

Exhibit No.:

*Issues: Accumulated Deferred Income Taxes,
Allocations, Capacity Revenues,
Coal Inventory, Coal-In-Transit,
Coal Refinement, FIN 48, Income
Taxes, Infrastructure Inspections,
Maintenance Expense, MISO Items,
Vegetation Management*

Witness: Lisa K. Hanneken

Sponsoring Party: MoPSC Staff

Type of Exhibit: Surrebuttal Testimony

Case No.: ER-2014-0258

Date Testimony Prepared: February 6, 2015

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

SURREBUTTAL TESTIMONY

OF

LISA K. HANNEKEN

**UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri**

CASE NO. ER-2014-0258

Jefferson City, Missouri

February 2015

**** Denotes Highly Confidential Information ****

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OF
LISA K. HANNEKEN
UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri
CASE NO. ER-2014-0258**

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1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **LISA K. HANNEKEN**

4 **UNION ELECTRIC COMPANY,**
5 **d/b/a Ameren Missouri**

6 **CASE NO. ER-2014-0258**

7 Q. Please state your name and business address.

8 A. Lisa K. Hanneken, 111 N. 7th 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 V in the Auditing Unit of the Utility Services Department,
12 Regulatory Review Division of the Commission Staff (“Staff”).

13 Q. Are you the same Lisa K. Hanneken that was responsible for certain sections
14 of Staff’s Revenue Requirement Cost of Service Report (“Staff Report”) filing in this case
15 for Union Electric Company, d/b/a Ameren Missouri (“Ameren Missouri” or “Company”) on
16 December 5, 2014 and also sponsored rebuttal testimony that was filed on January 16, 2015,
17 as part of this rate proceeding?

18 A. Yes, I am.

19 **EXECUTIVE SUMMARY**

20 Q. Please provide a brief summary of your surrebuttal testimony in this
21 proceeding.

22 A. My surrebuttal testimony will explain Staff’s true-up audit result with regard
23 to the issues of Financial Accounting Standards Board Interpretation No. 48 (“FIN 48”), coal
24 refinement, and capacity revenues. As well, I will address Staff’s analysis of the true-up data

1 and rebuttal testimony related to several other issues. In particular, I will address the rebuttal
2 testimony of Ameren Missouri witness David N. Wakeman on the issue of maintenance
3 expense; the Ameren Services Company (“AMS”) allocations described in Ameren Missouri
4 witness Bob Porter and Office of the Public Counsel (“OPC”) witness Ted Robertson’s
5 rebuttal testimonies; the Vegetation Management and Infrastructure Inspections positions
6 described in Ameren Missouri witnesses David N. Wakeman’s and Laura M. Moore’s
7 rebuttal testimonies; Ameren Missouri witness James I. Warren regarding Accumulated
8 Deferred Income Taxes (ADIT) and Income Taxes; the impact of the polar vortex
9 on Midcontinent Independent System Operator, Inc. (MISO) revenues and costs, as discussed
10 in Ameren Missouri’s rebuttal testimony of Jamie Haro; and Ameren Missouri witness
11 Jeffery S. Jones’ rebuttal testimony for both coal inventory and coal-in-transit.

12 **POWER PLANT AND DISTRIBUTION MAINTENANCE EXPENSE**

13 Q. Does Staff still have concerns as to whether the cost cutting measures engaged
14 in by Ameren Missouri could lead to reliability issues?

15 A. Yes. While Staff has received additional data from Ameren Missouri
16 regarding the decrease in these costs, it is still unclear from the data whether the reductions in
17 costs related to power plant and distribution maintenance could lead to reliability issues in
18 the future.

19 Q. Does Ameren Missouri witness David N. Wakeman address these concerns in
20 his rebuttal testimony?

1 A. Yes, Mr. Wakeman describes in his rebuttal testimony that the staffing
2 reductions are a part of Ameren Missouri's ability to strategically manage costs by
3 controlling O&M costs.¹

4 Q. Does Staff disagree with Ameren Missouri's attempt to manage costs in
5 this way?

6 A. As discussed in my rebuttal testimony in this case filed on January 16, 2015²,
7 Staff believes that a prudent reduction in costs can be beneficial to both Ameren Missouri
8 and its ratepayers. However, that holds true only if those reductions do not adversely affect
9 reliability, safety or service quality.

