it seems that if Ameren Missouri is successful in those appeals that it would be appropriate for  
13 Ameren Missouri to have their rates re-examined within a reasonable period of time so as to  
14 not include a level of property tax that is known to be excessive. The level of excess property  
15 tax included in rates should not be included in ongoing rates indefinitely. Staff could file  
16 a complaint regarding gas rates in the future but is not recommending a complaint be filed at  
17 this time.

18 PROPERTY TAX APPEALS, ASSOCIATED REFUNDS, AND TRACKING  
19 RECOMMENDATION

20 Q. On page 10, lines 13-14, of his rebuttal testimony Mr. Byrne suggests  
21 Staff's proposed accounting treatment for property tax refunds is completely open ended.  
22 Is this correct?

\_\_\_\_\_  
1 \*\*

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1           A.    No. To clarify Staff's position, the proposed tracker would track the  
2 property tax refunds that are received by Ameren Missouri from June 1, 2019 through the  
3 true-up cut-off date in the next Ameren Missouri gas rate case. As Staff is recommending that  
4 the Commission order Ameren Missouri to file a concurrent gas and electric case as part of its  
5 next electric rate filing the refunds would only be tracked over \*\* \_\_\_\_\_ \*\*.

6           Q.    On page 10, lines 16-23, Mr. Byrne states that Staff's proposed tracking  
7 mechanism is unfair as it would require tax refunds and settlements to be deferred but does  
8 not defer the costs incurred by Ameren Missouri to obtain the settlements. He also proposes  
9 the Commission require inclusion of the yearly change in property taxes in the tracker.  
10 Is Mr. Byrne's comment accurate regarding Staff not including costs to litigate the appeal and  
11 "cherry picking the beneficial tax refunds"?

12           A.    No. First, Staff has included a level of legal and appraisal costs associated  
13 with the property tax appeals in the cost of service by normalizing those costs incurred during  
14 the test year over five years. Second, Mr. Byrne comments that "the Company regularly  
15 incurs property tax increases which it is not able to reflect in rates." This is inherently untrue  
16 because Missouri employs rate of return regulation where all relevant factors are considered  
17 in setting customer rates. Ameren Missouri is a monopoly, and as such, regulatory lag is an  
18 important component of rate of return regulation because it is a stand-in for competition.  
19 Mr. Byrne is attempting to look at those costs to litigate that were recorded prior to the test  
20 year and the annualized level of property tax that was established in the last rate case in a  
21 vacuum. All relevant factors of revenue, expense, and investment must be considered in a  
22 general rate case.

1 Q. Is Staff considering all relevant factors in its recommendation that Ameren  
2 Missouri track the property tax refunds?

3 A. Yes. Ameren Missouri has not filed a general rate case for its gas operations  
4 since 2009. It appears that Ameren Missouri's earnings were sufficient during the time frame  
5 since the effective date of rates of the last gas rate case because Ameren Missouri did not file  
6 a rate case for almost eight years while also allowing its ISRS to expire. Additionally, Staff  
7 performed a high level earnings review in 2016 and determined that Ameren Missouri's return  
8 on equity was in line with those of other Missouri natural gas utilities. It is apparent that if  
9 Ameren Missouri was able to allow its ISRS to expire and also not file a gas rate case, there  
10 were other factors that were offsetting the increases and decreases in the property tax expense  
11 during that time frame. Ameren Missouri had the option to file a rate case to capture  
12 increased property tax expense but chose not to.

13 Q. On page 10, lines 16-18, Mr. Byrne states that Staff's tracking mechanism  
14 would not include deferred treatment for the costs for Ameren Missouri to obtain the  
15 settlements. Is this correct?

16 A. Yes. Staff has not proposed to include future costs for external consultants and  
17 external litigation for Ameren Missouri in its proposed tracking mechanism. Staff has  
18 proposed to include a normalized amount of these expenses in the cost-of-service calculation  
19 through its five year normalization discussed above.

