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File No.:	ER-2016-0179
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MISSOURI PUBLIC SERVICE COMMISSION

File No. ER-2016-0179

REBUTTAL TESTIMONY

OF

LAURA M. MOORE

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
January 2017

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REBUTTAL TESTIMONY

OF

LAURA M. MOORE

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Laura M. Moore. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") as Director, Regulatory Accounting.

Q. Are you the same Laura M. Moore who filed direct testimony in this case?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address various issues contained in the Staff Revenue Requirement Cost of Service Report ("Staff Report"), the testimony of Office of the Public Counsel ("OPC") witness Steven C. Carver, certain issues raised by the testimony of OPC witness Charles R. Hyneman and the testimony of Missouri Industrial Energy Consumers ("MIEC") witness Stephen M. Rackers.

Q. On what specific issues are you providing rebuttal testimony?

A. Specifically, my rebuttal testimony addresses the following issues raised by the Staff, OPC and MIEC: (1) inclusion of the Labadie Energy Center landfill investment in rate base (Staff witness Carle); (2) Ameren Services Company ("AMS") costs (Staff witness Ferguson, OPC witness Carver and MIEC witness Rackers); (3) coal refinement other reimbursable costs (Staff witness Ferguson); (4) fuel additives (Staff witness Wells); (5) oil inventory (Staff witness Wells); (6) payroll costs (Staff witness Kunst); (7) pension and Other Post Employment Benefits ("OPEB") base levels (Staff witness Boateng; (8) certain non-qualified pension cost issues (Staff witness Boateng and OPC witness Hyneman)[1]; (9) incentive compensation (Staff witness Kunst); (10) dues and donations generally (Staff witness Kunst); (11) Edison Electric Institute ("EEI) dues (Staff witness Kunst); (12) Vegetation Management and Infrastructure Inspection costs (Staff witness Boateng); (13) interest on customer deposits (Staff witness Carle); and (14) cybersecurity costs (Staff witness Kunst).

II. LABADIE ENERGY CENTER LANDFILL

Q. Staff witness Carle did not include the Company's investment in the Labadie Energy Center landfill in Staff's Plant-In-Service and Accumulated Reserve balance in Staff's direct case, but mentions that it will be included once construction is complete and permits have been issued. Did Staff send a follow up data request regarding this information?

A. Yes. Staff data requests 0515 and 0515.1 requested this information. The Company's responses confirm that the facility has the required operating permit from the Department of Natural Resources and was being utilized to dispose of ash as of November 9, 2016, meaning the landfill is fully operational and being used for service. It is my understanding that Staff agrees that it should be included in plant-in-service and

[1] Mr. Hyneman's contentions regarding the Company's Supplemental Employment Retirement Plan ("SERP") are addressed in the rebuttal testimony of Company witness Marla Langenhorst.

accumulated reserve. The level of investment for the landfill to be included in plant-in-service and accumulated reserve will equal the investment as of the true-up date of December 31, 2016, as is the case with the rest of the Company's rate base.

III. AMS COSTS

Q. Did Staff propose any adjustments to the level of AMS costs included in the Company's direct case filing?

A. In the Staff Report, Staff witness Ferguson discusses two concerns regarding AMS costs in the revenue requirement. The first is related to the reduction in load by the New Madrid aluminum smelter, and the second concerns the use of indirect allocation factors to allocate AMS costs to Ameren Missouri and its other affiliates that receive services from AMS.

Q. Do you agree with the adjustment that Staff made for the smelter load issue?

A. I agree an adjustment should be made in the revenue requirement to adjust the costs that have been allocated based on load that are included in the revenue requirement, but I disagree with the Staff's calculation of the adjustment.

Q. How should the adjustment have been calculated?

A. AMS costs are not being trued-up in this case, consistent with the past practice of all parties. Staff's calculation used AMS costs year-to-date through September, 2016, and for AMS costs allocated based on load, recalculated the allocation after accounting for the near total loss of load at the New Madrid smelter. Using 2016 year-to-date numbers creates a mismatch with test year figures since these costs are not trued-up. Consequently, while I agree that the load for the New Madrid smelter that is used to set rates in this case should be used to adjust the *test year* AMS costs, so that the drop in load at the smelter is properly taken into account, AMS costs beyond the test year should not be used.