10 Q. Does Staff believe that the tracking mechanisms and fuel adjustment clause
11 that Ameren Missouri has in place may possibly cause Ameren Missouri's management to
12 reduce operation and maintenance expense to levels that are lower than what they might
13 spend if they did not have these mechanisms?

14 A. Yes. The fact that Ameren Missouri has a storm restoration cost tracker could
15 incent Ameren Missouri management to reduce maintenance costs to levels lower than they
16 would spend absent a guaranteed recovery of all storm restoration costs that vary from the
17 base level in between rate cases. Likewise, management might reduce power plant
18 maintenance costs in order to boost earnings in short-term which might lead to power plant
19 outages that otherwise might have been avoided. Under this scenario, 95% of the higher
20 level of replacement cost generation would be recovered through Ameren Missouri's fuel
21 adjustment clause mechanism.

¹ Rebuttal Testimony of David N. Wakeman at p. 12.

² Rebuttal Testimony of Lisa K. Hanneken, p. 14, ll. 15-17.

1 Q. Is the Staff proposing any adjustments to its cost of service calculations at this
2 time regarding these expenses?

3 A. No. As discussed in Staff's Report³ filed on December 5, 2014, Staff has
4 included the expense levels experienced during the test year as an ongoing level. However,
5 Staff will continue to review these areas in future rate cases and fuel adjustment clause cases.
6 Should it be determined that additional costs were incurred to rectify Ameren Missouri's
7 decision to cut these cost levels which in turn adversely affected reliability, or unnecessarily
8 increased fuel costs as a result, then Staff will likely make an adjustment in those future cases
9 to address this type of situation.

10 **CORPORATE ALLOCATIONS**

11 Q. Did Staff examine the AMS allocations as part of its true-up analysis?

12 A. Yes. Staff has continued its review of several components of the AMS
13 allocation analysis.

14 Q. What components are involved in this analysis?

15 A. First, Staff is assessing Ameren Missouri's revised allocation adjustments
16 included in its true-up data. In addition, Staff is attempting to determine the impact of the
17 divestiture as discussed in Staff's previous testimony⁴ in this case. Staff is also reviewing the
18 data provided by Ameren Missouri to determine if it contains the level of detail necessary to
19 make a complete and thorough analysis of allocations. Lastly, Staff has included an
20 adjustment to remove costs related to an allocation study related to the divestiture.

21 Q. What adjustment is Ameren Missouri now proposing related to the costs it
22 receives from AMS?

³ Maintenance Expense, Section IX. E. 7. a. and b. at p. 111.

⁴ Staff Report, Section VII. Corporate Allocations and Rebuttal Testimony of Lisa K. Hanneken at pp. 9 and 10.

1 A. In its direct filing, Ameren Missouri proposed to include an adjustment to
2 increase the level of ongoing expenses related to AMS costs. This adjustment included both
3 labor and non-labor costs. In Ameren Missouri's revised adjustment, it is Staff's
4 understanding that while an effort was made to quantify the increase in AMS labor costs
5 experienced by Ameren Missouri, those changes in labor costs are addressed through the
6 normal true-up analysis of labor so as not to double-count those costs by also including an
7 allocation related adjustment. With regard to the non-labor costs, according to Ameren
8 Missouri witness Bob Porter's rebuttal testimony,⁵ Ameren Missouri has now been able to
9 more clearly determine what areas of costs the non-labor increases are derived from.
10 Specifically, Ameren Missouri suggests that the increases are attributable to Information
11 Technology and Transmission Services cost areas. After reviewing the minimal true-up data
12 provided by Ameren Missouri, Staff has requested information regarding the increase of
13 costs in these two areas and at the time of this testimony was prepared had not yet received
14 such data. Given the absence of the data necessary to allow Staff to appropriately assess
15 whether these increases in costs should be included in its cost of service calculations, Staff
16 has not included an adjustment in its cost of service at this time for increased AMS costs as
17 proposed by Ameren Missouri.

18 Q. Has Staff made a determination of the impact of the divestiture on AMS costs
19 charged to Ameren Missouri?

20 A. No. Just recently Staff was provided with additional data regarding AMS
21 costs, as well as information regarding the impact of the divestiture; however it has not had
22 the opportunity to review the data in its entirety or make a complete analysis of the

⁵ Rebuttal Testimony of Bob Porter at pp. 6 and 7.

