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Issue(s):	Cash Working Capital; Lead-Lag Study
Witness:	Brenda I. Weber
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Sponsoring Party:	Union Electric Company
File No.:	ER-2016-0179
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2016-0179

DIRECT TESTIMONY

OF

BRENDA I. WEBER

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
July 2016

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DIRECT TESTIMONY

OF

BRENDA I. WEBER

FILE NO. ER-2016-0179

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Brenda I. Weber. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, MO 63103.

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

A. I am employed by Ameren Services Company, a wholly-owned subsidiary of Ameren Corporation ("Ameren"), as Manager Corporate Finance. Ameren Services Company provides various corporate support services to Ameren and its subsidiaries, including Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), such as accounting, legal, financial, and treasury services.

Q. What are your current job duties and responsibilities?

A. As Manager Corporate Finance, I am responsible for managing Ameren's and its subsidiaries' short-term and long-term financing activities, including those of Ameren Missouri. These activities include debt and equity issuance, credit facility arrangement, monitoring the companies' liquidity positions and key credit metrics, monitoring compliance with debt agreements, managing relationships with credit rating agencies and banks, and monitoring capital markets for key

developments, emerging risks, and opportunities, among other corporate finance-related activities.

Q. **Please provide your educational background and relevant work experience.**

A. See my Statement of Qualifications, attached as Schedule BIW-1 to this testimony.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. My testimony discusses a lead-lag study prepared for Ameren Missouri's electric business that I used to develop cash working capital factors ("CWC factors"). The CWC factors are used by Ameren Missouri witness Laura M. Moore to calculate the Company's cash working capital requirements.

Q. Please define what you mean by the phrase "cash working capital."

A. Cash working capital ("CWC") is the amount of funds required to finance the day-to-day operations of the Company.

Q. Are you sponsoring any schedules?

A. Yes. In addition to my Statement of Qualifications, I am sponsoring Schedule BIW-2, which I will discuss later in my testimony.

III. SUMMARY OF THE COMPANY'S CASH WORKING CAPITAL ANALYSIS

Q. What is a lead-lag study?

A. A lead-lag study is an analysis of revenue lags and expense leads. CWC requirements are generally determined by lead-lag studies that are used to analyze the lag time between the date customers receive service and the date that customers' payments are available to

the company (i.e., the revenue lag). This lag is offset by a lead time during which the company receives goods and services, but pays for them at a later date (i.e., the expense lead). The "lead" and "lag" are both measured in days. The dollar-weighted lead and lag days are then divided by 365 to determine a daily CWC factor. This CWC factor is then multiplied by the annual test year cash expenses to determine the amount of cash working capital required for operations. The resulting amount of cash working capital is then included in the Company's rate base.

Q. Please explain the revenue lag in more detail.

A. As noted, the revenue lag refers to the elapsed time between the delivery of the Company's product (i.e., electricity) and its ability to use the funds received as payment for the delivery of the product. The revenue lag actually consists of three components, as follows: the service lag, which is the number of days from the mid-point of the service period to the meter reading date; the billing lag, which is the time between when the meter is read and the bill is sent; and the collections lag, which is the time between when the bill is sent to the customer and when the customer's payment is received by the Company.

Q. Please explain the expense lead in more detail.

A. An expense lead refers to the elapsed time from when a good or service is provided to the Company to the point in time when the Company pays for the good or service and the funds are no longer available to the Company. There are a number of different expense leads, since the Company acquires goods and services from a number of different sources.

Q. What sources of information are employed to determine the leads and lags in a CWC analysis for Ameren Missouri?

A. Information from Ameren Services Company's Accounts Payable, Customer Service, Human Resources, Payroll, and Tax systems are utilized. The information derived from these sources, together with analyses of specific invoices, is used to determine the appropriate number of lead-lag days for Ameren Missouri's electric business.