OPC witness Carver also recommends that the load-based AMS charges be adjusted to account for the drop in smelter load; i.e., he took the same approach as I am recommending (using test year AMS costs), but the actual dollar amount of his adjustment will also need to be recalculated using the revised load amounts used to set rates in this case.

In summary, I agree with both Staff and OPC that the drop in load at the smelter should be accounted for in allocating AMS costs, but to do so, AMS costs for the test year should be used to prevent a mismatch, and the normalized loads used to set rates in this case should be used.

Q. Did Staff propose any other adjustments related to AMS costs?

A. No, but Staff did mention that it had some potential concerns, that is, Staff mentioned a concern regarding the indirect allocation factors used to allocate AMS costs among Ameren Missouri and its affiliates. Staff states that an allocation factor, such as number of employees, may not allocate costs accurately because one of Ameren Missouri's affiliates may incur AMS costs disproportionately but not receive an appropriate allocation if that affiliate has fewer employees. Staff also made note of the fact that the Company developed some new allocation factors that it will begin to use in 2017. Staff has indicated that it will address these concerns in its rebuttal testimony, so I will not address them further here, but instead will address them in surrebuttal testimony.

Q. Do any other parties propose adjustments to the AMS costs?

A. Yes, OPC witness Carver and MIEC witness Rackers both have proposed adjustments to the AMS costs.

Q. Please explain the adjustments of OPC witness Carver.

A. OPC witness Carver proposes two adjustments related to AMS costs. The first is the smelter load adjustment I discussed earlier. The second is to annualize the AMS direct allocated factors implemented by AMS effective January 1, 2016. This adjustment is reasonable.

Q. Please describe the proposed adjustment of MIEC witness Rackers.

A. Mr. Rackers proposes one adjustment to AMS costs, based upon his claim that there is a potential problem with the direct assignment of AMS costs to the various affiliates to which AMS provides services.

Mr. Rackers states that there were approximately $22 million of AMS costs for the 12 months ended March 31, 2013 that, he claims, were directly charged to the merchant generation business that Ameren Corporation formerly owned, but which it sold to Dynegy effective December 31, 2013.[2] Mr. Rackers claims that these directly-charged AMS costs were "absorbed" by Ameren Corporation subsidiaries (including, in part, by Ameren Missouri) during the twelve months ended March 31, 2014, once the divestiture was completed. Based upon his assumption that such this "absorption" occurred, Mr. Rackers then determined the proportionate share of these direct costs that he claims were

[2] Rounding the actual figure to the nearest one-hundred thousand dollars, the actual figure is $21.5 million, as shown by one of Mr. Rackers' work papers.

absorbed by Ameren Missouri totaled approximately $9.4 million.[3] As outlined below, Mr. Rackers is mistaken.

Q. Were these AMS charges absorbed by other Ameren Corporation subsidiaries, including Ameren Missouri?

A. No, they were not. In assessing Mr. Rackers' claim, it is important to understand that the approximately $21.5 million of AMS costs at issue were not allocated between the merchant generation business and other affiliates for the 12 months ending March 2013 at all; i.e., they were not shared services. Instead, they were directly charged to the merchant generation business; i.e., 100% of whatever the charges were for were for services AMS provided to the merchant generation business alone. Logically, it makes no sense that charges for services the merchant generation business received from AMS, that only the merchant generation business needed in the first place, would later be "absorbed" by other affiliates since before the divestiture those services had nothing to do with the other affiliates' businesses, nor did they have anything to do with the other affiliates' businesses after the divestiture. Put another way, once activities relating to the divestiture ended, there would no longer be a need for these services on the merchant generation business's part, and there never was (and would not suddenly be) a need for these services on the part of other affiliates.

Q. While logic would suggest that an "absorption" of these former directly-charged AMS costs by other affiliates would not make sense, were you able

[3] Using Mr. Rackers' approach to determining the portion of the $21.5 million that he claims was "absorbed by" Ameren Missouri, the correct figure would be $9.18 million instead of his $9.4 million.

to identify and isolate what happened to those charges for the 12 months ended March 31, 2014?