1 information. Some of the data provided was in PDF format which may take a significant
2 amount of time to accurately convert into a format suitable for analyzing such data. Staff has
3 not reached a conclusion regarding this issue as it is continuing its attempt to ascertain if any
4 adjustments should be made regarding costs impacted by the divestiture.

5 Q. Does Staff believe it currently has the data and information necessary to
6 review the costs incurred by Ameren Missouri for AMS services?

7 A. As stated above, Staff has not been able to make a thorough examination of all
8 the information recently provided by Ameren Missouri. While the information provided in
9 the past has shown some light on the subject, it has invariably generated more questions. The
10 data provided regarding the distribution of AMS costs is complex, voluminous and at times
11 unclear to even an experienced allocation analyst. Therefore, Staff suspects that additional
12 information and meetings with Ameren Missouri may need to be requested in order to
13 effectively review these costs. As discussed in the Staff Report filed on December 5, 2014,
14 Staff believes in order to effectually and definitively analyze AMS costs it may be necessary
15 to address this review outside the confines of this rate case.

16 Q. Is Staff reviewing the revenues and expenses related to AMS rent?

17 A. Yes. Ameren Missouri owns certain property which it rents to AMS, including
18 office space at its St. Louis headquarters. In turn, AMS then charges Ameren Missouri for its
19 share of the allocated rent expense through the allocation process for services provided to
20 Ameren Missouri. Staff is aware of changes in these amounts during the true-up period, the
21 12-months ending December 31, 2014, compared to the test year level of the 12-months
22 ending March 31, 2014.

1 Q. In its true-up calculations, has Ameren Missouri attempted to address AMS
2 costs related to rental expense?

3 A. Yes, Ameren Missouri has included in its calculations an adjustment to correct
4 the rent bill charged to Ameren Illinois Company (AIC) in order to obtain the proper Ameren
5 Missouri costs, as well as to annualize this expense through December 31, 2014. Given the
6 fact that it is known that this adjustment is necessary, Staff is including Ameren Missouri's
7 adjustment in its cost of service at the amount stated. However, at this time Staff is still
8 attempting to confirm the calculations made by Ameren Missouri related to this item. Should
9 Staff find that a revised amount is warranted, Staff will update its cost of service to reflect
10 such a change.

11 Q. Did Staff include an adjustment regarding revenues resulting from charges to
12 AMS for rent?

13 A. Yes. Staff has made true-up adjustments to miscellaneous other revenues
14 which include AMS rent revenues. For further discussion of these adjustments, see the
15 surrebuttal testimony of Staff witness Kofi Agyenim Boateng. However, Staff continues to
16 review this area regarding some recent changes to the AMS rent revenues.

17 Q. Does Staff's true-up cost of service reflect any other adjustments to revenues?

18 A. Yes, on February 5, 2015, Staff was provided a response to Data Request
19 No. 0552 which presented data regarding revenues which Ameren Missouri receives for use
20 of software systems it owns. Most recently as part of "Project First," Ameren Missouri
21 installed a general ledger system which went in service in July 2014. The level of expense
22 associated with this item was included as part of the true-up data provided by Ameren

1 Missouri⁶, however, Staff's adjustment is an inclusion for the revenues resulting from this
2 item. While this item was not in service during the test year, it did generate revenues for half
3 of calendar year 2014. Therefore Staff's adjustment, while taking into account the overall
4 other revenue adjustment made by Staff witness Boateng, increases the revenue level to
5 reflect a full 12 months for this item.

6 Q. Please discuss the impact on the true-up calculations related to the allocation
7 study costs discussed in Staff's rebuttal testimony.

8 A. As stated in Staff's rebuttal testimony,⁷ Staff intended to remove the
9 ** ____ ** related to an allocation study to ascertain the ** _____
10 _____ **; the cost of which should not be borne by Ameren Missouri ratepayers.
11 Therefore, Staff has included an adjustment to its true-up cost of service calculations to
12 remove the amount related to this item incurred during the test year of ** ____ **.
13 The remainder of the total was incurred outside of the test year; therefore, it was only
14 necessary to remove the test year amount.

15 **VEGETATION MANAGEMENT AND INFRASTRUCTURE INSPECTIONS**

16 Q. In Ameren Missouri witness Laura M. Moore's rebuttal testimony,⁸ she
17 proposes to utilize the actual incurred amounts through the true-up period as a base level of
18 expense going forward; does Staff agree with this approach?