Q. How should the results of the CWC analysis be treated for ratemaking purposes?

A. The CWC requirements should be included as part of Ameren Missouri's rate base for ratemaking purposes.

Q. Please describe the lead-lag study that you performed for this case.

A. As reflected in Schedule BIW-2, my study uses the revenue lags and expense leads that were used to develop the revenue requirement approved in the *Report and Order* in File No. ER-2014-0258, with one exception: I have updated the collections lag to reflect current customer payment history.

Q. Why were the expense leads and revenue lags other than the collections lag not updated?

A. From discussions with Company personnel, I determined that there were no significant changes in Ameren Missouri's operations affecting the expense leads or revenue lags that had been used to set rates in File No. ER-2014-0258, with the exception of changes that could affect the collections lag. Further, many of the expense leads are based upon due dates that are statutorily set (e.g., dates for tax payment filings), so the expense leads would not be expected to change materially.

Q. Why was the collections lag updated?

A. It has been our experience that the collections lag fluctuates from time-to-time based on various external factors that impact customer payment patterns. This is particularly true in this case given the loss of load from Noranda Aluminum, Inc.'s ("Noranda") New Madrid smelter and a change being made to the due date for customer bills as compared to the due date in effect for our last rate case. Consequently, to more accurately reflect current customer payment history, the collections lag calculation was updated with data from the twelve months ended March 31, 2016.

IV. COLLECTIONS LAG

Q. More specifically, what is the collections lag?

A. The collections lag refers to the average amount of time from the date when the customer's bill is sent to the date that the Company received payment from its customers. Based on weighted average data from the monthly Accounts Receivables Breakdown Report from the Company's Customer Service System (Company report number CURCT617), and by considering accounts receivable balances by class of customer by days aged, the average collection lag was determined to be 28.00 days prior to the adjustments described below.

Q. Please describe the report that was used to determine the collections lag.

A. The CURCT617 Accounts Receivable Breakdown Report was designed to meet business needs specific to tracking accounts receivable in the Company's general ledger. The report reflects the age of the accounts receivable balance for current or within 30 days outstanding, 30-59 days outstanding, 60-89 days outstanding, 90-119 days outstanding, and 120 or more days outstanding. The report also captures data related to specific general ledger

accounts including receivables that are subject to payment agreements (120 or more days outstanding bucket), budget billing differential amounts (30 days outstanding bucket), and credits or overpayments (30 days outstanding bucket). The report is used by different Ameren Missouri departments for analyses such as reconciliation by auditors, control balancing, and predicting future uncollectible expense. The report most accurately reflects the data in Ameren Missouri's general ledger system since the source of the data for the report and the general ledger accounts is from the Customer Service System ("CSS"). This report has been used by the Company to manage accounts receivable since May of 2010.

Q. Were any adjustments made to the data on the CURCT617 Accounts Receivables Breakdown Report?

A. Yes, adjustments were made for the loss of the Noranda revenue and the change in the customer billing due date.

Q. Please explain the Noranda revenue adjustment.

A. Data was obtained from CSS for the bucket where the Noranda accounts receivable data was reflected on the monthly CURCT617 Accounts Receivables Breakdown Report. These amounts were removed from the appropriate bucket. This adjustment resulted in a decrease in the collections lag of 0.18 days.

Q. Please explain the change in the customer billing due date adjustment.

A. In July of 2016, the due date for customer bills will change from 10 to 21 days. The only way to determine the impact to the collections lag of this change is to perform an analysis on the actual historical data that we have to determine the change in customers' payment patterns that will result from the change in the bill due date. The Company will

perform an actual study of the impact of this change to the collections lag in the fourth quarter of 2016 and will use the results of that study to update the collections lag as part of the true-up of this case. We examined historical data for the period ended March 31, 2016, and identified the customers who pay via auto-pay. For auto-pay customers, the mid-point of the collections lag was adjusted to 21 days. This change increased the collections lag by 0.74 days. The change in the customers' billing date is explained in more detail in the direct testimony of Ameren Missouri witness Tara Oglesby.