20 \*\* \_\_\_\_\_ \*\*

21 Q. On page 20, lines 21-22 and page 21, lines 1-2, Mr. Byrne states that

22 \*\* \_\_\_\_\_

1 \_\_\_\_\_  
2 \_\_\_\_\_ \*\* Did Staff propose an adjustment to disallow costs  
3 related to this \*\* \_\_\_\_\_ \*\*?

4 A. No. Staff has not proposed an adjustment to disallow any costs associated with  
5 the \*\* \_\_\_\_\_ \*\* because Staff also believes  
6 it is appropriate for \*\* \_\_\_\_\_

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11 \_\_\_\_\_  
12 \_\_\_\_\_

13 \_\_\_\_\_ \*\*

14 Q. Starting on page 21, lines 20-23 and page 22 lines 1-2, Mr. Byrne states his  
15 concern that \*\* \_\_\_\_\_

16 \_\_\_\_\_  
17 \_\_\_\_\_  
18 \_\_\_\_\_

19 \_\_\_\_\_ \*\*

20 A. No. \*\* \_\_\_\_\_ <sup>2</sup> \_\_\_\_\_

21 \_\_\_\_\_  
22 \_\_\_\_\_

<sup>2</sup> Staff Report page 37, lines 11-20.

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It is important to note that on page 20, lines 13-15 of Ameren Missouri witness  
Byrne's rebuttal he states that \*\*

\*\*

Q. On page 21, lines 17-19, Mr. Byrne states \*\*

\*\* Has Staff requested quantifications of cost savings?

A. Yes. In past rate cases, Staff issued a data request asking for cost saving  
initiatives that the utility has implemented since the previous rate case. Those can be large  
or small cost savings initiatives. Staff has received responses in the past, including the one  
to Staff DR No. 0014 in the current case \*\*

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3 \*\*

\*\*

Surrebuttal / True-up Direct Testimony of  
Jason Kunst, CPA

1 If Mr. Byrne's statement is true that \*\* \_\_\_\_\_

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18 Mr. Byrne's statement \*\* \_\_\_\_\_

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5 **CAPITALIZED INCENTIVE COMPENSATION**

6 Q. Did Staff mistakenly omit in its direct cost-of-service report a section  
7 describing the removal of incentive compensation?

8 A. Yes. This section typically details Staff's adjustment to remove an  
9 accumulation of earnings based capitalized incentive compensation that has been regularly  
10 disallowed by Staff since 2002. Staff has proposed this adjustment in many past Ameren  
11 Missouri gas and electric rate cases. Additionally, this adjustment is similar to the adjustment  
12 described by Ameren Missouri witness Laura M. Moore on page 10, lines 15 through 21 of  
13 her direct testimony. Please see the surrebuttal testimony of Staff witness Lisa M. Ferguson  
14 for additional testimony regarding the omission of this section of the report by Staff.

15 Q. Did Ameren Missouri witness Moore propose a similar adjustment as part of  
16 her direct testimony?

17 A. Yes. On page 10 lines, 15-21 of her direct testimony, Ms. Moore proposes an  
18 adjustment to remove the capitalized portion of disallowed and/or not requested incentive  
19 compensation.

20 Q. What were the differences between Staff's adjustment and the adjustment  
21 proposed by Ameren Missouri witness Moore?



1           A.     In her adjustment, Ms. Moore used the current percentage of incentive  
2 compensation that was not being requested by Ameren Missouri, and the current  
3 capitalization ratio, current gas allocation percentage, and current Ameren Services allocation  
4 percentage for removal of all capitalized incentive compensation since the previous Ameren  
5 Missouri gas rate case, No. GR-2010-0363. Her calculations resulted in an adjustment to  
6 remove \$1,261,489 of plant-in-service and \$401,685 of accumulated depreciation reserve as  
7 of Ameren Missouri's direct filing.

8           Staff used the disallowed percentages from previous Ameren Missouri electric rate  
9 cases<sup>7</sup> that were filed since the last gas rate case, GR-2010-0363, along with the  
10 corresponding capitalization ratios, gas allocation percentages, and Ameren Services  
11 allocation percentages in its calculation of the removal of capitalized incentive compensation  
12 through December 31, 2016. This date was the true-up cut off for the last Ameren Missouri  
13 general electric rate case No. ER-2016-0179. Staff used these particular percentages because  
14 they are the companion removals to the piece of incentive compensation removed in the  
15 various electric rate cases.

