

Exhibit No.:
Issues: *Report on Revenue Requirement Cost of Service, Overview of the Staff's Filing*
Witness: *John P. Cassidy*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *ER-2014-0258*
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

DIRECT TESTIMONY

OF

JOHN P. CASSIDY

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

CASE NO. ER-2014-0258

*Jefferson City, Missouri
December 5, 2014*

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OF
JOHN P. CASSIDY
UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI
CASE NO. ER-2014-0258**

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1 A. I have been employed by this Commission as a Utility Regulatory Auditor for
2 over twenty-four years and have submitted testimony on ratemaking issues numerous times
3 before the Commission. I have also been responsible for the supervision of other Commission
4 employees in rate cases and other regulatory proceedings. Since the time I began my
5 employment with the Commission, I have received continuous training with regard to
6 technical ratemaking matters both in-house and through attending National Association of
7 Regulatory Utility Commissioners ("NARUC") sponsored regulatory seminars as well as
8 other regulatory symposiums and conferences.

9 Q. Have you participated in the Commission Staff's audit of Union Electric
10 Company, d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), concerning its request
11 for a rate increase in this proceeding?

12 A. Yes, I have, with the assistance of other members of the Staff. I am the Utility
13 Services Department case coordinator facilitating the work of Staff members within that
14 Department, and I interface and work with the Staff members from other Commission
15 Departments that are involved in the Staff's direct case.

16 **EXECUTIVE SUMMARY**

17 Q. Please summarize your direct testimony in this proceeding.

18 A. I am sponsoring the Staff's Revenue Requirement Cost of Service
19 Report ("Report") in this proceeding that is being filed concurrently with this direct
20 testimony. I also provide in this direct testimony an overview of the Staff's revenue
21 requirement determination. The Staff has conducted a review of all the components
22 (capital structure, return on rate base, rate base, operating revenues and operating expenses)

1 that determine Ameren Missouri's revenue requirement. My testimony provides an overview
2 of the Staff's work in each area.

3 **REVENUE REQUIREMENT COST OF SERVICE REPORT**

4 Q. Please explain the organizational format of the Staff's Revenue Requirement
5 Cost of Service Report.

6 A. The Staff's Report has been organized by topic as follows:

- 7 I. Executive Summary
- 8 II. Background of Ameren Missouri
- 9 III. Test Year/True-Up Period
- 10 IV. Economic Policy
- 11 V. Major Issues
- 12 VI. Rate of Return
- 13 VII. Rate Base
- 14 VIII. Allocations
- 15 IX. Income Statement
- 16 X. Fuel Adjustment Clause (FAC)
- 17 XI. Other Items

18 The Rate Base and Income Statement sections have numerous subsections which
19 explain each specific area and/or adjustment made by the Staff to the test year ending
20 March 31, 2014. The individual Staff member responsible for each area of the Staff's
21 direct case and/or adjustment is identified in the Report following the written discussion he or
22 she authored, and is the expert/witness with respect to that section of the Staff's Report. The

1 Staff may have a different or an additional expert/witness for rebuttal or surrebuttal testimony
2 in a given area if this case proceeds to evidentiary hearings.

3 **OVERVIEW OF STAFF'S RECOMMENDED REVENUE REQUIREMENT**

4 Q. In its audit of Ameren Missouri for Case No. ER-2014-0258, has the Staff
5 examined all of the cost-of-service components comprising the revenue requirement for
6 Ameren Missouri's electric operations in Missouri?

7 A. Yes.

8 Q. What are the cost-of-service components that comprise the revenue
9 requirement for a regulated, investor-owned public utility?

10 A. The revenue requirement for a regulated, investor-owned public utility can be
11 defined by the following formula:

12 Revenue Requirement = Cost of Providing Utility Service (Cost of Service)

13 or

14 $RR = O + (V - D)R$ where,

15 RR = Revenue Requirement

16 O = Operating Costs (Fuel, Payroll, Maintenance, etc.),
17 Depreciation and Taxes

18 V = Gross Valuation of Property Required for
19 Providing Service (including plant and additions or
20 subtractions of other rate base items)

21 D = Accumulated Depreciation Representing Recovery of
22 Gross Depreciable Plant Investment

23 V - D = Rate Base (Gross Property Investment less
24 Accumulated Depreciation = Net Property Investment)

25 (V - D)R = Return Allowed on Rate Base

1 The “revenue requirement” calculated by this formula is the utility’s total revenue
2 requirement, or total cost of service. In rate cases, the term “revenue requirement” generally
3 refers to the utility’s necessary incremental change in revenues based on the utility’s existing
4 rates and total cost of service.