A. Yes, I was. I performed an examination of these directly-charged AMS costs for the 12 months ended March 31, 2013, as compared to the 12 months ended March 31, 2014. Recall that Mr. Rackers claims they were absorbed by other affiliates for the 12-month period ended March 31, 2014. My analyses show that almost all of the costs that made up the approximately $21.5 million *continued* to be directly charged *to the merchant generating business* (or to Ameren Corporation itself) for that second, 12-month period. Specifically, these charges continued to be charged to the merchant generation business through November 2013, and for the rest of the period (December 2013 through March 2014), they were charged to Ameren Corporation.

Q. How did you conclude that almost all of the approximately $21.5 million continued to be directly charged to either the merchant generation business or Ameren Corporation during the 12 months ended March 31, 2014?

A. Because the general ledger shows that for the 12-month period ending March 31, 2014, there were approximately $9.4 million of AMS costs charged directly to the merchant generation business, and an additional approximately $11.1 million of directly-charged AMS costs charged to Ameren Corporation. Clearly then, $20.5 million of the $21.5 million Mr. Rackers claimed was absorbed by Ameren Missouri and its affiliates was not absorbed by them, but instead was paid by the merchant generation business or Ameren Corporation itself. While this leaves approximately $1 million unaccounted for, there are a number of reasons why the level of direct AMS charges to the merchant generation business/Ameren Corporation during this period could have been lower by $1 million, including the nature of the capital projects from year-to-year or varying work assignments of AMS employees.

Q. Mr. Rackers attempts to support his claim by noting that directly-charged AMS charges to Ameren Missouri increased during the 12 months ended March 31, 2014, compared to the same period in 2013. Why does this not tend to show that charges that used to be paid by the merchant generating business were somehow shifted to other affiliates, including to Ameren Missouri?

A. While it is true that directly-charged AMS costs to Ameren Missouri increased by $8.2 million during the 12 months ended March 31, 2014 versus the same period ended March 2013, the cause of the increase is not directly-charged AMS costs that were formerly directly charged to the merchant generation business/Ameren Corporation. Instead, AMS costs directly charged to Ameren Missouri increased because AMS directly provided services to Ameren Missouri increased.

Q. What specifically drove the $8.2 million increase in directly-charged AMS costs to Ameren Missouri for the 12 months ending March 31, 2014 versus the 12 months ending March 31, 2013?

A. Approximately $3.6 million of the approximately $8.2 million were higher AMS charges for directly-charged AMS services provided for *Ameren Missouri* capital projects during the 12 months ended March 31, 2014. The other approximately $4.7 million was an increase in directly charged AMS operations and maintenance ("O&M") expenses incurred for services provided to Ameren Missouri, primarily services from AMS's then recently formed Corporate Operations Oversight group, which was formed in March 2013. The Corporate Operations Oversight group consists of three groups: a

Project Management Oversight Group ("PMOG"), a Nuclear Corporate Oversight Team ("NCOT"), and a Quality Management Office ("QMO"). The NCOT and QMO had been part of the Ameren Missouri organization prior to March 2013, but became a part of AMS at that time. The movement of former Ameren Missouri personnel to AMS meant that the work they formerly performed for Ameren Missouri, as Ameren Missouri employees, was now performed by them as AMS employees, creating higher direct charges from AMS to Ameren Missouri starting in March 2013 for what was essentially the same work. Their labor costs would, of course, have been removed from Ameren Missouri's labor costs and then moved to AMS.

Q. Why would directly-charged AMS costs relating to Ameren Missouri capital projects increase from the 12 months ended March 31, 2013 to the 12 months ended March 31, 2014?

A. In addition to the organization change just noted, changes occur year-to-year because every year the services from AMS required for Ameren Missouri capital projects vary. This was true between the 12-months ended March 31, 2013 and the 12 months ended March 31, 2014. During the first period, total Ameren Missouri capital investments were approximately $518.4 million. During the second period, total Ameren Missouri capital investments increased to approximately $696.5 million. One would expect AMS services relating to capital projects at Ameren Missouri to increase given the increased capital investments, and that is what the numbers show.