19 A. No. While the Staff may have agreed to this methodology in a past case, in
20 this immediate case Staff is proposing to remove the trackers related to vegetation
21 management and infrastructure inspections and to include a reasonable ongoing level of

⁶ Rebuttal Testimony of Laura M. Moore at p. 40, l. 11.

⁷ Rebuttal Testimony of Lisa K. Hanneken at pp. 9 and 10.

⁸ Rebuttal Testimony of Laura M. Moore at p. 31.

1 expenses related to these areas based on the historical data now available for the completed
2 cycle periods. As discussed in Staff's Report⁹ filed on December 5, 2014, Staff
3 recommended a 3-year average for both vegetation management and infrastructure
4 inspections expenses and stated that Staff would re-examine these costs based on actual costs
5 for these items through the true-up period.

6 Q. Has Staff reviewed the data for both the vegetation management and
7 infrastructure inspections expense levels through December 31, 2014?

8 A. Yes. As a result of this review, Staff has revised its calculations to include a
9 more representative expense level in its true-up cost of service calculation based on an
10 updated 3-year average for both of these expenses. Therefore Staff is now proposing to
11 include \$54,504,662 for vegetation management and \$5,827,267 for infrastructure
12 inspections as ongoing levels of expense in its cost of service calculations.

13 Q. Given this new data, has Staff revised its amortization levels for vegetation
14 management and infrastructure inspections?

15 A. Yes, as discussed in Staff's Report, Staff included amounts for amortization
16 based on the data it had at that time; however, since then Staff has received additional data
17 through December 31, 2014 which impacts its calculations of the amortization amount.

18 Q. What amount of amortization did Staff previously propose in its Report on
19 December 5, 2014?¹⁰

20 A. Staff proposed the total to be amortized of \$696,430 with an annual
21 amortization in the amount of \$232,143 which included both the remaining amount of

⁹ Staff Report at Section IX. E. 6. a.

¹⁰ Staff Report at Section IX. E. 6. c.

1 previous amortization from ER-2012-0166 at May 31, 2015, and the current amortization
2 calculated in this case.

3 Q. What does Staff propose to include in its true-up cost of service calculation as
4 an appropriate amortization level based on the true-up data provided by Ameren Missouri?

5 A. While the calculation for the remaining unamortized amounts from case
6 No ER-2012-0166 has not changed, the amounts related to the current amortization in this
7 case has changed based on the true-up data. Therefore, Staff is proposing a revised total
8 amortization amount of \$1,539,810 with a new annual amortization amount of \$513,270.

9 Q. Does Staff agree that the vegetation management and infrastructure
10 inspections tracker should continue as discussed in Ameren Missouri witness David N.
11 Wakeman's rebuttal testimony?

12 A. No. As discussed in Staff's previous testimony,¹¹ Staff believes that these
13 trackers have served their purpose and should be discontinued.

14 Q. By discontinuing these trackers, is Staff suggesting that Ameren Missouri
15 should no longer recover the costs related to these expenses?

16 A. No. Staff has included a reasonable level of ongoing expense based on
17 historical data for each of these areas.

18 Q. In his rebuttal testimony,¹² Mr. Wakeman also discusses the variation in these
19 costs as being a reason to continue the tracker; does Staff agree with this assessment?

20 A. No. As discussed in Staff's rebuttal testimony,¹³ many of Ameren Missouri's
21 costs fluctuate, some more than others; however, the majority of these costs are not tracked.
22 In this case costs related to vegetation management and infrastructure inspections have

¹¹ Staff Report at Section IX. E. 6. b. and the Rebuttal Testimony of Lisa K. Hanneken.

¹² Rebuttal Testimony of David N. Warren at p. 3, ll. 12-14.

¹³ Rebuttal Testimony of Lisa K. Hanneken at p. 8.

1 fluctuated from year to year, varying between less than one half of one percent to as much as
2 approximately 6% over the last six years. However, these fluctuations occur with many of
3 Ameren Missouri's expenses and are adjusted in each rate case to the most reasonable
4 ongoing level based on the data available. Staff is simply proposing to treat this now
5 established expense the same as the majority of Ameren Missouri's other expenses.

6 Q. Mr. Wakeman indicates in his rebuttal testimony that these costs are not
7 discretionary spending, as the Company has no choice but to follow the Commission rules
8 for these areas;¹⁴ does Staff agree with this statement?

