

*Exhibit No.:*  
*Issues:* *Accounting Schedules; Electric Plant and Reserve Assigned to Gas; Purchased Gas, GRT and Sales and Use Tax for CWC; Pension Expense – FAS 87 and OPEBs Expense-FAS 106*  
*Witness:* *Doyle L. Gibbs*  
*Sponsoring Party:* *MOPSC*  
*Type of Exhibit:* *Direct Testimony*  
*Case No.:* *GR-2007-0003*  
*Date Testimony Prepared:* *December 15, 2006*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**DOYLE L. GIBBS**

**UNION ELECTRIC COMPANY  
d/b/a AMERENUE**

**CASE NO. GR-2007-0003**

*Jefferson City, Missouri  
December 2006*

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

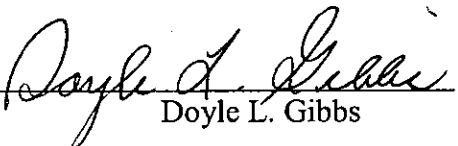
In the Matter of Union Electric Company d/b/a )  
AmerenUE for Authority to File Tariffs Increasing )  
Rates for Gas Service Provided to Customers in the )  
Company's Missouri Service Area. )

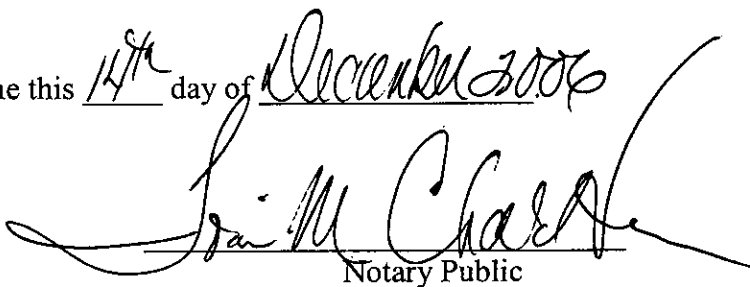
Case No. GR-2007-0003

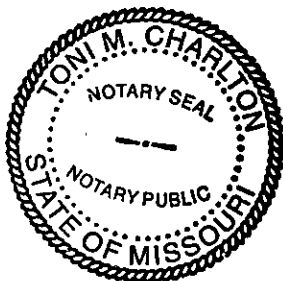
**AFFIDAVIT OF DOYLE L. GIBBS**

STATE OF MISSOURI     )  
                                  )  
COUNTY OF COLE     )     ss.

Doyle L. Gibbs, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 8 pages to be presented in the above case; that the answers in the foregoing Direct 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.

  
Doyle L. Gibbs

Subscribed and sworn to before me this 14<sup>th</sup> day of December 2007  
  
Notary Public



TONI M. CHARLTON  
Notary Public - State of Missouri  
My Commission Expires December 28, 2008  
Cole County  
Commission #04474301

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**UNION ELECTRIC COMPANY**  
**d/b/a AMERENUE**  
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1                                   **DIRECT TESTIMONY**  
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3                                   **DOYLE L. GIBBS**  
4                                   **UNION ELECTRIC COMPANY**  
5                                   **d/b/a AMERENUE**  
6                                   **CASE NO GR-2007-0003**  
7

8           Q.     Please state your name and business address.

9           A.     Doyle L. Gibbs, 9900 Page Avenue, Suite 103, Overland, Missouri 63132.

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

11          A.     I am employed by the Missouri Public Service Commission (Commission) as a  
12 Temporary Utility Regulatory Auditor.

13          Q.     Please describe your educational background.

14          A.     I attended the University of Missouri – St. Louis, where I received a Bachelor  
15 of Science degree in Business Administration with a major in Accounting in 1976. I passed  
16 the Uniform Certified Public Accountant examination in 1988. I was licensed as a Certified  
17 Public Accountant in the state of Missouri until October 2005. I retired as a full time  
18 employee of the Commission in November 2005 and have not renewed my license.

19          Q.     What has been the nature of your duties while in the employ of this  
20 Commission?

21          A.     I have conducted and assisted with the audits and examinations of the books  
22 and records of utility companies operating within the state of Missouri.

23          Q.     Have you previously testified before the Commission?

1           A.     Yes, I have. Please refer to Schedule DLG-1, attached to this direct testimony,  
2 for a list of cases in which I have previously testified.