16           For incentive compensation that was capitalized after December 31, 2016, Staff used  
17 its current recommended disallowed percentage of 15.27%, which includes disallowing a  
18 portion of the "key performance indicators" for lobbying targets, earnings based incentive  
19 compensation, and a portion of the executive plan based on electric operations metrics of  
20 incentive compensation as well as the current operations and maintenance (O&M), Ameren  
21 Services, and gas allocation factors/ratios. Staff's calculation resulted in an adjustment to

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<sup>7</sup> Ameren Missouri case Nos. ER-2011-0028, ER-2012-0166, ER-2014-0258, ER-2016-0179.

1 remove \$1,235,852 of capitalized incentive compensation and \$391,225 of corresponding  
2 accumulated depreciation reserve.

3 Q. Why did Staff elect to use the historic O&M ratios and allocations rather  
4 than use one specific factor for the entire time period as proposed by Ameren Missouri  
5 witness Moore?

6 A. Since its last gas rate case in 2010, Ameren Corporation has made several  
7 changes to its incentive compensation plans, primarily to the Executive Incentive Plan for  
8 Officers (EIP-O) and the Executive Incentive Plan for Directors (EIP-D) including changing  
9 the amount of the plans that were based on earnings per share. It is Staff's position that it  
10 would be more appropriate to use the percentage of disallowed incentive compensation that  
11 would closely match the incentive compensation plan that was in place during the time frame  
12 when it was capitalized. In that same vein, it is also appropriate to use the capitalization ratios  
13 as well as the gas and Ameren Services allocation percentages that were used during that  
14 particular time the plan was in place, as these can vary from year-to-year.

15 **SOFTWARE ALLOCATION TO GAS OPERATIONS**

16 Q. How did Ameren Missouri propose to deal with the software costs that have  
17 already been included in electric rates as determined in ER-2016-0179?

18 A. Ms. Moore proposed to include software costs in the cost-of-service  
19 calculation for gas operations and track the amounts that were already included in electric  
20 rates, creating a double recovery of the costs. The tracked costs would then be refunded to  
21 electric ratepayers in the next Ameren Missouri electric rate case. Staff's proposal in direct  
22 testimony is to first remove the costs from electric rates as to avoid a double recovery of these

1 costs by customers in the next electric case and then include the costs in the next gas case for  
2 which Staff proposes concurrent filing.

3 Q. Do you agree with the statement by Ms. Moore on page 8, lines 1-2 of her  
4 rebuttal testimony that the costs for these software assets need to be included in the gas rates  
5 to reflect the proper cost of service?

6 A. Yes. These are costs that should properly be charged to gas operations;  
7 however, not at the expense of double recovery from ratepayers. This is an error that Ameren  
8 Missouri has made in its recording of this cost, and correction of this allocation can be  
9 accomplished in a future gas rate case.

10 Q. On page 8, lines 5-9 of her rebuttal testimony, Ms. Moore discusses Ameren  
11 Missouri's proposed tracking mechanism for the software assets. What is Staff's position  
12 regarding a tracking mechanism for software?

13 A. Staff believes this is a recording error on the part of Ameren Missouri and  
14 should be fixed in the next electric and gas rate cases, however if the Commission were to  
15 accept Ameren Missouri's position to allow the recovery of the gas portion of the software  
16 costs in rates in this case, then the costs certainly need to be tracked. It would then be  
17 appropriate to return these costs to the electric ratepayers as part of the next Ameren Missouri  
18 electric rate Case No. ER-2019-0335.

19 Q. On page 8, lines 10-18 of her rebuttal testimony, Ms. Moore states that Staff's  
20 proposed adjustment for removal of the gas portion of software assets included the gas portion  
21 of software assets that were put into service after December 31, 2016, the true-up cutoff from  
22 the last electric rate case. Did Staff err in its calculation of its adjustment?