9 A. Staff agrees that these costs fall under Commission rules 4 CSR 240-23.030
10 (vegetation management) and 4 CSR 240-23.020 (infrastructure inspections); however, many
11 of Ameren Missouri's costs are mandated by Federal or State laws, rules, or regulations; yet
12 again the majority of them are not tracked. In the beginning, when these new rules were
13 implemented, it made sense to track these costs as there was no way to quantify the
14 incremental impact of the new rules on Ameren Missouri's costs in these areas. Now
15 however, historical data is available which allows for the determination of a reasonable
16 ongoing amount of these costs in order to include them in the calculation of Ameren
17 Missouri's cost of service. These rules ensure that Ameren Missouri provides reliable, safe
18 service to its customers; and while these rules may require Ameren Missouri to incur these
19 costs, Staff believes it is no longer necessary to track them.

20 **INCOME TAXES AND ACCUMULATED DEFERRED INCOME TAXES (ADIT)**

21 Q. In Staff's rebuttal testimony,¹⁵ it stated that the amounts included in Staff's
22 cost of service at December 5, 2014 would change based on the true-up data to be provided

¹⁴ Rebuttal Testimony of David N. Wakeman at p. 3, ll. 11-12.

1 by Ameren Missouri. Has Staff received that data, and has it revised its Income Tax and
2 ADIT amounts for its true-up cost of service calculations?

3 A. Yes. Ameren Missouri has provided the true-up data to Staff and consequently
4 Staff has revised its direct calculations to include the data through December 31, 2014, as
5 part of Staff true-up cost of service calculation.

6 Q. Upon Staff's review of these true-up calculations, were there items included
7 which did not seem to be updated?

8 A. Yes. A few of the tax-related items utilized the direct filing amounts, although
9 they had changed since that time. In an effort to correct this, Ameren Missouri has provided
10 Staff with revised true-up information related to taxes. These revisions will be discussed in
11 greater detail below.

12 Q. In Ameren Missouri witness James I. Warren's rebuttal testimony¹⁶, he
13 discusses the recent extension of bonus depreciation; has Staff taken the new law into
14 account in its calculations?

15 A. Yes. As discussed in Staff's rebuttal testimony,¹⁷ Staff proposed to include the
16 impact of this new law in its true-up analysis. Therefore, as part of the amounts included in
17 Staff's current calculations the impact of the new bonus depreciation law was taken into
18 account where appropriate.

19 Q. Mr. Warren indicates in his rebuttal testimony that he agrees with four of the
20 proposals made by Missouri Industrial Energy Consumers (MIEC) witness Michael L.
21 Brosch in his direct testimony, specifically equity issuance costs; research tax credits; energy

¹⁵ Rebuttal Testimony of Lisa K. Hanneken Sections on Income Taxes and ADIT.

¹⁶ Rebuttal Testimony of James I. Warren at pp. 4-5.

¹⁷ Rebuttal Testimony of Lisa K. Hanneken at p. 3.

1 efficiency regulatory asset balance; and treatment of ADIT account 281 (pollution control
2 facilities). Does Staff agree with these proposals as well?

3 A. Yes. As stated in Staff's rebuttal testimony on income-tax related issues, Staff
4 agreed with Mr. Brosch's direct testimony regarding these items; however, Staff also stated
5 it needed to review any applicable true-up amounts related to these issues in order to include
6 the most current known and measurable amounts. Upon review, Staff agrees with the
7 amounts provided by Ameren Missouri for equity issuance costs, the treatment of ADIT
8 account 281, energy efficiency balance and the new revised amounts for research tax credits
9 based on an average of historical amounts. Therefore, Staff has included the tax-related
10 items in its true-up cost of service calculations.

11 Q. Mr. Warren also indicated in his testimony that he disagreed with
12 Mr. Brosch's four other proposals, specifically the Investment Tax Credit; Section 199
13 Domestic Production Deduction; the treatment of ADIT associated with the Metro East
14 Transfer; and the Net Operating Loss Carryforward-Related ADIT. How did Staff treat these
15 items in its true-up cost of service calculations?

16 A. I will address each of these issues separately below.

17 **Investment Tax Credit**

18 Q. Has Staff performed a true-up analysis regarding the investment tax credit
19 tax-related issue?

20 A. Yes. As discussed in Staff's rebuttal testimony,¹⁸ this item was part of
21 Staff's true-up analysis. As a result of that review, Staff has included a level consistent with
22 the true-up data provided by Ameren Missouri, given that the bonus depreciation has been

¹⁸ Rebuttal Testimony of Lisa K. Hanneken at pp. 6-7.