5 Q. What is the objective of an audit of a regulated, investor-owned public utility
6 for ratemaking purposes?

7 A. The objective of an audit is to determine the appropriate level of the
8 components identified in my previous answer in order to calculate the revenue requirement
9 for such a regulated utility. All relevant factors are examined and a proper relationship of
10 revenues, expenses, and rate base is maintained. The process for making that revenue
11 requirement determination can be summarized as follows:

12 (1) Selection of a test year. The test year income statement represents the
13 starting point for determining a utility’s existing annual revenues, operating costs and
14 net operating income. Net operating income represents the return on investment based upon
15 existing rates. The test year approved by this Commission for Case No. ER-2014-0258, is
16 the twelve months ending March 31, 2014. “Annualization,” “normalization” and
17 “disallowance” adjustments are made to the test year results when the unadjusted amounts
18 do not fairly represent the utility’s most current, ongoing and appropriate annual level of
19 revenues and operating costs. Annualization, normalization and disallowance adjustments are
20 explained in more detail later in this direct testimony. Also, as discussed below, additional
21 information through January 1, 2015, will be considered for inclusion in the cost of service
22 during the true-up audit agreed to by the Parties and ordered by the Commission.

1 (2) Selection of a “test year update period.” A proper determination of
2 revenue requirement is dependent upon matching the rate base, return on investment,
3 revenues, and operating costs components at the same point in time. This ratemaking
4 principle is commonly referred to as the “matching” principle. It is a standard practice in
5 ratemaking in Missouri to utilize a period beyond the established test year in which to match
6 the major components of a utility’s revenue requirement. By updating test year financial
7 results to reflect information beyond the established test year, rates can be set based upon
8 more current information. Although it is a common practice to update the test year, the
9 parties to this case agreed that an update was not necessary, and that post-test year financial
10 results for the determination of revenue requirement could be adequately reflected by
11 performing a true-up.

12 (3) Selection of a “true-up date” or “true-up period.” A true-up date
13 generally is established when a significant change in a utility’s cost of service occurs after the
14 end of the test year update period, but prior to the operation-of-law date, and the significant
15 change in cost of service is one the parties and/or Commission has decided should be
16 considered for cost-of-service recognition in the current case. The parties have agreed with a
17 true-up cut-off date of December 31, 2014, except for certain items where a true-up cut-off
18 date of January 1, 2015 is appropriate. For example, in this proceeding, the Company is
19 expecting to experience large increases in fuel and fuel transportation prices as well as a
20 payroll increase on January 1, 2015. In addition, Ameren Missouri will add a significant
21 amount of plant after the end of the test year, through December 31, 2014. The cost of these
22 and other changes will be considered for inclusion in the cost of service during the true-up
23 audit authorized by the Commission for this case, but substantive issues that can be quantified

1 within the timeframe of the main evidentiary hearings will be tried then and not in the true-up
2 phase of the case.

3 (4) Determination of Rate of Return. A cost-of-capital analysis must be
4 performed to allow Ameren Missouri the opportunity to earn a fair rate of return on its net
5 investment (“rate base”) used in the provision of utility service. Staff witness David Murray,
6 of the Commission’s Financial Analysis Unit, has performed a cost-of-capital analysis and is
7 sponsoring a section of the Staff’s Revenue Requirement Cost of Service Report to explain
8 and provide the results of his analysis.

9 (5) Determination of Rate Base. Rate base represents the utility’s
10 net investment used in providing utility service, on which the utility is permitted the
11 opportunity to earn a return. For its direct filing, the Staff has determined Ameren Missouri’s
12 rate base consistent with the end of the test year established for this case, March 31, 2014,
13 with use of estimated amounts through the true-up cut-off date, December 31, 2014, for plant,
14 depreciation reserve and accumulated deferred income taxes. These estimates will be
15 replaced with actual amounts following the true-up as authorized by the Commission. Other
16 rate base components reflect the last known balance, which will also be replaced with actual
17 amounts following the true-up. Rate base includes, e.g., plant-in-service (plant fully
18 operational and used for service), cash working capital, materials and supplies, prepayments,
19 fuel inventories, accumulated reserve for depreciation, accumulated deferred income tax, etc.

20 (6) Net Operating Income from Existing Rates. The starting point
21 for determining net income from existing rates is the unadjusted operating revenues,
22 expenses, depreciation, and taxes for the test year which is the twelve-month period
23 ending March 31, 2014, for this case. All of the utility’s specific revenue and expense

1 categories are examined to determine whether the unadjusted test year results require
2 adjustments in order to fairly represent the utility's most current level of operating revenues
3 and expenses. Numerous changes occur during the course of any year that will impact a
4 utility's annual level of operating revenues and expenses. The March 31, 2014, test year has
5 been adjusted to reflect the Staff's determination of the appropriate ongoing levels of
6 revenues and expenses. These items will be re-examined based on actual data as part of the
7 true-up process through December 31, 2014 and for certain items January 1, 2015.