Q. Why would directly-charged AMS O&M charges to Ameren Missouri increase from one period to the next?

A. As noted, the primary driver for the increase arose from services provided by the then-recently created AMS Corporate Operations Oversight Department. The Corporate Operations Oversight Department was created to provide better management, control and oversight for projects, including projects pursued by Ameren Missouri, to provide improved independent nuclear oversight, which is exclusively beneficial to Ameren Missouri, and to provide broader quality support, including quality support for Ameren Missouri.

Incremental AMS O&M costs for the Corporate Oversight Department's services charged to Ameren Missouri for the 12 months ending March 31, 2014, as compared to the 12-month period ended March 31, 2013 were approximately $3.4 million. Those sums, coupled with the approximate $3.6 million of increased AMS capital charges, account for nearly all of the approximately $8.2 million increase in directly-charged AMS costs between the 12-month period ended March 31, 2013 and the same period ended March 31, 2014. There would have been other miscellaneous direct charge increases that make up the remaining approximately $1.2 million. While I did not analyze the exact cause of this remaining sum, there could be many reasons (as I noted earlier).

Q. You have explained that these directly-charged AMS costs did not get absorbed by the other affiliates during the 12 months ended March 31, 2014, since they were still being incurred by the merchant generation business or Ameren Corporation, and also because increases in directly-charged AMS costs at Ameren Missouri were independent of the $21.5 million charged in earlier periods to the merchant generation business or Ameren Corporation. Does data for March 31,

2015 further support your contention that the $21.5 million referenced by Mr. Rackers was not absorbed by other affiliates?

A. Yes. Total direct charges from AMS for the 12 months ended March 31, 2015 decreased by approximately $24.6 million. Of that sum, Ameren Missouri saw a decrease of approximately $4.6 million. The $4.6 million decrease consisted of an increase of approximately $4.0 million for AMS services related to Ameren Missouri capital projects, coupled with a decrease in Ameren Missouri's directly-charged AMS O&M costs of approximately $8.6 million in this period compared to the 12 months ended March 31, 2014.

IV. COAL REFINEMENT COSTS/REVENUES

Q. Staff witness Ferguson made several adjustments arising from coal refining operations by third-party coal refiners operating at the Sioux and Rush Island Energy Centers, and relating to the now-ended coal refining operations at the Labadie Energy Center. Do you agree with these adjustments?

A. I agree with Ms. Ferguson's adjustment to include lease revenues we are still receiving for coal refiner equipment still located at Labadie, and with the elimination of coal handling revenues from the refiner that formerly operated at Labadie. I disagree with Ms. Ferguson's attempt to effectively true-up reimbursements from the coal refiner formerly operating at Labadie.

Q. What were these reimbursements for?

A. While the coal refining process produced a net benefit for the Company and its customers, burning the refined coal created some increased maintenance requirements at the plants. Under the Company's agreement with the refiner, the refiner reimbursed the Company for these costs. However, once the coal refining at Labadie ended, so too did the increased maintenance costs and so too did the reimbursements. Therefore, reimbursements should not be included in the revenue requirement at all because we do not receive them anymore.

V. FUEL ADDITIVES

Q. Have you reviewed Staff's calculation of normalized fuel additive expense for limestone and activated carbon?

A. Yes. I reviewed Staff's testimony as well as its work paper "HC_ER-201600179_FuelAdditives_Wells.xlsx."

Q. Do you agree with Staff's calculations?

A. I have a several concerns with the mechanics of Staff's calculations, but more importantly, the proper way to set a normalized level of fuel additive expense is to base them on the normalized generation output of our coal-fired units determined by production cost modeling in this proceeding, instead of using averages of historical values.

Q. What concerns do you have with the mechanics of Staff's calculations?

A. I have three specific concerns with Staff's calculations. These are:

1. Staff's calculation of the normalized values for certain components of limestone costs contains two mathematical errors. These errors result in

Staff's value for these components being understated by more than one-third.[4]

2. Staff's normalized limestone cost calculation utilizes different normalization periods for establishing the average monthly consumption, freight and surcharge than used to establish the average monthly expense for electricity, propane and diesel.