1 retroactively reinstated. However, as Staff noted in rebuttal testimony¹⁹, this amount will
2 need to be recalculated based on the outcome of the applicable book depreciation lives and
3 annual depreciation accrual rates to be ordered by the Commission.

4 **Section 199 Domestic Production Deduction**

5 Q. Did Staff review the Section 199 Domestic Production Deduction as part of its
6 true-up analysis as was discussed in its rebuttal testimony?

7 A. Yes. Staff has reviewed this area with regards to the true-up data provided by
8 Ameren Missouri. However, after discussions with Ameren Missouri, the Company provided
9 a revision of this item to Staff on February 3, 2015. Staff has subsequently reviewed this
10 newly revised information. Ameren Missouri's previously provided true-up data included an
11 amount of ** _____ ** for the Section 199 deduction. However, the newly revised data
12 provided February 3, 2015 incorporated a change in methodology which resulted in a new
13 deduction amount of ** __ ** . It is Staff's understanding that in previous cases, as well
14 as Ameren Missouri's direct and initial true-up filings these calculations were based on a
15 stand-alone basis, however in this new revised version, it seems that this item is being
16 calculated on Ameren Missouri's portion of a consolidated basis. However, because of the
17 fact Ameren Missouri is now changing its methodology for several components of the tax
18 calculations, Staff is unsure as to their current position. To date the Company's testimony,
19 direct filed cost of service and true-up summary documents did not include the change in
20 methodology that Ameren Missouri is now attempting to implement through emails and
21 revised data requests.

22 Q. Has Staff included this change in its true-up cost of service calculations?

¹⁹ Rebuttal Testimony of Lisa K. Hanneken at pp. 6-7.

1 A. No, because it is unclear to Staff as to what methodologies the Company is
2 now trying to include in its calculations. Staff has included its standard methodology for this
3 deduction calculation which it has utilized in previous Ameren Missouri cases. However,
4 Staff is still reviewing the data utilized in its calculations regarding this item because it
5 believes the data provided by Ameren Missouri may contain amounts which are based on a
6 newly adopted position.

7 **Treatment of ADIT associated with the Metro East Transfer**

8 Q. Has Staff been able to complete its analysis of the ADIT related to the Metro
9 East Transfer?

10 A. Yes. Based upon the information provided, Staff agrees with the treatment
11 afforded this item in the true-up tax calculation for ADIT prepared by Ameren Missouri.

12 **Net Operating Loss Carryforward-Related ADIT**

13 Q. Has Staff reviewed Mr. Brosch's adjustment for the Net Operating
14 Loss (NOL) deferred tax asset and deferred tax credits included in rate base as part of its
15 true-up analysis?

16 A. Staff continues to review this issue to determine what level of ADIT related to
17 this item, if any, should be appropriately included in rate base. As discussed in Staff's
18 rebuttal testimony²⁰, this issue involves Mr. Brosch's adjustment for the NOL deferred tax
19 asset and deferred tax credits included in rate base. While Staff would agree that the
20 ratepayers should not be detrimentally harmed by Ameren Missouri's decision to enter into a
21 tax sharing agreement with its affiliates, Staff needs the opportunity to perform an analysis of
22 data that was just recently provided by Ameren Missouri.

²⁰ Rebuttal Testimony of Lisa K. Hanneken at pp. 4-5.

1 **FASB INTERPRETATION No. 48 (“FIN 48”)**

2 Q. Has Staff received new information regarding this item since it filed Staff’s
3 Report on December 5, 2014?

4 A. Yes. As anticipated, Ameren Missouri has received a final resolution to its
5 2007-2011 uncertain tax positions. Staff has reviewed the information received and has
6 revised its calculations of the FIN 48 amortization to reflect this new data.

7 Q. Did Staff incorporate the previous 2005-2006 settlement into this new amount
8 to be amortized?

9 A. Yes. As discussed in Staff’s Report for this issue, Staff added the remaining
10 amount of the previous settlement at May 31, 2015, ** _____ **, to the amount of the
11 new settlement, ** _____ ** and then amortized the result over a 3-year period
12 as was agreed to in ER-2011-0028. Therefore the new annual amortization will be
13 ** _____ ** with the new amortization period of June 2015 – May 2018.