8 (7) Determination of Net Operating Income Required. The net income
9 required for Ameren Missouri is calculated by multiplying the Staff's recommended rate of
10 return by the rate base. Net income required is then compared to net income available from
11 existing rates discussed in Item 6 above. The difference, when factored-up for income taxes,
12 represents the incremental change in the utility's rate revenues required to cover its operating
13 costs and to provide a fair return on investment used in providing electric service.

14 If a utility's current rates are insufficient to cover its operating costs and provide a fair
15 return on investment, the comparison of net operating income required (Rate Base x
16 Recommended Rate of Return) to net income available from existing rates (Operating
17 Revenue less Operating Costs, Depreciation and Income Taxes) will result in a positive
18 amount which would indicate that the utility requires a rate increase. If the comparison
19 results in a negative amount, this indicates that the utility's current rates may be excessive.

20 Q. Please identify the types of adjustments which are made to unadjusted test year
21 results in order to reflect a utility's current annual level of operating revenues and expenses.

22 A. The types of adjustments made to reflect a utility's current annual operating
23 revenues and expenses are:

1 (1) Normalization adjustments. Utility rates are intended to reflect normal
2 ongoing operations. A normalization adjustment is required when the test year reflects the
3 impact of an abnormal event. One example of this type of adjustment that is made in all
4 electric rate cases is the Staff's revenue adjustments to normalize weather. Actual weather
5 conditions during the test year are compared to 30-year "normal" values. The weather
6 normalization adjustment restates the test year sales volumes and revenue levels to reflect
7 normal weather conditions.

8 (2) Annualization adjustments. Annualization adjustments are required
9 when changes have occurred during the test year, update and/or true-up period, which are not
10 fully reflected in the unadjusted test year results. For example, a portion of Ameren
11 Missouri's employees received a wage increase on July 1, 2013. As a result, only a part of the
12 twelve months ending March 31, 2014, reflect the impact of this payroll increase. An
13 adjustment was made to capture the financial impact of the payroll increase for the portion of
14 the test year prior to the wage increase. The test year level of payroll as adjusted for the
15 July 1, 2013, wage increase was then fully annualized to reflect another wage increase that
16 occurred on July 1, 2014, for this same portion of Ameren Missouri employees.

17 (3) Disallowance adjustments. Disallowance adjustments are made to
18 eliminate costs in the test year results that are not considered prudent, reasonable, appropriate,
19 and/or not of benefit to Missouri ratepayers and thus not appropriate for recovery from
20 ratepayers. An example in this case is certain executive incentive compensation costs. In the
21 Staff's view, these costs are incurred to primarily benefit shareholder interests and it is not
22 appropriate policy to pass these costs onto customers in rates, since these costs do not benefit

1 ratepayers. Therefore, these costs should be eliminated from the cost of service borne by
2 ratepayers and the Staff has proposed to disallow these costs from recovery in rates.

3 (4) Pro forma adjustments. Pro forma adjustments reflect the impact of
4 items and events that occur subsequent to the test year. These items or events significantly
5 impact the revenue, expense and rate base relationship and should be recognized to address
6 the forward-looking objective of the test year. Caution must be exercised when including
7 pro forma adjustments in a recommended cost of service to ensure that all items and events
8 subsequent to the test year are also examined and any appropriate offsetting adjustments are
9 included as well. In addition, some post-test year items and events may not have occurred yet
10 and/or may not be capable of adequate quantification at the time of the case filing. As a result,
11 quantification of pro forma adjustments may be more difficult than the quantification of other
12 adjustments. As a consequence, use of a true-up audit that considers a full range of auditable
13 items and events that occur subsequent to the test year attempts to address the maintenance of
14 the proper relationship among revenues, expenses and investment at a consistent point in time
15 is generally a superior approach than considering stand-alone pro forma adjustments for
16 inclusion in cost of service.

17 Q. What rate increase amount, based on what return on equity (“ROE”)
18 percentage, did the Company request from the Commission in this case?

19 A. Ameren Missouri requested that its annual revenues be increased by
20 approximately \$264 million, based on an ROE of 10.40%.

21 Q. Please describe the Staff’s direct case revenue requirement filing in this
22 proceeding.

1 A. The results of the Staff's audit of Ameren Missouri's rate case request can be
2 found in the Staff's filed Accounting Schedules and is summarized on Accounting
3 Schedule 1, Revenue Requirement. This Accounting Schedule shows that the Staff's
4 recommended revenue requirement for Ameren Missouri in this proceeding is \$113,139,943
5 based upon a mid-point recommended rate of return ("ROR") of 7.50%. Staff is
6 recommending a mid-point ROE of 9.25% with a range of 9.00% to 9.50% as calculated by
7 Staff witness David Murray. Staff's revenue requirement at low and high is \$97,685,095 to
8 \$128,594,790 based upon a ROR range of 7.37% to 7.63%.