3. Staff has double counted the cost of fuel surcharges, as those amounts are already included in the cost of freight.

Q. Setting aside the mistakes in the calculation, why should the normalized cost of fuel additives be based on the normalized generation output determined by production cost modeling in this proceeding?

A. Fuel additive expenses are a function of the volume of the additive (limestone or activated carbon) that is taken from inventory and consumed at a given Energy Center and the average inventory price of that additive. The amount of additive taken from inventory and consumed is itself a direct function of the generation output of that Energy Center. The higher the generation output at an Energy Center, the higher its fuel additive expense – and vice versa.

Since the amount of fuel additives consumed at an Energy Center is itself a function of the generation output of that same Energy Center, normalizing the fuel additive expense on the basis of the normalized generation output will yield a more reasonable representation than simply averaging historical values.

[4] It is my understanding that Staff's recognizes this mistake, and agrees it should be corrected as part of the true-up in this case. That mistake incorrectly lowered Staff's recommended expense for this item by approximately $97,000.

Q. How is the normalized generation output of the Energy Centers established in this proceeding?

A. Both Staff and Ameren Missouri use production cost modeling to establish a normalized level of fuel, net purchased power and net off-system sales. This process necessarily requires the production of a normalized level of generation output for each Energy Center.

Q. How would this normalized generation output be utilized to determine the normalized cost of fuel additives?

A. The normalized cost of fuel additives for the true-up process would be determined by taking an average cost for the additive stated in dollars per megawatt-hour ("MWh") and multiplying it by the normalized MWh of generation output from the production cost model for a given Energy Center and given additive.

Q. How would the normalized price of the additive be determined?

A. This price could be determined by taking the average expense for a recent time period and dividing it by the average generation output for the same time period. This would provide a normalized price in terms of $/MWh of generation output. This would be done for each applicable Energy Center and additive. Ameren Missouri intends to engage Staff in discussions on the best means of establishing this normalized price per MWh.

Q. Why do you recommend using a recent time period instead of a longer term?

A. Using a recent time period will provide a normalized price which is more representative of current contract terms.

Q. Please explain your concern with Staff utilizing different normalization periods for establishing the average monthly consumption, freight and surcharge than used to establish the average monthly expense for electricity, propane and diesel.

A. Simply put, the two periods should be the same. If Staff desires to calculate an average monthly value for limestone expense, it should not use three years for some factors and one year for others. In particular, it is inappropriate to use a different normalization period for the volume than that used for components of costs, whose totals are dependent on that same volume. Doing so breaks down any relationship which exists between volumes consumed and the related expense for the other components.

Q. What would the appropriate normalization period be?

A. As noted above, I believe that the normalization should be based on the normalized generation output for the Energy Centers determined by production cost modeling in this proceeding.

Q. Please explain your final concern.

A. Staff has calculated a normalized monthly value for both freight charges and fuel surcharges for limestone. It is my understanding that the price per ton which Staff utilized for the freight charge already incorporates the fuel surcharge. By calculating a separate normalized cost for the fuel surcharge, their calculation double counts this component, which overstates fuel surcharge costs.

Q. Please summarize your position on the proper normalized level of fuel additives for use in setting the revenue requirement in this case.

A. The three errors referenced above must be corrected. Even if the Staff's approach were otherwise used, correcting those errors raises Staff's recommended level of expense to $9.1 million.

Aside from correcting those errors, the normalized output of our coal-fired units as established by the production cost modeling otherwise used to set the revenue requirement in this case should be used to set the normalized level of these expenses. As noted in the rebuttal testimony of Mark Peters, a true-up run will be performed by each of Staff and the Company, and it is highly likely that the results of those runs will be quite similar. The output from whichever run is used should be used for this purpose. As a placeholder, using the output from the Company's direct case production cost modeling run would set the normalized level of fuel additive expense in this case at $10.6 million.

VI. OIL INVENTORY

Q. What is the issue regarding oil inventory?

A. In our last several rate cases, both the Company and Staff have used a 13-month average (13 months ending with the end of the true-up period) for the oil inventory to be used to set the revenue requirement. In this case, Staff indicated that the actual inventory as of the end of the true-up period should be used because of what the Staff said was a "declining trend."