3           Q.     With reference to Case No. GR-2007-0003, have you investigated the books  
4 and records of Union Electric Company d/b/a AmerenUE (AmerenUE)?

5           A.     Yes, with the assistance of other members of the Commission Staff (Staff).

6           Q.     What did you review in your investigation?

7           A.     I reviewed and examined AmerenUE's filings in this case for its electric and  
8 gas operations, its supporting work papers, and its underlying financial reports and records. I  
9 reviewed responses to data requests and obtained information in conversations with Company  
10 personnel. I reviewed work papers and other documents generated during past AmerenUE  
11 cases before this Commission. I also reviewed Commission Orders and Staff testimony on  
12 related issues in cases involving other utilities.

13           **EXECUTIVE SUMMARY**

14           Q.     Would you please briefly summarize your testimony?

15           A.     I explain how Staff determined employee benefit expenses for pensions and  
16 other post employment benefits (OPEBs) in accordance with Statement of Financial  
17 Accounting Standard (FAS) 87 and FAS 106, respectively. I have overall responsibility for  
18 developing the Staff's Accounting Schedules, and I am sponsoring Staff's revenue  
19 requirement schedule (Accounting Schedule 1), income statement (Accounting Schedule 9)  
20 and Staff's adjustments to the income statement (Accounting Schedule 10).

21           Q.     What is the purpose of your direct testimony?

22           A.     The primary purpose of my direct testimony is to explain certain plant and  
23 reserve adjustments that the Staff made to assign electric facilities to gas operations. I also

Direct Testimony of  
Doyle L. Gibbs

1 discuss how the Staff developed the amount of Purchased Gas expense, Gross Receipt tax  
2 (GRT) and Sales and Use taxes the Staff included in its calculation of cash working capital.  
3 Finally, I discuss the Staff's expense adjustments related to FAS 87 and FAS 106, as well as  
4 the procedure the Staff proposes for future ratemaking treatment to be afforded FAS 87 and  
5 FAS 106 expense.

6 Q. What adjustments did the Staff make that you reflected in the Staff's  
7 Accounting Schedules, and where are they located in those schedules?

8 A. I prepared and have reflected in Accounting Schedule 4, Adjustment To Plant  
9 In Service, the plant adjustments identified as P-35.1, P-36.1, P-37.1, P-38.1, P-39.1, P-40.1  
10 and P-41.1. The depreciation reserve adjustments associated with these plant adjustments are  
11 contained in Accounting Schedule 6, Adjustments To Depreciation Reserve, and include  
12 R-24.1, R-25.1, R-29.1, R-30.1, R-31.1 and R-34.1.

13 I prepared and reflected in Accounting Schedule 10, Adjustments To Income  
14 Statement, the adjustments to pension expense and OPEBs identified in that schedule as  
15 S-12.5 and S-12.6, respectively.

## 16 **ACCOUNTING SCHEDULES**

17 Q. Would you please explain the Staff's Accounting Schedules in general?

18 A. The Staff's Accounting Schedules show the Staff's determination of  
19 AmerenUE's revenue requirement based on the test year the Commission ordered in this  
20 case—the year ended June 30, 2006. The Staff's Accounting Schedules are a collaborative  
21 effort that results from the input of various Commission departments and Staff witnesses.

22 The Staff's Accounting Schedules consist of eleven separate schedules, identified as  
23 follows:

Direct Testimony of  
Doyle L. Gibbs

Accounting Schedule 1	Revenue Requirement
Accounting Schedule 2	Rate Base
Accounting Schedule 3	Plant In Service
Accounting Schedule 4	Adjustments To Plant In Service
Accounting Schedule 5	Depreciation Reserve
Accounting Schedule 6	Adjustment To Depreciation Reserve
Accounting Schedule 7	Depreciation Expense
Accounting Schedule 8	Cash Working Capital
Accounting Schedule 9	Income Statement
Accounting Schedule 10	Adjustments To Income Statement
Accounting Schedule 11	Income Tax Calculation

Q. Which of these schedules have you prepared and are sponsoring?

A. I prepared all the Accounting Schedules but I am specifically sponsoring Accounting Schedule 1 - Revenue Requirement, Accounting Schedule 9 - Income Statement and Accounting Schedule 10 – Adjustments To Income Statement. Staff witness Ed Began will be sponsoring all the remaining Accounting Schedules, with the exception of Accounting Schedule 11, Accounting Schedule 11 – Income Tax Calculation, which will be sponsored by Staff witness Stephen M. Rackers.