9 Q. What portion of the Staff's recommended increase in the cost of service is the
10 result of increasing net fuel expense above the amount currently included in base rates?

11 A. The revenue requirement calculated by the Staff includes an increase of
12 approximately \$110.7 million in the fuel adjustment clause net base energy cost level that was
13 established in permanent rates in Case No. ER-2012-0166. This increase primarily
14 includes the changes in net fuel costs (fuel expense plus purchased power expense less
15 off-system sales) as well as various other fuel related revenue and cost categories since the
16 July 31, 2012, true-up cut-off date in Case No. ER-2012-0166 and that are currently being
17 recovered through Ameren Missouri's FAC mechanism. This increase also includes the
18 changes in net fuel cost that are estimated to occur through the January 1, 2015, true-up
19 cut-off date in this rate case. The remainder of the Staff's revenue requirement,
20 approximately \$2.4 million at the mid-point of its rate-of-return range, is due to increases in
21 certain non-fuel related costs and increased levels of capital investment, offset by reductions
22 in other non-fuel related costs and the impact of the lower ROE recommended by the Staff.

1 Q. What items are included in the Staff's recommended rate base in this case?

2 A. The rate base items include: Plant-in-Service, Accumulated Depreciation
3 Reserve, Cash Working Capital, Materials and Supplies, Prepayments, Fuel Inventories, the
4 unamortized portion of the Energy Efficiency DSM Regulatory Asset, Customer Advances
5 for Construction, Customer Deposits, Financial Accounting Standards Board Interpretation
6 No. 48 ("FIN 48") regulatory liability, unamortized Pension and OPEBs Tracking Liabilities,
7 and the Accumulated Deferred Income Tax ("ADIT") reserve. The Plant, Depreciation
8 Reserve and ADIT balances reflect the Staff's estimates through the December 31, 2014,
9 true-up cut-off date. Other rate base items reflect various levels at or beyond the end of
10 the March 31, 2014, test year. These rate base components will be trued-up through
11 December 31, 2014, once the true-up data becomes available.

12 Q. What are the significant income statement adjustments the Staff made in
13 determining Ameren Missouri's revenue requirement for this case?

14 A. A summary of the Staff's significant income statement adjustments follows:

15 **Operating Revenues**

16 Retail revenues were adjusted for the elimination of unbilled revenue and gross
17 receipts taxes, customer growth and weather normalization. Other electric revenues were
18 adjusted for Lake of the Ozark shoreline management fees, coal refinement projects,
19 off-system sales, capacity sales, bilateral sales and financial swaps, Midwest Independent
20 System Transmission Operator ("MISO") Day 2 revenues, transmission revenues, ancillary
21 service market revenues and miscellaneous MISO related revenues. Finally, all Missouri
22 Energy Efficiency Investment Act ("MEEIA") related revenues and all Keeping Current

1 low-income program revenues that were recorded during the test year were removed from the
2 cost of service calculation.

3 **Depreciation and Amortization Expense**

4 Depreciation expense was annualized based upon the plant-in-service as of March 31,
5 2014, plus the Staff's true-up estimate for plant-in-service through December 31, 2014, and
6 the depreciation rates proposed and sponsored by Staff witness Arthur W. Rice.

7 Staff rebased the amortization period for the remaining balance of the energy
8 efficiency expense amortization that was established as part of Ameren Missouri electric Case
9 No. ER-2010-0036 over a two-year period. If left unadjusted, the remaining balance of this
10 particular amortization would be over-recovered within just 14 months of the May 30, 2015,
11 effective date of rates established by the Commission in this rate case. The Staff included an
12 additional energy efficiency amortization to address "Pre-MEEIA" costs that occurred
13 subsequent to the July 31, 2012, true-up cut-off in the last case. All other existing energy
14 efficiency amortizations were unadjusted.

15 The Staff is eliminating the test year storm cost amortizations from Case Nos.
16 ER-2007-0002, EU-2008-0141 and ER-2008-0318 Accounting Authority Order ("AAO")
17 storm cost amortization, and ER-2008-0318 (for an additional normalization during the test
18 year) because these amortizations have expired or will expire by the time new rates from this
19 case will be in effect. Staff is also eliminating the Voluntary Separation Election ("VSE")
20 and Involuntary Separation Program ("ISP") related severance amortization from Case No.
21 ER-2010-0036, the Revenue Sufficiency Guarantee ("RSG") amortization established in Case
22 No. ER-2008-0318 and the SO₂ amortization established in ER-2007-0002 because these
23 amortizations have expired and Ameren Missouri will in fact over-recover the costs

1 associated with these amortizations through the May 30, 2015, effective date of rates in this
2 case. In addition, the Staff is eliminating the test year property tax refund amortization
3 because this amortization has expired and Ameren Missouri will in fact have over-returned
4 amounts to ratepayers by the May 30, 2015, rates effective date. Staff has excluded two
5 additional amortizations, equity issuance and storm amortization, both from Case No.
6 ER-2010-0036, that will expire just one month beyond the effective date of rates in this case.
7 Staff proposes to net the over and under-collection of all of these amortizations and to
8 amortize the net balance over three years.