14 Q. Was the amount of the regulatory liability associated with FIN 48 also revised
15 based on this new information?

16 A. Yes. A new regulatory liability balance at December 31, 2014 of
17 ** _____ ** was provided to Staff to include in its true-up calculations of rate base.

18 **MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC. (MISO)**

19 Q. In Staff’s Report on December 5, 2014, Staff indicated that it would review
20 the true-up data related to MISO transactions. Has that data since been provided?

21 A. Yes. Staff has received information through December 31, 2014, the true-up
22 date in this case. After reviewing this data, Staff has reflected in its true-up cost of service

1 calculation the most current level of revenue and expense transactions related to the MISO
2 Day 2 market, Ancillary services and Transmission items.

3 Q. Did Staff review the polar vortex issue as raised in the direct testimony of
4 Missouri Industrial Energy Consumers (MIEC) witness Nicholas L. Phillips²¹ and the
5 rebuttal testimony of Ameren Missouri witness Jaime Haro²²?

6 A. Yes, as discussed in Staff's rebuttal testimony,²³ this was one of the areas
7 Staff intended to review as part of its analysis. Therefore, Staff reviewed the data provided
8 for both MISO Day 2 and Ancillary services as it related to the polar vortex.

9 Q. Has Staff made an adjustment to account for the polar vortex as previously
10 described in these aforementioned testimonies?

11 A. Yes. Staff has included an adjustment to the MISO Day 2 and Ancillary
12 services to reflect the effects of the polar vortex. Staff utilized an averaging methodology
13 utilizing the data from 2012, 2013, and 2014 in order to adjust the polar vortex months of
14 January-March of 2014.

15 Q. Why did Staff not utilize the methodology described by MIEC witness
16 Phillips in his direct testimony and Ameren Missouri witness Haro in his rebuttal testimony
17 for these transactions?

18 A. Staff does not believe that the methodology utilized by Mr. Phillips and
19 Mr. Haro is appropriate as it utilizes the months of April-December 2014 to obtain a monthly
20 average which is then annualized to a 12-month period (monthly average for April-December
21 multiplied by 12). Staff believes that the methodology employed by MIEC witness Phillips

²¹ Direct Testimony of Nicholas L. Phillips, at pp. 9 and 17.

²² Rebuttal Testimony of Jamie Haro, at p. 9.

²³ Rebuttal Testimony of Lisa K. Hanneken at pp. 10-12.

1 and Ameren Missouri witness Haro to normalize these transactions does not take into
2 account the appropriate seasonal nature that exists for the months of January-March.

3 **COAL RELATED ISSUES**

4 **a. Coal Inventory**

5 Q. What level of coal inventory has been included in Staff's true-up cost of
6 service calculations?

7 A. Staff has included ** _____ ** tons of coal in its calculations, with an
8 additional dollar amount for the basemat (unusable inventory) level of coal as agreed to in
9 Ameren Missouri's Case No. ER-2008-0318.

10 Q. Does this level represent the 13-month average as described in Staff's
11 Report²⁴ filed on December 5, 2014?

12 A. Not in its entirety. Since the time of Staff's Report, Staff has received
13 additional data that indicates the inventory levels have declined ** _____ ** in the past nine
14 months. Therefore, as has been done in the last five rate cases, and stated in Laura M.
15 Moore's direct testimony, Staff is utilizing the most current true-up data for the Labadie and
16 Meramec energy centers through the true-up period ending December 31, 2014. However,
17 Staff believes the decline seen at the Sioux and Rush Island energy centers is attributable to
18 factors outside Ameren Missouri's control regarding coal deliveries; as a result, Staff is
19 including the 13-month average at March 31, 2014, as calculated in Staff's Report for these
20 two inventory levels rather than the true-up amounts typically utilized.

21 **b. Coal-in-Transit**

22 Q. Does the coal inventory described above include coal-in-transit?

²⁴ Coal Inventory On-Site, Section VII. F. 2. a., at p. 56.

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1 A. No, it does not. As discussed in Staff's Report²⁵, Staff has excluded this
2 amount from its cost of service calculations. Staff believes it is not appropriate to include
3 coal-in-transit in the calculation of rate base.