1           A.     Yes. Staff made an error in the calculation of its adjustment in its direct filing  
2 and has since corrected its adjustment to only remove the software assets that were in-service  
3 prior to December 31, 2016. The gas portion of software assets put into service subsequent to  
4 December 31, 2016 should be included in Staff's cost of service. The following chart  
5 summarizes the corrected amount of software costs that are at issue:

6

Net Plant-in-Service	** _____ **
Depreciation Expense	** _____ **
Rental Revenue	** _____ **

7

8 **COLUMBIA GAS OPERATIONS AND TRAINING CENTER**

9           Q.     On page 5, lines 13-15 of her rebuttal testimony, Ms. Moore claims that  
10 “any future sale with regard to \*\* \_\_\_\_\_  
11 \_\_\_\_\_ \*\* should be addressed in a future rate case,” Is Staff proposing an  
12 adjustment related to the sale of this property in this immediate gas rate case?

13           A.     No. Staff is not proposing any ratemaking treatment in this case, Staff is  
14 providing notice to Ameren Missouri that Staff is aware of a \*\* \_\_\_\_\_ \*\*  
15 for which a replacement was constructed and that adjustments may be proposed in the future  
16 once the \*\* \_\_\_\_\_ \*\* is completed.

1 **PAYROLL AND PAYROLL TAX EXPENSE**

2 Q. On page 10, lines 1-6 of her rebuttal, Ms. Moore discusses a possible error in  
3 Staff's calculation of payroll expense. Is there an error in Staff's payroll calculation in its  
4 direct case?

5 A. Yes. There was a cell reference error in Staff's direct work papers that  
6 understated the payroll expense. This error has since been corrected and will be reflected in  
7 Staff's true-up calculations.

8 **INCENTIVE COMPENSATION EXPENSE**

9 Q. Beginning on page 14, lines 22-23 and continuing on page 15 lines 1-10 of her  
10 rebuttal, Ms. Moore identifies two key performance indicators ("KPIs") that Staff  
11 recommended for disallowance as they relate to lobbying-related goals. Is this correct?

12 A. No. Staff erred in its description of the adjustment in the Staff report; Staff did  
13 not propose an adjustment to remove KPIs related to the legislative or regulatory approvals  
14 for innovative projects. Staff's direct report should have identified the specific KPI removed  
15 as \*\* \_\_\_\_\_ \*\*. Staff mistakenly typed the wrong  
16 KPI line item when writing direct testimony. Staff contends this KPI directly relates to  
17 lobbying related efforts and its associated costs should not be included in rates.

18 **RATE CASE EXPENSE**

19 Q. What is Ameren Missouri's recommendation regarding rate case expense  
20 based on rebuttal testimony?

21 A. In her rebuttal testimony, Ameren Missouri witness Laura M. Moore describes  
22 how the Company is supportive of the normalization of rate case expense but it depends on

1 the Commission's eventual order regarding Staff's proposed concurrent gas and electric  
2 rate case filings. If the Commission accepts Staff's position, the normalization period should  
3 be \*\* \_\_\_\_\_ \*\* but if the Commission does not order Staff's position, a three year  
4 normalization of current rate case expenses, other than those required by statute such as the  
5 depreciation study costs over five years, is appropriate. At the time of the direct filing,  
6 Ameren Missouri had initially proposed a three year amortization of estimated rate case  
7 expenses of \*\* \_\_\_\_\_ \*\*, which translates to \*\* \_\_\_\_\_ \*\* on an annual basis until  
8 fully collected.

9 Further, Ms. Moore states that it would be "inappropriate" for the Commission to  
10 order the sharing of rate case expenses between the shareholders and ratepayers.

11 Q. Why has Staff chosen to normalize rate case expenses rather than amortize  
12 them as proposed by Ameren Missouri?

13 A. Staff performs normalization adjustments to include a "normal" level of  
14 expenses in the cost of service calculation. Typically investor owned utilities do not file a rate  
15 case every single year, so it is appropriate to spread the rate case costs across a time period  
16 between rate cases when the rates from that particular rate case are in effect.