9 Staff rebased the existing Missouri Renewable Energy Standard (“RES”) amortization
10 over two years and included a new amortization to address a deferred regulatory liability
11 pertaining to RES costs since the time of the true-up cut-off in the previous Ameren Missouri
12 rate case. In addition, Staff included a three-year amortization of solar rebates paid by
13 Ameren Missouri to customers through October 31, 2014. Other amortizations that were
14 included address Callaway post-operations, Sioux construction accounting, vegetation
15 management and infrastructure inspections, Pensions and OPEB trackers, and the FIN 48
16 tracker as discussed in the Staff’s Revenue Requirement Cost-of-Service Report. Staff has
17 included costs associated with studies that Ameren Missouri completed to address the Nuclear
18 Regulatory Commission’s mandate that utilities that operate nuclear power plants address
19 safeguards against problems similar to the Fukushima incident. Staff has also included
20 approximately \$32 million in amortization expense to reflect a three year recovery of amounts
21 paid to customers for solar rebates through October 31, 2014.

1 Finally, the Company has proposed an amortization to recover lost revenues
2 associated with the deferral that it was granted in Case No. EU-2012-0027. Staff opposes
3 recovery of this amortization in rates.

4 Staff has also addressed a number of other issues in greater detail in the Staff's
5 Revenue Requirement Cost of Service Report as shown in the partial listing below:

6 **Payroll, Payroll Taxes and Employee Benefit Costs**

- 7 • Payroll expense annualized for all known wage increases through
8 January 1, 2015, and changes in employee levels through September
9 30, 2014.
- 10 • Payroll taxes consistent with the payroll annualization.
- 11 • Incentive compensation and restricted stock awards disallowances.
- 12 • Employee benefits including pensions and OPEBs.

13 **Other Non-Labor Expenses**

- 14 • Fuel, purchased-power and off-system sales annualizations to reflect
15 January 1, 2015, coal commodity and coal transportation prices, Staff's
16 recommended market energy prices, and the dispatch of power sources
17 to meet the Staff's determination of Ameren Missouri's generation
18 requirements.
- 19 • Spent Fuel Fee and DOE Breach of Contract
- 20 • Low Level Radioactive Waste Expense
- 21 • Callaway Refueling Expense
- 22 • Insurance Expense
- 23 • Property Tax Expense
- 24 • Uncollectible Expense
- 25 • Corporate Allocations
- 26 • Lockbox Function
- 27 • New Customer Bill Format Expense
- 28 • Rate case expense adjustment.

- 1 • Disallowance of all institutional advertising expense, certain dues and
- 2 donations and miscellaneous expenses and Ameren Corporation board
- 3 of directors related costs.
- 4 • Test year storm cost normalization and elimination of storm tracker.
- 5 • Elimination of vegetation management and infrastructure inspection
- 6 trackers.
- 7 • Elimination of MEEIA expense
- 8 • Elimination of all Taum Sauk upper reservoir failure expenses.
- 9 • Income Taxes
- 10 • Depreciation Expense

11 Q. What reliance did you place on the work or conclusions of other Staff members
12 working on Staff's behalf?

13 A. All of the Staff auditors, including myself, relied on the work from numerous
14 other Staff members in calculating a revenue requirement for Ameren Missouri in this case.
15 Weather-normalized sales and the recommended rate of return are some examples of data and
16 analysis supplied to the Auditing Unit as inputs into the Staff's revenue requirement cost-of-
17 service calculation. Signed affidavits and the qualifications for all Staff members who are
18 responsible for a section of the Staff's Revenue Requirement Cost-of-Service Report and for
19 whom that section constitutes direct testimony in this rate proceeding are attached in an
20 appendix to the Report. Each Staff member who is responsible for a section of the
21 Staff's Revenue Requirement Cost-of-Service Report is identified at the conclusion of the
22 section he or she authored as being the Staff expert/witness responsible for that section.

23 Q. What are the biggest differences between the rate increase request filed by the
24 Company and the Staff revenue requirement recommendations being filed in this proceeding?