Q. Would you please explain the Accounting Schedules for which you are responsible?

A. As the title indicates, Accounting Schedule 1 is the Staff's calculation of AmerenUE's revenue requirement for the test year ending June 30, 2006, based on the rates of return, provided by Staff witness Steven Hill. The rates of return are applied to Rate Base to determine the required level of net income which is then grossed up for the amount of current income tax that would be required to produce the calculated level of net income.

Accounting Schedule 9, Income Statement is AmerenUE's income statement for its electric operations for the test year ended June 30, 2006, as modified by Staff adjustments and Staff allocations detailed in other Staff schedules and testimony.

1           The Staff's Accounting Schedule 10, Adjustments To Income Statement, itemizes  
2 each of the Staff adjustments to AmerenUE's test year ended June 30, 2006, reflected on  
3 Accounting Schedule 9, Income Statement. For each adjustment listed on Accounting  
4 Schedule 10, in addition to quantifying the adjustment, the adjustment is briefly described and  
5 the Staff witness who supports the adjustment parenthetically identified.

6           **ELECTRIC PLANT AND RESERVE ASSIGNED TO GAS**

7           Q.     Why did the Staff make adjustments based on the assignment of plant and  
8 reserve to gas operations?

9           A.     AmerenUE has facilities needed and used by both its electric and its gas  
10 operations. AmerenUE has assigned a portion of the cost of these multi-use facilities and the  
11 associated reserve to gas operations based on the electric/gas labor ratio contained in a study  
12 for the year ending December 31, 2005. The Staff adjustments P-35.1, P-36.1, P-37.1, P-38.1,  
13 P-39.1, P-40.1 and P-41.1 contained in Accounting Schedule 4, Adjustments To Plant In  
14 Service and adjustments R-24.1, R-25.1, R-29.1, R-30.1, R-31.1 and R-34.1 contained in  
15 Accounting Schedule 6, Adjustments To Depreciation Reserve, duplicate AmerenUE's  
16 adjustments for these multi-use facilities in its filing.

17           **PURCHASED GAS, GRT AND SALES AND USE TAX FOR CWC**

18           Q.     How did the Staff develop purchased gas expense for CWC?

19           A.     I determined the ratio of gas cost as a percent of billed revenue by dividing test  
20 year gas cost by the test year billed revenue net of GRT. I then determined the gas cost to  
21 include in CWC by multiplying this ratio by the annualized billed revenue. Annualized  
22 revenue calculated by the Staff does not include GRT.



1 Q. How did you develop the gross receipts tax and sales/use tax amounts the Staff  
2 used in calculating cash working capital?

3 A. I developed a composite GRT rate by dividing the test year GRT by the test  
4 year billed revenue, net of GRT. GRT for CWC was determined by applying the composite  
5 GRT rate to the sum of the purchased gas discussed above and the annualized level of billed  
6 revenue. I determined the sales/use tax amounts for CWC similarly to how I determined the  
7 GRT for CWC. The calculation was the same, except that I used the test year sales/use tax  
8 total as the numerator in place of the test year GRT in the rate equation. I then applied the  
9 sales/use tax composite rate, like GRT, to the sum of purchased gas above and annualized  
10 billed revenue.

11 **PENSION EXPENSE – FAS 87 and OPEBs EXPENSE – FAS 106**

12 Q. What are FAS 87 and FAS 106?

13 A. FAS 87, *Employers' Accounting for Pensions*, and FAS 106, *Employers'*  
14 *Accounting for Postretirement Benefits (OPEBs) Other than Pensions*, are the Financial  
15 Accounting Standards Board (FASB) approved accrual accounting methods for financial  
16 statement recognition of annual pension cost and OPEBs over the service life of employees.  
17 Use of FAS 87 and FAS 106 accrual accounting methods is required under Generally  
18 Accepted Accounting Principles (GAAP) for financial reporting purposes. The assumptions  
19 used in the calculation of FAS 87 and FAS 106 are similar in many respects.