17 Q. Does Staff agree with Ms. Moore that it is inappropriate for the Commission to  
18 order the sharing of rate case expenses and that 100% of prudently incurred rate case related  
19 costs should be included in rates?

20 A. No. In its most recent orders regarding the regulatory treatment of rate case  
21 expenses, the Commission has ordered that it is appropriate to share rate case expenses  
22 between ratepayers and shareholders. In Case No. ER-2014-0370, the Commission  
23 ordered that:

1 KCPL should receive rate recovery of its rate case expenses in  
2 proportion to the amount of revenue requirement it is granted as  
3 a result of this Report and Order, compared to the amount of its  
4 revenue requirement rate increase originally requested.

5 In Case No. GR-2017-0215, the Commission ordered:

6 Under Missouri law, the Commission must set just and  
7 reasonable rates, and rates in this, that include all of the utility's  
8 rate case expense, for the reasons set forth above, are not just or  
9 reasonable. However, the Commission determines that it is just  
10 and reasonable for ratepayers and shareholders to share rate  
11 case expense. In these cases, the just and reasonable sharing  
12 mechanism is based on the fact that the issues controlled by the  
13 company amount to about half of the contested issues at  
14 hearing. Thus, the shareholders who ultimately controlled 50  
15 percent of the rate case issues should share 50 percent of the  
16 rate case expense with the exception of the customer notice cost  
17 and depreciation study were done because of Commission order  
18 and rule requirements.

19 Q. If the Commission were to reject Staff's recommendation that Ameren  
20 Missouri file another rate case in \*\* \_\_\_\_\_  
21 \_\_\_\_\_ \*\* does Staff agree with Ms. Moore that the rate case expenses, other than  
22 depreciation study costs, should be normalized over three years?

23 A. No. If the Commission were to reject Staff's recommendation, Staff would  
24 agree with the position of The Office of the Public Counsel witness Amanda Connor that  
25 non-depreciation study rate case expenses should be normalized over four years. Staff has  
26 previously proposed this period in the most recent natural gas rate cases for Spire Missouri in  
27 Case No. GR-2017-0215 and Liberty Utilities in Case No. GR-2018-0013, and was ultimately  
28 ordered for Spire Missouri in Case No. GR-2017-0215. It has been nearly nine years since  
29 Ameren Missouri has filed a gas operations rate case so there is no recent history on which to  
30 base the normalization of rate case expenses. However, since Ameren Missouri has stated it

1 is seeking to “restart<sup>8</sup>” its Infrastructure System Replacement Surcharge (ISRS), it would be  
2 reasonable to use the same normalization period that was recommended for two other gas  
3 utilities that are utilizing the ISRS.

4 Q. Has Staff proposed any adjustments to remove rate case expenditures on the  
5 grounds of the costs being imprudent?

6 A. No. At this time, Staff has made no adjustments in the current case to disallow  
7 any rate case expenses for imprudence. Staff will continue to review rate case expenses  
8 incurred through the time of filing reply briefs in this rate case.

9 **BOARD OF DIRECTORS AND EXECUTIVE EXPENSES**

10 Q. On page 20, lines 17-22, and page 21, lines 1-6 of her rebuttal, Ms. Moore  
11 describes that Staff has removed all hotel expenses related to the Ameren Corporation Board  
12 of Directors meetings. Is this correct?

13 A. Yes. In addition to the Ritz Carlton Hotel, the board of directors had hotel  
14 expenses at the \*\* \_\_\_\_\_  
15 \_\_\_\_\_ \*\* and at the \*\* \_\_\_\_\_ \*\* for the annual  
16 meeting of the shareholders in Peoria, Illinois. Ameren Corporation has a general office  
17 building that includes three separate board rooms, a large atrium and two auditoriums that  
18 have capacity to seat \*\* \_\_\_\_ \*\* people<sup>9</sup>. This location has been used numerous times in the  
19 past for board meetings and shareholder meetings. It is unnecessary to incur travel and hotel  
20 costs for shareholder and board meetings outside of the general office building located in  
21 St. Louis, MO.