Q. Is there a "declining trend" in oil inventory?

A. No. Two anomalies recently occurred that should be accounted for in deciding the proper normalized amount of oil inventory to use to set rates in this case. First, we retired the Howard Bend generating unit, and I agree that in calculating a 13-month average the inventory at Howard Bend should not be included in the 13-month average. Second, there was one completed tank inspection and another tank inspection to occur in 2017 for which we are temporarily drawing down inventory. Those two anomalies likely caused the Staff to observe a "declining trend," when in fact there is no declining trend.

Q. Please elaborate.

A. We are required to inspect all oil tanks once every 10 to 20 years. Inspection of the Meramec[5] tank took place in 2016. To inspect a tank, it must be empty. Consequently, we draw down inventory over a period of months so that the inspection can take place, and then we build the inventory back up to its normal level after the inspection is complete. The Meramec tank was inspected in November, 2016. By the end of 2016, we had built its inventory from zero back up to 121,146 gallons.

Q. What is a normal level of inventory for Meramec?

A. We normally maintain oil inventory at Meramec of approximately 336,000 gallons. The 2016 inventory levels were lower for the entire year because we began to draw Meramec down in the 3rd quarter of 2015 based on the expectation that we would inspect the Meramec tank in the spring of 2016. However, that inspection was delayed (as noted above, to November). In any event, we are in the process of building the inventory level back to approximately 336,000 gallons, which is the level we maintained before the draw-down began.

Q. You mentioned another tank inspection scheduled for 2017. Please explain.

[5] References to Meramec are to the combustion turbine generators at Meramec.

A. We are also due to inspect the tank at Mexico in 2017. To prepare, we started drawing Mexico's inventory down in August 2016. Once the inspection is done, we will return the Mexico inventory level to its pre-draw-down levels (232,000 gallons). I should also note that we have also drawn down the inventory at Moreau so that we can move oil from Mexico to Moreau, if necessary, in order to complete the tank inspection at Mexico.

Below are two tables, the first showing inventories in 2015, and the second showing inventories in 2016 (excluding Howard Bend):

Coal Plants												
	Jan-15	**Feb-15**	**Mar-15**	**Apr-15**	**May-15**	**Jun-15**	**Jul-15**	**Aug-15**	**Sep-15**	**Oct-15**	**Nov-15**	**Dec-15**
Meramec	18,832	21,323	22,671	21,430	17,669	19,094	5,893	7,069	10,193	4,873	10,396	9,962
Labadie	277,521	226,961	281,189	290,818	244,955	286,441	302,224	251,454	286,051	315,978	300,220	239,433
Rush Island	165,361	172,947	170,490	149,015	157,707	202,642	193,960	193,960	156,553	156,553	128,555	151,239
Sioux	35,338	24,570	34,047	39,267	32,505	39,218	36,102	40,266	31,336	31,884	32,357	43,502
CTG's												
	Jan-15	**Feb-15**	**Mar-15**	**Apr-15**	**May-15**	**Jun-15**	**Jul-15**	**Aug-15**	**Sep-15**	**Oct-15**	**Nov-15**	**Dec-15**
Fairground	276,924	276,924	276,924	276,924	276,924	276,925	275,400	260,452	260,452	258,952	258,952	254,683
Mexico	257,927	257,927	258,690	258,690	258,690	258,690	239,061	239,061	239,061	239,061	239,061	231,986
Moreau	255,839	255,839	255,746	255,746	255,746	255,746	236,565	236,585	236,565	236,565	236,565	236,565
Moberly	257,228	257,228	257,228	257,228	257,228	257,228	241,905	241,905	-	267,311	267,311	267,311
Meramec	336,150	336,150	336,150	336,150	336,150	336,150	336,150	324,250	324,250	324,250	297,223	204,164