4 Q. Does Staff believe that Ameren Missouri pays for the coal immediately as it is
5 loaded on the coal cars?

6 A. No. According to Ameren Missouri witness Jeffrey S. Jones' rebuttal
7 testimony, the invoice for the coal is aggregated over 15 days and then has a 10 day due
8 date²⁶. This means that Ameren Missouri may not pay for the coal for up to 25 days after it is
9 placed on the railcar; which implies that a portion of the inventory on-site at the energy
10 centers may not yet be paid for. Staff's position is that ratepayers should not be required to
11 pay a return on an amount of inventory for which the Company has neither paid for nor is in
12 the Company's possession.

13 Q. Mr. Jones further states in his rebuttal testimony that coal-in-transit is
14 necessary for Ameren Missouri to generate electricity for its customers and, consequently, its
15 costs should be included in rate base.²⁷ Does Staff agree with this assertion?

16 A. No, it does not. First, Mr. Jones is assuming that the coal-in-transit has been
17 paid for; however, as discussed above this is not the case. In addition, Staff contends that
18 while the coal may be scheduled to arrive at an energy center there are many circumstances
19 under which the coal may not arrive as scheduled. One example is when flooding or other
20 nature occurrences prevent the trains from reaching their destination.

²⁵ Coal-In-Transit, Section VII. F. 2. b., at p. 56.

²⁶ Rebuttal Testimony of Jeffrey S. Jones at p. 10.

²⁷ Rebuttal Testimony of Jeffrey S. Jones at p. 11, ll. 10-11.

1 Q. Should the Commission decide it is appropriate to ask the ratepayers to pay
2 for increased inventory levels due to the inclusion of coal-in-transit, what level would Staff
3 recommend including in Ameren Missouri's rates?

4 A. Should the Commission decide that it is appropriate to include coal-in-transit,
5 then Staff would recommend the 13-month average at March 31, 2014 of ** ____ ** tons
6 be included as the most appropriate level.

7 **c. Coal Refinement**

8 Q. What did Staff's review of the true-up data provided by Ameren Missouri
9 regarding coal refinement reveal?

10 A. Staff reviewed the true-up data related to both the expenses related to
11 maintenance costs and the amounts received by Ameren Missouri as a result of the refining at
12 three of Ameren Missouri's energy centers. Staff's analysis of the expenses revealed that no
13 changes had taken place since Staff's previous review and, therefore, the annualized amount
14 utilized by Staff for its direct filing is still appropriate. The analysis of the amounts received
15 by Ameren Missouri revealed a slight change in a few of the amounts due to more current
16 data. Staff has incorporated this more current data into its annualization of these amounts for
17 its cost of service calculations.

18 **CAPACITY REVENUES**

19 Q. Has Ameren Missouri revised its calculations for capacity revenues to include
20 data through the true-up period in this case, the 12-months ending December 31, 2014?

21 A. Yes. Ameren Missouri utilized the calendar year 2014 actual amounts to
22 calculate the capacity revenues included in its cost of service calculations.

23 Q. Does Staff agree with this methodology?

1 A. No, it does not. During the calendar year 2014, some contracts for capacity
2 sales expired and are no longer ongoing. In addition, new contracts were entered into and
3 should be included in the ongoing level. By utilizing calendar year 2014 data, Ameren
4 Missouri has included amounts which are no longer contractually valid.

5 Q. What methodology did Staff utilize in order to account for the new ongoing
6 level of revenues based on the new contracts?

7 A. Staff analyzed each contract, determined the ongoing contractual amounts in
8 effect at January 1, 2015 and annualized them to a full 12-month period. By utilizing this
9 methodology, Staff has eliminated revenues related to the expired contracts and has included
10 the most known and measurable ongoing amounts for capacity revenues.

11 Q. Does this conclude your surrebuttal testimony?

12 A. Yes, it does.

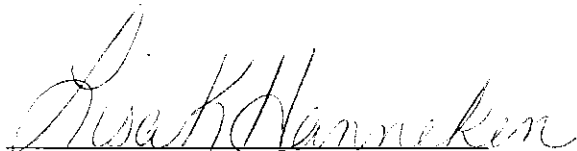
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a)
Ameren Missouri's Tariff to Increase Its) Case No. ER-2014-0258
Revenues for Electric Service)

AFFIDAVIT OF LISA K. HANNEKEN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

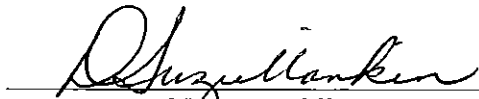
Lisa K. Hanneken, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 21 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Lisa K. Hanneken

Subscribed and sworn to before me this 5th day of February, 2015.

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



Notary Public