<sup>8</sup> Page 6, lines 1-2 of the direct testimony of Ameren Missouri witness Warren Wood.

<sup>9</sup> Staff attended a tour of the Ameren Corporation general office building on March 5, 2019.



1 **DUES AND DONATIONS**

2 Q. On page 22, lines 6-11 of her rebuttal testimony Ms. Moore proposes an  
3 adjustment to remove the dues paid to the Utility Air Regulatory Group (UARG) during the  
4 test year. Did Staff already recommend removal of these costs as part of its direct filing?

5 A. Yes. As part of its direct filing, Staff has already removed the dues paid to the  
6 UARG as part of the electric costs that were incorrectly allocated to gas operations.  
7 Ms. Moore agreed to Staff's proposed adjustment for these costs on page 9 lines 5-7 of her  
8 rebuttal testimony.

9 **CASH WORKING CAPITAL**

10 **Revenue Lag**

11 Q. On page 2, lines 13-16 of her rebuttal testimony, Ms. Weber states that the  
12 sales tax and gross receipts tax "have different statutory requirements and are treated  
13 differently in calculating the expense lead time." Is the treatment for expense lead time  
14 relevant to the revenue lag?

15 A. No. The revenue lag is calculated differently than the expense lag. How  
16 Ameren Missouri collects funds for sales taxes and gross receipts taxes is different than the  
17 requirements of payments made to tax collectors, vendors, etc.

18 Q. On page 2, lines 17-23 of her rebuttal testimony Ms. Weber discusses that  
19 there is direct offsetting revenue for the gross receipts tax and no direct offsetting revenue for  
20 the sales tax, and that the recording of these items in the ledger is also different. For purposes  
21 of pass through taxes and cash working capital, does it matter how Ameren Missouri has  
22 recorded these items in its books and records?

1           A.     No. As stated in the direct testimony of Ms. Weber on page 22, line 9, Ameren  
2 Missouri's customers pay one bill that includes the payment for the costs of providing gas  
3 service as well as the revenue for the pass through taxes. In addition, Ameren Missouri's  
4 tariff states that the utility can charge a variety of taxes to customers above and beyond the  
5 base and commodity charge for gas service; thus, these taxes are being collected in addition to  
6 and distinct from operating revenue. Ameren Missouri is acting solely as a collector and  
7 remitter of these taxes; therefore, it is necessary to remove the service component of the lag  
8 for these pass through taxes.

9   **Expense Leads**

10           Q.     Please clarify the difference in position between Staff and Ameren Missouri  
11 with regards to the expense lead associated with the payroll for management employees.

12           A.     \*\* \_\_\_\_\_  
13 \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_ 10 \_\_\_\_\_  
16 \_\_\_\_\_  
17 \_\_\_\_\_ \*\*

18           Ameren Corporation changed the pay dates for its management employees from  
19 the 15<sup>th</sup> of the month and the last day of the month to the 13<sup>th</sup> and the 28<sup>th</sup>, respectively.

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Q. What effect does Ameren Missouri's proposal for the management payroll expense lead have on cash working capital for that issue?

A. Not only is it a bad business practice to \*\* \_\_\_\_\_ \*\* employees, but Ameren Missouri's proposal to shift the pay dates for its management employees so that they are paid \*\* \_\_\_\_\_ \*\* has the effect of increasing the cash working capital requirement for management payroll, all else equal, because it will be necessary for Ameren Missouri to acquire the money from investors to meet that payroll demand.

Q. Has Staff accepted negative expense leads in the past for payroll and payroll taxes as suggested by Ms. Weber on page 3, lines 12-16?

A. Yes. Occasionally a pay date would fall on a holiday or a weekend which would require Ameren Missouri to pay its employees prior to the normal pay date and that would result in a negative expense lead for that specific pay period. However, the impact of the negative expense lead times for those pay periods was mitigated by the weeks that were paid normally and had a positive expense lead. This is because the pay date landing on a holiday or weekend is an occasional occurrence rather than the normal process. The shift in pay dates to accommodate holidays and weekends can happen with the new pay dates used by Ameren Corporation as well, but it now creates a larger revenue requirement for management payroll because the normal payroll process \*\* \_\_\_\_\_ \*\* on top of the negative expense lead for pay dates that land on holidays and weekends.