Coal Plants													
	Dec-15	**Jan-16**	**Feb-16**	**Mar-16**	**Apr-16**	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**	**Nov-16**	**Dec-16**
Meramec	9,962	6,228	6,228	7,716	4,372	8,704	4,649	8,250	9,519	11,580	11,580	10,350	6,859
Labadie	239,433	219,717	219,717	196,347	218,231	262,258	183,880	178,813	179,984	280,800	285,925	283,692	245,839
Rush Island	151,239	144,982	144,982	130,415	167,415	99,553	79,714	159,865	151,065	179,967	181,055	197,816	141,266
Sioux	43,502	31,727	28,904	28,761	38,686	42,248	26,920	34,547	37,088	42,996	34,812	39,507	37,105
CTG's													
	Dec-15	**Jan-16**	**Feb-16**	**Mar-16**	**Apr-16**	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**	**Nov-16**	**Dec-16**
Fairground	254,683	254,683	254,683	254,683	256,472	256,472	256,472	262,102	243,826	272,503	271,612	269,829	268,788
Mexico	231,986	231,986	231,986	231,986	231,986	231,986	231,986	217,148	201,211	201,045	201,045	200,713	200,713
Moreau	236,565	251,362	251,362	251,362	251,362	251,362	233,354	214,160	214,160	214,160	213,994	213,828	213,828
Moberly	267,311	267,311	267,311	267,311	267,311	267,311	248,899	245,869	258,154	259,316	260,313	261,475	259,980
Meramec	204,164	204,164	204,164	204,164	204,164	204,164	204,164	183,486	159,022	23,727	-	-	121,146

Q. What do these tables show?

A. They show that the use of a 13-month average ending December 31, 2016 for all of the sites except Meramec and Mexico is appropriate. Because the drawn-down level for those two plants is abnormal and temporary, it also shows that we should not use the 13-month average for Meramec or Mexico, but should instead use their pre-draw-down inventory levels. As noted, for Meramec this is 336,000 gallons and for Mexico it is 232,000 gallons. It does not make sense to essentially pick a low point at both sites and call it a "trend" since the low point was simply a function of infrequent but required tank inspections. In summary, picking only the level at one date – December 31, 2016 – is not a fair representation because there is no trend, declining or otherwise.

It should also be noted that if one ignores the inventory at Mexico, Meramec and Moreau, which are all artificially low due to the tank inspections, there is no material change for the other sites from December 2015 to December 2016:

December 31, 2015(without Mexico, Meramec and Moreau): 966,130 gal.

December 31, 2016(without Mexico, Meramec and Moreau): 959,837 gal.

This difference is just over one-half of one percent. This further demonstrates that there is no trend; the inventory is essentially flat, meaning Staff's approach of using year-end inventories based on the claim that there is a declining trend understates normal oil inventory levels.

Q. Have you calculated the 13-month average using actual inventory at all sites except Mexico and Meramec, and substituting the pre-draw-down level at Meramec (336,000 gallons) and the pre-draw-down level at Mexico (232,000 gallons) (and excluding Howard Bend entirely)?

A. Yes. That average is 1,743,562 gallons. This is the figure that should be used to set the oil inventory level in rate base in this case.

VII. PAYROLL

Q. Staff witness Kunst proposed five adjustments to payroll expense. Please explain his adjustments.

A. The five adjustments that Staff proposed are as follows: 1) changes in employee levels through September 30, 2016; 2) increase in wage rates; 3) reduction of payroll expense related to an involuntary separation that occurred in November of 2015; 4) a proposed disallowance of certain non-recurring bonus payments; and 5) a proposed disallowance of portions of certain employees' salaries which have been allocated to lobbying efforts.

Q. Do you agree with the adjustments listed above?

A. Not with all of them. I agree with the update to the employee levels and the increase in the wage rates, subject to use of actual data through the end of the true-up period. I understand that Staff agrees that the final true-up data should be used. I also agree with the reduction of payroll expense for the involuntary separation.

I disagree with the adjustments for non-recurring bonus payments and salaries related to lobbying. I will explain why I disagree with each of these below.

Q. The first adjustment with which you disagree is related to some non-recurring bonus payments. Can you explain the issue?

A. There are two payments at issue. The first is the result of the union contract between the Company and the union that represents security guards at the Callaway Energy Center. Under that contract, the Company was required to pay a bonus to security guards working at the Callaway Energy Center if the contract was ratified by a given date. The contract was ratified by that date, requiring the Company to pay the bonuses.