Q. What is the collections lag being proposed after the adjustments?

A. Taking the adjustments discussed above into consideration, the average collections lag being proposed in this electric rate filing was determined to be 28.56 days (28.00 - .18 + .74). The collections lag of 28.56 days was included in the base revenue lag shown below.

Q. How were uncollectible revenues treated in your analyses?

A. An allowance for uncollectible revenues was removed from the accounts receivable balances when calculating the collections lag. Based upon information provided by the General Accounting department, a provision of 0.36 percent was excluded from the aging analysis for each bucket except the 90-120 days and 120+ days buckets. A provision of 10 percent was excluded from the 90-120 days and 120+ days buckets.

Q. Please explain how the provision for uncollectible revenues was determined.

A. The level of uncollectibles was forecasted by the Company to establish a reserve for bad debt. A 0.36 percent provision for uncollectibles was applied to the 0-30 days, 30-60 days, and 60-90 days buckets. A 10 percent provision for uncollectibles was applied to the 90-120 days and

120+ days buckets. The uncollectibles percentages were developed by the General Accounting and Credit and Collections functions and reflect customers' current payment habits. The Company uses historical data to develop the bad debt estimate, and also takes into account current economic and load forecasts to adjust the estimates accordingly. The weighted-average bad debt percentage for the test year, applying 0.36 percent to each of the aged buckets, other than the 90-120 days and 120+ days buckets, and 10 percent to the 90-120 days and 120+ days buckets, was 1.25 percent. This amount reflects the bad debt percentage removed from the accounts receivable balances in the Company's collections lag calculation. The actual bad debt percentage for Ameren Missouri during 2015, dividing FERC Account 904 by total electric operating revenues, was 0.37 percent. Therefore, the Company has excluded a conservative estimate (i.e., a higher percentage) of uncollectible expenses from the test year account receivables than was actually experienced during 2015.

Q. Is this the same method that was employed in File No. ER-2014-0258?

A. Yes. The calculation of the collections lag utilizes the same method as the calculation performed in File No. ER-2014-0258, updated with data for the twelve months ending March 31, 2016.

Q. Was the Company's collections lag approved in File No. ER-2014-0258?

A. Yes. The CWC reflected in the rate base used to set the revenue requirement in that case was determined using the collections lag proposed by Ameren Missouri.

Q. Please summarize the calculation of base revenue lag days.

A. The calculation of the overall base revenue lag, by lag component, is summarized in the following table. Please note that the base revenue lag pertains to revenue lag for items other than off-system sales, which I will address below.

Base Revenue Lag Component	Lag Days
Service	15.21
Billing	0.99
Collections	28.56
Total Revenue Lag	44.76

Q. You mentioned that the above figures do not include the revenue lag for off-system sales. What is the overall revenue lag once off-system sales are included?

A. Revenues from off-system sales were collected, on average, within 25.83 days based on the last electric rate case. The proposed total retail revenues and off-system sales revenues were used to arrive at a weighted-average revenue lag for tariffed revenues and off-system sales. The resulting weighted revenue lag to be used in this filing was determined to be 41.64 days, as shown in the following table:

	Revenue Lag (days)	Revenues ($)	Dollar Days ($)
Service Lag	15.21		
Billing Lag	.99		
Collections Lag	28.56		
Base Revenue (Retail)	44.76	2,657,947,329.00	118,971,601,651.90
Off-System Sales	25.83	525,055,703.00	13,560,251,230.68
Total Revenues	41.64	3,183,003.032.00	132,531,852,882.58

Q. Does this conclude your direct testimony?

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 Electric Service.	)))	**File No. ER-2016-**0179

AFFIDAVIT OF BRENDA I. WEBER

STATE OF MISSOURI)
) **ss**
CITY OF ST. LOUIS)

Brenda I. Weber, being first duly sworn on her oath, states:

1. My name is Brenda I. Weber. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services Company as Manager, Corporate Finance.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 10 pages and Schedules BIW-1 through BIW-2, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Brenda I. Weber

Subscribed and sworn to before me this 28th day of June, 2016.