1 A. From the Staff's perspective, there are seven primary revenue requirement
2 differences.

- 3 • Return on Equity (ROE) – Issue Value – (\$61.1 million). As previously stated,
4 Ameren Missouri's return on equity recommendation is 10.40%, while the
5 Staff has developed a mid-point recommendation of 9.25%. The dollar
6 difference between the Ameren Missouri's recommended ROE and Staff's
7 recommended mid-point for ROE, 10.40% compared to 9.25%, is
8 approximately \$61.1 million in revenue requirement.
- 9 • Depreciation – Issue Value – (\$17.2 million). Staff's overall recommendation
10 for depreciation expense is \$17.2 million lower than Ameren Missouri's due to
11 differences in depreciation methodologies.
- 12 • Off System Sales Revenues – Bilateral Sales and Financial Swaps – Issue
13 Value – (\$16.0 million). Staff has included approximately \$16.0 million in
14 revenues associated with bilateral sales and financial swaps whereas the
15 Ameren Missouri has included no revenue associated with these items.
- 16 • Pension Expense – Issue Value – (\$10.0 million). Staff recommends an overall
17 level of expense associated with declining pension costs that have occurred
18 since the test year. Ameren Missouri is recommending a higher level of
19 pension expense in its case.
- 20 • Accounting Authority Order (AAO) to Recover Lost Revenues – Issue Value –
21 (\$7.1 million). Ameren Missouri is seeking permission to include an
22 amortization in expense of \$7.1 million over five years in order to recover
23 approximately \$35.6 million of lost revenues that occurred when an ice storm

1 struck southeast Missouri in January 2009 and forced the Noranda Aluminum,
2 Inc. smelter to shut down for several months. Staff opposes Ameren
3 Missouri's attempt to recover lost revenues in rates.

- 4 • Ameren Service Company Allocations – Issue Value – (\$6.3 million). Ameren
5 Missouri has included a projected estimate of increases in expense that are
6 allocated from its affiliate service company, Ameren Services. Staff has
7 excluded this adjustment from its cost of service calculation.
- 8 • Property Tax Expense – Issue Value – (\$5.7 million). Ameren Missouri has
9 reflected a projected property tax expense at the time of the filing of their rate
10 case. Staff has included actual payments made for calendar year 2013.

11 There are other significant differences between the Staff and the Company, based
12 upon their respective direct filings. However, these items are less significant than the
13 differences discussed above.

14 Q. Is it possible that significant differences exist between the Staff's revenue
15 requirement positions and those of other parties besides Ameren Missouri in this proceeding?

16 A. Yes. However, the other parties are filing their prepared direct testimony,
17 if any, concurrently with the Staff's direct filing. Until the Staff has a chance to examine the
18 direct testimony of the other parties, it is impossible for the Staff to determine what
19 differences exist and how material they may be.

20 Q. Are there other significant differences that exist between the Staff and
21 Ameren Missouri in their direct filings that are not specifically quantified on the
22 Accounting Schedules?

Direct Testimony of
John P. Cassidy

1 A. Yes. Staff Witness Kofi A. Boateng is recommending that Ameren Missouri's
2 two-way storm tracker to track changes from established base levels between rate cases be
3 discontinued. Staff witness Lisa K. Hanneken is recommending discontinuance of the
4 vegetation management and infrastructure trackers. The Staff's recommendations regarding
5 all of these issues are discussed in its Revenue Requirement Cost of Service Report.

6 Q. Please identify the Staff experts/witnesses responsible for addressing each area
7 where there is a known and significant difference between the Staff and the Company that is
8 addressed in this direct testimony or in the Staff Report in Section V, Major Issues.

9 A. The Staff experts/witnesses for each listed issue are as follows:

<u>Issue</u>	<u>Staff Witness</u>
Return on Equity & Capital Structure	David Murray
Depreciation	Arthur W. Rice
Revenues – Bilateral Sales and Financial Swaps	Erin L. Maloney
Pension Expense	Kofi A. Boateng
AAO to Recover Lost Revenues	John P. Cassidy
Ameren Service Company Allocations	Lisa K. Hanneken
Property Tax Expense	Jason P. Kunst
Storm Tracker	Kofi A. Boateng
Vegetation Management and Infrastructure Inspection Tracker	Lisa K. Hanneken

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21 Q. When will the Staff be filing its customer class cost of service and rate design
22 direct testimony and report in this proceeding?

23 A. The Staff's customer class cost of service and rate design direct testimony and
24 report and schedules will be filed on December 19, 2014.