20 Q. How is AmerenUE calculating its current pension and OPEB expenses?

21 A. Pensions and OPEBs are calculated by AmerenUE's actuary using market-  
22 related value (MRV) and a 10-year amortization of unrecognized gains and losses to expense  
23 with no 10% corridor. MRV is the fair value of pension plan assets calculated by the actuary

1 that incorporates a systematic amortization of gains and losses over a defined period not to  
2 exceed five years. The 10% corridor is a reference to the amount of gain or loss that exceeds  
3 10% of the projected benefit obligation or market value of the plan assets and defines the  
4 minimum amount of gain or loss that must be amortized to expense. By not using the 10%  
5 corridor, AmerenUE accelerates the recognition of the gain or loss in comparison to the gain  
6 or loss recognition using the corridor approach. The Staff has consistently advocated not  
7 using the 10% corridor approach in the calculation of pension and OPEB expenses.  
8 AmerenUE's method of calculating pension and OPEB expenses, based on the above  
9 parameters, is consistent with how the Commission has recently approached these expenses.

10 Q. What is adjustment S-12.5 to pension expense?

11 A. Adjustment S-12.5 adjusts pension expense to an annual level based on the  
12 latest actuarial calculation. The Staff is not proposing any adjustment to reflect a change to  
13 AmerenUE's method of calculating FAS 87 pension expense.

14 Q. What is adjustment S-18.6 to OPEB expense?

15 A. Similar to the adjustment to pension expense, adjustment S-18.6 adjusts OPEB  
16 expense to annualize the latest actuarial calculated cost.

17 Q. What does the Staff propose for future ratemaking treatment to be afforded  
18 AmerenUE's FAS 87 pension expense and FAS 106 OPEB expense?

19 A. The Staff agrees with the procedure AmerenUE proposes as outlined on  
20 Schedule CKV-E2 attached to the Supplemental Direct Testimony of Company witness  
21 C. Kenneth Vogl, although a clarification may be helpful with regards to paragraph 4 of that  
22 schedule. In paragraph 4, Mr. Vogl discusses establishing a regulatory liability if a positive  
23 expense is included in rates and the actual expense in any given year becomes negative.

1 The liability would be valued as the difference between the amount included in rates and zero  
2 and the liability would be included in the determination of rate base. It should be understood  
3 that a second liability would be established for the difference between zero and the negative  
4 expense. This liability would not be included in the determination of rate base but any future  
5 positive expense would be first used to offset this liability before any reduction is made to the  
6 liability that is included in rate base. With that clarification, the procedure proposed by  
7 AmerenUE in this case is principally in agreement with procedures the Commission has  
8 approved for addressing these same issues for The Empire Electric District Electric Company  
9 (Empire) and Kansas City Power and Light Company (KCPL).

10 Q. How does AmerenUE's proposal differ from the procedures the Commission  
11 approved for Empire and KCPL?

12 A. In those other cases there is reference to an existing prepaid pension asset. The  
13 books of AmerenUE gas operations do not reflect an asset or liability related of pensions and  
14 OPEBs. The Staff is of the opinion that the only asset or liability that needs to be addressed  
15 are those that may arise in the future as a result of the proposed tracking procedures.