Notary Public

My commission expires:

2-21-18

BECKIE J. EAVES
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: February 21, 2018
Commission Number: 14938572

STATEMENT OF QUALIFICATIONS
BRENDA I. WEBER

I received my Bachelor of Science degree in Accounting from Bradley University in 1986. I earned my CPA certificate from the state of Illinois in 1989. I received my Master of Business Administration degree, with a concentration in finance in 1991, from Bradley University.

I have more than twenty-four years of utility experience in various accounting, financial reporting, tax, forecasting, and finance roles. I joined Central Illinois Light Company ("CILCO") in 1991 as an Accounting Analyst, focusing primarily on United States Securities and Exchange Commission reporting. In 1993, I transferred into the tax department as a tax accountant and was promoted to Senior Tax Accountant in 1995. While in the tax group, I performed a wide range of tax accounting, tax compliance, and tax research duties. In 1997, I moved into the Treasury Department and was promoted to Senior Financial Analyst. I had responsibility for short-term debt projections, short-term and long-term financing, cash management, evaluation of strategic opportunities, communication with rating agencies, and management of non-regulated leveraged lease investments. In early 2003, Ameren completed its acquisition of CILCO. I joined Ameren Services in 2003 as a Finance Professional, focusing on disposition of non-utility leveraged lease investments. In 2004, I transferred to Financial Forecasting and was subsequently promoted to Supervisor of Corporate Model and later Manager of Corporate Model. While in the Financial Forecasting Department, I was responsible for developing financial models and earnings forecasts for Ameren and its subsidiaries. In August of 2014, I transitioned to my current position in the Treasury Department of Ameren Services as the Manager Corporate Finance.

Ameren Missouri

Cash Working Capital Requirement

Line No.	Description	Revenue Lag	Expense Lead	Net Lag	CWC Factor
	(A)	(B)	(C)	(D)	(E)
1	Pensions & Benefits	41.64	(29.21)	12.43	0.0341
2	Payroll and Withholdings	41.64	(12.12)	29.52	0.0809
3	Employer FICA Contribution	41.64	(12.73)	28.91	0.0792
4	Other Operations and Maintenance Expenses	41.64	(36.41)	5.22	0.0143
5	Federal Unemployment Taxes	41.64	(76.38)	(34.74)	(0.0952)
6	State Unemployment Taxes	41.64	(76.38)	(34.74)	(0.0952)
7	Corporation Franchise Taxes	41.64	77.50	119.14	0.3264
8	Property/Real Estate Taxes	41.64	(182.50)	(140.86)	(0.3859)
9	Sales Tax	41.64	(38.79)	2.85	0.0078
10	Use Tax	41.64	(76.38)	(34.74)	(0.0952)
11	Gross Receipts Taxes	29.55	(27.54)	2.01	0.0055
12	Federal Income Tax	41.64	(37.88)	3.76	0.0103
13	State Income Tax	41.64	(37.88)	3.76	0.0103
14	St Louis Corporate Earnings Tax	41.64	(273.50)	(231.86)	(0.6352)
15	St Louis Payroll Expense Tax	41.64	(76.38)	(34.74)	(0.0952)
16	Fuel - Nuclear	41.64	(15.21)	26.43	0.0724
17	Fuel - Coal	41.64	(13.70)	27.93	0.0765
18	Fuel - Oil	41.64	(16.24)	25.40	0.0696
19	Fuel - Gas	41.64	(41.58)	0.06	0.0002
20	Interest Expense	41.64	(90.76)	(49.12)	(0.1346)
21	Uncollectible Expense	41.64	(41.64)	-	-
22	Purchased Power	41.64	(25.83)	15.81	0.0433
23	Decommissioning Fees	41.64	(70.63)	(28.99)	(0.0794)
24	Incentive Compensation	41.64	(253.77)	(212.14)	(0.5812)