Direct Testimony of
John P. Cassidy

1 Q. Does this conclude your prepared direct testimony in this proceeding?

2 A. Yes, it does.

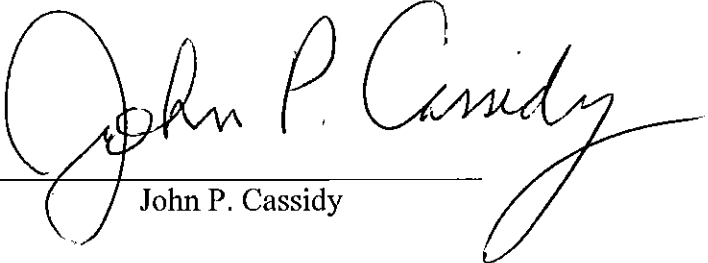
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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 JOHN P. CASSIDY

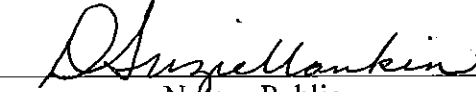
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

John P. Cassidy, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 20 pages to be presented in the above case; that the answers in the foregoing Direct 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.



John P. Cassidy

Subscribed and sworn to before me this 5th day of December, 2014.



Notary Public

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

JOHN P. CASSIDY

EDUCATIONAL AND EMPLOYMENT BACKGROUND AND CREDENTIALS

Position

I am a Utility Regulatory Auditor V in the Auditing Unit, Utility Services Department. My business address is 111 North Seventh Street, Suite 105, St. Louis, Missouri 63101. Since joining the Missouri Public Service Commission's Auditing Department Staff in 1990, I have assisted with and directed audits and examinations of the books and records of utility companies operating within the State of Missouri. I have also conducted numerous audits of small water and sewer companies in conjunction with the Commission's informal rate proceedings. Please refer to the following pages of this schedule for a list of rate case proceedings in which I have previously filed testimony.

Education

Southeast Missouri State University

Cape Girardeau, Missouri

Bachelor of Science Degree in Business Administration

Double Major: Marketing 1989 and Accounting 1990

RATE CASE PROCEEDING PARTICIPATION

JOHN P. CASSIDY

COMPANY

CASE NO.

Missouri Cities Water Company

WR-91-172

Payroll and Related
Pensions
OPEBS
Insurance Expense
Advertising Expense
Miscellaneous Expenses

Type of Testimony Filed: Direct and Surrebuttal

St. Louis County Water Company

WR-91-361

Tank Painting
Main Failures
Residue Removal
General Insurance Expense
PSC Assessment
Miscellaneous Expenses

Type of Testimony Filed: Direct

Southwestern Bell Telephone Company

TC-93-224

Advertising Expenses
Promotional Giveaways
Miscellaneous Expenses

Type of Testimony Filed: Direct and Surrebuttal

Laclede Gas Company

GR-94-220

Payroll and Payroll Taxes
Incentive Compensation
401 (K)
Dental and Vision Insurance
Data Processing

Type of Testimony Filed: Direct

COMPANY

CASE NO.

The Empire District Electric Company

ER-95-279

Revenues
Uncollectibles Expense
Municipal Franchise Taxes
Postage Expense
Emission Credits

Type of Testimony Filed: Direct

Imperial Utility Corporation

SC-96-247

Rate Base
Depreciation Reserve
Depreciation Expense
CIAC
Property Taxes
Property Insurance
Lab Testing Expense
Sludge Removal Expense

Type of Testimony Filed: Rebuttal

St. Louis County Water Company

WR-97-382

Payroll and Payroll Taxes
Employee Benefits
Employee Savings
Shared Employees

Type of Testimony Filed: Direct

Laclede Gas Company

GR-98-374

Payroll and Payroll Taxes
401 (K)
Health Care Costs
Pension Plan
Director's Pension Plan
Trustee Fees
SERP
Outside Consulting
Incentive Compensation
Advertising Expense

Type of Testimony Filed: Direct

COMPANY

CASE NO.

United Water Missouri, Inc.

WR-99-326

Payroll and Payroll Taxes
401 (K)
Health Care Costs
Employee Relocation
Corporation Franchise Tax
Advertising Expense
Dues and Donations
Miscellaneous Expenses

Type of Testimony Filed: Direct

Union Electric Company

EC-2000-795

Injuries and Damages
Legal Expense
Environmental Expense

Type of Testimony Filed: Direct

Union Electric Company

GR-2000-512

Revenues
Uncollectibles Expense
Customer Deposits

Type of Testimony Filed: Direct

Laclede Gas Company

GR-2001-629

Revenues
Gross Receipts Tax
Gas Supply Incentive Plan
Gas Costs
Uncollectibles Expense
Non-Utility Operations

Type of Testimony Filed: Direct

COMPANY

CASE NO.

Union Electric Company, d/b/a AmerenUE

EC-2002-01

Fuel Expense
Callaway Refueling
Legal Expense
Environmental Expense
Capacity Purchases
Midwest ISO
Payroll and Related
Incremental Overtime

Type of Testimony Filed: Direct and Surrebuttal

Union Electric Company, d/b/a AmerenUE

EC-2002-1025

Legal Expense
Environmental Expense
Midwest ISO

Type of Testimony Filed: Direct

Laclede Gas Company

GR-2002-356

Revenues
Gross Receipts Tax
Gas Supply Incentive Plan
Gas Costs
Uncollectibles Expense
Income Taxes

Type of Testimony Filed: Direct

Laclede Gas Company

GT-2003-0117

Financial Aspects

Type of Testimony Filed: Direct

COMPANY

CASE NO.