1 For example in May of 2018, Ameren Missouri management employees were \*\* \_\_\_\_\_ \*\*  
2 by \*\* — \*\* days when Memorial Day fell on the 28<sup>th</sup>.

3 Q. Has Staff accepted negative expense leads for other categories of payments as  
4 suggested by Ms. Weber on page 3, line 23 and page 4, lines 1-3 of her rebuttal testimony?

5 A. Yes. Some vendors or contracts may require Ameren Missouri to provide  
6 upfront payment for services such as happens with rents or insurance payments. Not only  
7 is payroll expense different, there is no contractual agreement requiring Ameren Missouri to  
8 \*\* \_\_\_\_\_ \*\*. This was a management decision. Additionally, other prepaid  
9 items are not given individual expense leads in the lead/lag study, as they are accumulated  
10 along with all other O&M expenses in cash vouchers (that has its own expense lead). Payroll  
11 is one of the larger expenses incurred by Ameren Missouri, as well as being incurred and paid  
12 differently than other expenses, and for those reasons justifiably has a separate expense lead.

13 Q. Is Staff aware of any other utilities that \*\* \_\_\_\_\_ \*\* ?

14 A. No. In reviewing the lead lag studies filed by other regulated Missouri  
15 utilities Staff found no other utility that is paying its employees with a \*\* \_\_\_\_\_  
16 \_\_\_\_\_<sup>11</sup>, \*\* let alone \*\* \_\_\_\_\_ \*\*.

17 **ELDON FACILITIES**

18 Q. With regards to the donation of the Eldon facility, has Staff received additional  
19 information from Ameren Missouri since the time of its rebuttal filing?

20 A. Yes. Staff received a supplemental response to Staff DR No. 0282 which  
21 contained a \*\*. \_\_\_\_\_

11 \*\*

\*\*

Surrebuttal / True-up Direct Testimony of  
Jason Kunst, CPA

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Q. Did Staff have this information when it filed its rebuttal testimony?

A. No. The initial response to Staff DR No. 0282 that was received by Staff on May 22, 2019 indicated that the internal real estate file did not contain information supporting the decision and rationale to donate the facility, which was part of the information that Staff requested in the date request. The supplemental response, dated May 31, 2019, was received by Staff on June 11, 2019 (four days after Staff filed its rebuttal testimony and 21 days after the response was initially due to be filed in EFIS).

The information contained within the response to Staff DR No. 0282, \*\* \_\_\_\_\_ \*\* provided support for Staff's position that the donation of the property was inappropriate and imprudent given that Ameren Missouri had to construct a replacement facility for the Eldon operations and that the donation was used to \*\* \_\_\_\_\_ \*\*.

\_\_\_\_\_ \*\*. Ameren Missouri described in its response to Staff DR No. 0278 \*\* \_\_\_\_\_

\_\_\_\_\_ \*\*. However, a replacement facility was determined to be needed subsequent to that donation, meaning that an Eldon facility was still necessary for company operations. The replacement facility was then subsequently constructed with no sale proceeds to offset the investment cost of the replacement because the transaction constituted a donation rather than a sale. In addition, Ameren Missouri ultimately had to

1   \*\* \_\_\_\_\_ \*\* to conduct ongoing operations as part of it's  
2   \*\* \_\_\_\_\_ \*\*. The decision by Ameren Missouri to donate the Eldon facility has  
3   incurred additional costs, not only for a replacement facility but also for the \*\* \_\_\_\_\_  
4   \_\_\_\_\_ \*\*, for which Ameren Missouri is now seeking recovery and which Staff  
5   believes should not be borne by ratepayers.

6       Q.   Has Staff made any corrections to its recommendation and to its adjustment  
7   that was previously provided in rebuttal testimony and workpapers?