16 Q. Does this conclude your direct testimony?

17 A. Yes, it does.

## **CASE PROCEEDING PARTICIPATION**

**DOYLE L. GIBBS**

<b>PARTICIPATION</b>		<b>TESTIMONY</b>
<b>COMPANY</b>	<b>CASE NO.</b>	<b>ISSUES</b>
The Empire District Electric Company	ER-2004-0570	Direct, Rebuttal, Surrebuttal - Revenue, Billing Costs, Uncollectible Expense, Pensions, Prepaid Pension Asset, OPEBs, Pensions Expense, Customer Growth
Missouri American Water Company	WR-2003-0500	Direct – Pensions, OPEBs, Income Taxes, Reserve Deficiency Amortization
Union Electric (dba AmerenUE)	EC-2002-1025	Direct-Allocations, Territorial Agr & I&D
Union Electric Company	EC-2002-1	Direct - Revenue, Uncollectibles, Gross Receipts Tax, Territorial Agreements, Allocations, Payroll, Incentive Compensation, Payroll Taxes, Injuries & Damages, Depreciation
Laclede Gas Company	GR-2001-629	Direct - Environmental Costs; Cost of Removal Accounting Authority Orders; Incomes Taxes
St. Louis County Water Company	WR-2000-844	Direct – Accounting Schedules, Revenue, Purchased Water, Fuel & Power, Chemicals, Uncollectibles, Pensions, OPEBs, Outside Services
Missouri-American Water Company	SR-2000-282	True-up - Rebuttal – Chemicals, Property Taxes
Missouri-American Water Company	SR-2000-282	True-up - Direct – Impact of True-up audit
Missouri-American Water Company	SR-2000-282	Direct - True-up, Plant, Depreciation Reserve, Depreciation Expense, Materials & Supplies, Prepayments, Deferred Income Tax, Customer Deposits & Advances, Property Tax, Income Tax
Missouri-American Water Company	WR-2000-281	True-up - Rebuttal – Chemicals, Property Taxes
Missouri-American Water Company	WR-2000-281	True-up - Direct – Impact of True-up audit
Missouri-American Water Company	WR-2000-281	Direct - True-up, Plant, Depreciation Reserve, Depreciation Expense, Materials & Supplies, Prepayments, Deferred Income Tax, Customer Deposits & Advances, Property Tax, Income Tax
United Water Missouri	WR-99-326	Accounting Schedules
Laclede Gas Company	GR-99-315	True-up - Direct – Impact of True-up audit
Laclede Gas Company	GR-99-315	Direct – True-up, Plant, Depreciation Reserve, Depreciation Expenses

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Laclede Gas Company	GR-98-374	Direct – Income Tax, Injuries & Damages, Rate Case Expense
Missouri-American Water Company	WO-98-204	Direct – Revenue Requirement for District Specific Pricing
Missouri-American Water Company	WR-97-237	True-up - Payroll, Employee Benefits, Payroll Taxes, Other Insurance, Non-recurring Credits
Atmos Energy Corporation/ United Cities Gas Company	GM-97-70	Rebuttal – Public Detriment, Accounting for merger, Merger Premium
Laclede Gas Company	GR-96-193	Direct – Income Tax, AAO's, Pensions, OPEBs, PSC Assessment
Empire District Electric Company	ER-95-279	Direct - Income Tax, Non-group insurance
Laclede Gas Company	GR-94-220	
St. Louis County Water Company	WR-94-166	
Missouri-American Water Company	WM-93-255	
Southwestern Bell Telephone Company	TC-93-224	
Missouri-American Water Company	WR-93-212	
St. Joseph Power & Light	ER-93-41	
Missouri Pipeline	GR-92-314	
Laclede Gas Company	GR-92-165	
St. Louis County Water Company	WR-91-361	
Missouri Cities	WR-91-172	
Missouri Cities	WR-90-236	
Missouri-American Water Company	WR-89-265	
Missouri Cities Water Company	SR-89-179	
Missouri Cities Water Company	WR-89-178	
St. Louis County Water Company	WR-88-5	
St. Louis County Water Company	WR-87-2	
Missouri Cities Water Company	SR-86-112	
Missouri Cities Water Company	WR-86-111	
Southwestern Bell Telephone Company	TR-86-84	
Arkansas Power & Light Company	ER-85-265	

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Missouri Cities Water Company	SR-85-158	
Missouri Cities Water Company	WR-85-157	
Arkansas Power & Light Company	ER-85-20	
Union Electric Company	ER-84-168	
St. Louis County Water Company	WR-83-264	
Union Electric	ER-83-163	
Missouri Cities Water Company	SR-83-15	
Missouri Cities Water Company	WR-83-14	
Laclede Gas Company	GR-82-200	
Capital City Water Company	WR-82-117	
Union Electric Company	ER-82-52	
Union Electric Company	HR-81-259	
Laclede Gas Company	GR-81-245	
Union Electric Company	ER-81-180	
Citizens Electric Cooperative	ER-81-79	
Southwestern Bell Telephone Company	TR-80-256	
Laclede Gas Company	GR-80-210	
Lake St. Louis Sewer Company	SR-80-189	
Union Electric Company	ER-80-17	
Southwestern Bell Telephone Company	TR-79-213	
Associated Natural Gas Company	GR-79-126	
Citizens Electric Cooperative	ER-79-102	
St. Louis County Water Company	WR-78-276	
Laclede Gas Company	GR-78-148	
Missouri Cities Water Company	SR-78-108	
Missouri Cities Water Company	WR-78-107	
St. Joseph Water Company	WR-77-226	

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Union Electric Company	ER-77-154	
Laclede Gas Company	GR-77-33	
Missouri Cities **	18510	