Missouri-American Water Company

WR-2003-0500 & WC-2004-0168

Allocation of Belleville Labs Cost to MAWC
National Call Center
Compensation for Services Provided from MAWC to AWR
Information Technology Services
Capitalization of Shared Services
Transition Costs
Cost Allocation Manual
Affiliate Transactions
Severance Costs
National Call Center Transition Costs
National Shared Services Transition Costs

Type of Testimony Filed: Direct & Surrebuttal

Missouri-American Water Company

SM-2004-0275

Acquisition Adjustment

Type of Testimony Filed: Direct

The Empire District Electric Company

ER-2004-0572

Interim Energy Charge
Fuel Expense
Purchased Power
Off System Sales
KCPL Transmission Expense
Income Taxes

Type of Testimony Filed: Direct & Surrebuttal

Union Electric Company d/b/a AmerenUE

GR-2007-0003

Environmental Expense

Type of Testimony Filed: Direct

COMPANY

CASE NO.

Union Electric Company d/b/a AmerenUE

ER-2007-0002

Fuel Expense
Fuel Inventories
Callaway Refueling Costs
Combustion Turbine Maintenance Expense
Environmental Expense
Gains on the Sale of Sulfur Dioxide Emission Allowances

Type of Testimony Filed: Direct, Rebuttal and Surrebuttal

Missouri-American Water Company

WR-2007-0216

Belleville Labs Allocation
Compensation for Services MAWC Provided to AWR
Income Taxes

Type of Testimony Filed: Direct

Union Electric Company d/b/a AmerenUE

ER-2008-0318

Fuel and Purchased Power Expense
Off System Sales
Fuel Inventories
Callaway Refueling Costs
Generating Plant Outages
Capacity Charges
Entergy Refunds
Non-Labor Storm Costs – Test Year
Non-Labor Storm Cost AAO
Non-Labor Storm Cost Amortization
SO2 Emission Allowance Sales and Tracker
Deferred Income Taxes for Rate Base
Income Taxes
Production Cost Model Issues

Type of Testimony Filed: Direct and Surrebuttal

COMPANY

Union Electric Company d/b/a AmerenUE

Corporate Allocations
Potential Refundable Entergy Charges
Payroll and Payroll Taxes
Employee Benefits
Voluntary Separation Election
Involuntary Separation Program
Severance Costs
Callaway Security Force

Type of Testimony Filed: Direct

CASE NO.

ER-2010-0036

Laclede Gas Company

Report on Revenue Requirement Cost of Service
Overview of Staff's Filing
Revenue Associated with Propane Sale
Insulation Financing
Energy Wise
NITEC Study
Home Sales Reinspection Fees
Gain on Sale of Property
Emergency Cold Weather Rule AAO
IFRS AAO
Gas Safety AAOs
Line of Credit Fees

Type of Testimony Filed: Direct, Rebuttal and Surrebuttal

GR-2010-0171

Union Electric Company d/b/a AmerenUE

Accumulated Deferred Income Taxes
Potential Refundable Entergy Charges
Payroll
Payroll Taxes
Voluntary Separation Election Plan
Involuntary Separation Program
Test Year Severance Costs
Amortization of Severance Costs
Other Employee Benefits
Test Year Storm Costs
Storm Cost AAO Case Nos. EU-2008-0141 and ER-2008-0318
Rebranding Costs
Income Tax

Type of Testimony Filed: Direct and Surrebuttal

ER-2011-0028

COMPANY

CASE NO.

Union Electric Company d/b/a AmerenUE

ER-2012-0166

Report on Revenue Requirement Cost of Service
Overview of Staff's Filing
Plant-in-Service Accounting
Accumulated Deferred Income Taxes
Employee Stock Ownership Plan Deduction
Income Taxes
Missouri Jurisdictional Allocation Factors
Lake of the Ozarks Shoreline Management Program
Storm Assistance Revenues and Expenses
Renewable Energy Standard Costs

Type of Testimony Filed: Direct, Rebuttal and Surrebuttal

Union Electric Company d/b/a AmerenUE

EA-2012-0281

Costs Associated with Labadie Energy Center Expansion
Alternative Site Studies

Type of Testimony Filed: Rebuttal, Cross-Surrebuttal and
Supplemental

Union Electric Company d/b/a AmerenUE

EC-2014-0223

Complaint Case – Rate Levels

Type of Testimony Filed: Rebuttal and Surrebuttal