8       A.   Yes. \*\* \_\_\_\_\_  
9   \_\_\_\_\_  
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19   **TRUE-UP DIRECT**

20                           **Payroll & Payroll Taxes**

21       Q.   Please explain Staff's true-up adjustment to payroll and payroll taxes.

1 A. Staff has updated its annualized payroll and payroll tax calculation to use the  
2 actual employee counts as of May 31, 2019.

3 **Employee Benefits**

4 Q. Has Staff altered its proposed adjustments to the level of employee benefit  
5 expenses to include in the cost-of-service calculation as part of its true-up audit?

6 A. Yes. Staff has updated its calculation to include the actual amount of  
7 employee benefit expense that was incurred during the 12 months ending May 31, 2019.

8 **Capitalized Incentive Compensation**

9 Q. Has Staff made any changes to its adjustment for capitalized incentive  
10 compensation?

11 A. Yes. Staff has updated its calculation from direct to replace the estimated  
12 amounts removed for disallowed incentive compensation with the actual known and  
13 measureable amounts removed.

14 **Rate Case Expense**

15 Q. Has Staff proposed any adjustments to its calculation of rate case expense to  
16 include in the cost-of-service calculation since direct testimony?

17 A. Yes. Staff updated its calculation of rate case expense to include actual costs  
18 incurred through the true-up cut-off date of May 31, 2019. Staff will continue to review rate  
19 case expenditures through the filing of true-up reply briefs in this case. Additionally, Staff  
20 has updated the sharing mechanism calculation to include the percentage of Staff's overall  
21 recommended revenue increase through the true-up date of May 31, 2019.

**Property Tax Refund**

1  
2 Q. Has Staff made any adjustments with regards to the property tax refunds that  
3 were received before the true-up cut-off date?

4 A. Yes. Staff has updated its calculation to include the refunds that were received  
5 by Ameren Missouri through May 31, 2019.

**Software Rental Expense**

6  
7 Q. Has Staff made any adjustments with regards to software rental expense?

8 A. Yes. Staff has reviewed the software rental expense through the true-up date  
9 of May 31, 2019 and is now recommending that the actual amount incurred during the month  
10 of May 31, 2019 be multiplied by twelve to calculate the appropriate amount of ongoing  
11 software rental expense.

**Cash Working Capital**

12  
13 Q. Has Staff made any adjustments to its cash working capital calculation as part  
14 of its true-up audit?

15 A. Yes. While Staff has made no changes to the lead/lag calculations, Staff has  
16 updated the annualized amounts for certain CWC line items (payroll, payroll taxes, employee  
17 benefits, and federal and state income taxes) to reflect Staff's true-up position.

18 Q. Does this conclude your surrebuttal/true-up direct testimony?

19 A. Yes, it does.



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

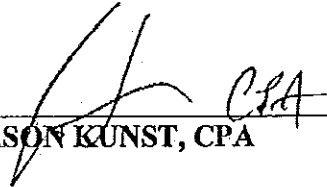
In the Matter of Union Electric Company            )  
d/b/a Ameren Missouri's Tariffs to Increase        )  
its Revenues for Natural Gas Service            )            Case No. GR-2019-0077

**AFFIDAVIT OF JASON KUNST, CPA**

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

**COMES NOW JASON KUNST, CPA** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-up Direct Testimony*; and that the same is true and correct according to his best knowledge and belief.

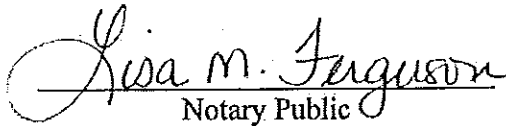
Further the Affiant sayeth not.

  
\_\_\_\_\_  
JASON KUNST, CPA

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 9<sup>th</sup> day of July 2019.

LISA M. FERGUSON  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for St. Louis County  
My Commission Expires: June 08, 2020  
Commission Number: 16631502

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

**SCHEDULE JK-s1**

**HAS BEEN DEEMED**

**CONFIDENTIAL**

**IN ITS ENTIRETY**