The second bonuses at issue are sign-on bonuses to new employees and retention bonuses to existing employees that are paid from time-to-time to attract new employees or to retain existing employees.

Regarding the Callaway security guards, as noted, the union contract required the Company to pay each guard a lump-sum bonus of $500 if the contract was ratified by a certain date.[6] It was ratified by that date. Counsel advises me that under section 386.315, RSMo, the Staff's proposed disallowance is prohibited because approval of the disallowance by the Commission would constitute a change in the terms of the contract.[7]

Consistent with the Staff's approach to normalizing rate case expense and other items over a two-year period, the $45,500 of bonuses paid should be amortized over two years, resulting in the inclusion of $22,750 in the revenue requirement.

Q. Please address the sign-on and retention bonus issue.

A. The payment of these kinds of bonuses is a recurring, normal part of attracting and retaining the employees needed to operate the Company's business. Sign-on bonuses are used to attract specific skill sets for which there is a competition in the external labor market for talent. Similarly, retention bonuses are used to retain key talent in areas where competition for such talent is high. In order for Ameren Missouri to provide service to its customers, it is critical that the Company has the key talent needed to do so.

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[6] 91 guards were paid $500 each, resulting in total bonuses of $45,500.

[7] Section 386.315 provides that "In establishing public utility rates, the commission shall not change any wage rate, benefit, working condition, or other term or condition of employment that is the subject of a collective bargaining agreement…"

Over the past three calendar years (2014 – 2016), the Company has paid a total of approximately $440,000, $360,000 and $350,000, respectively, for such bonuses. Because the amount fluctuates year-to-year, but is paid each year, it is appropriate to normalize the amount instead of using the test year sum as we did when we filed this case. A three-year normalization would result in including $380,000 in the revenue requirement.

Q. The last adjustment with which you disagree has to do with payroll costs arising from time spent by employees on lobbying activity. Why do you disagree with this adjustment?

A. Staff has made a "placeholder" adjustment, i.e., a guess at the payroll associated with time spent by employees on lobbying activities. The Staff indicates that it will address this adjustment in detail in its rebuttal testimony. Consequently, at this time I will simply point out that for employees who perform some lobbying work (but for which lobbying work is not a day-to-day part of their jobs), the Company has those employees report their time as lobbying, resulting in payroll associated with that time being recorded below-the-line. There are also certain other employees whose jobs include lobbying as part of their regular duties that have part of their payroll costs recorded below-the-line. The Staff's placeholder adjustment makes no attempt to properly account for these below-the-line costs, which were never part of the revenue requirement filed in this case in the first place. As noted, Staff has not proposed a specific adjustment and its placeholder adjustment is unsupported. If a specific adjustment is proposed, I will address it in later testimony.

VIII. PENSION AND OPEB COSTS

Q. In the Staff Report, Staff witness Boateng adjusted test year pension and OPEB using an estimate of 2017 expenses. Do you agree with this approach?

A. No. The estimated expense for 2017 is not known and measurable. The 2017 expense will not be known and measurable until the end of 2017. It would be inappropriate to use a forecasted sum for this one item, while using historical known and measurable costs for all other items because it would create mismatch between the historical and the future period. I believe that the Staff agrees that the 2017 estimate should not be used, and that the actual expense for 2016 should be used. This amount will be accounted for as part of the true-up of the revenue requirement in this case.

IX. NON-QUALIFIED PENSION COSTS

Q. Staff witness Boateng and OPC witness Hyneman each make an adjustment related to the non-qualified pension costs. How much was their adjustment?

A. Staff witness Boateng made an adjustment to decrease non-qualified pension expense by approximately $1,000,000. OPC witness Hyneman made an adjustment to decrease non-qualified pension expense by approximately $900,000.

Q. Please explain the adjustment by Staff witness Boateng.

A. Mr. Boateng calculated the non-qualified pension cost amount on a cash basis, or based on the payments made for the annuity payments. For the lump-sum payments, he made another adjustment to take the 2015 lump-sum payments and divide them by 15 to convert the lump-sum payments to a 15-year annuity.

Q. Do you agree with the adjustments made by Staff witness Boateng?

A. No, not completely. I agree with the adjustment to calculate these amounts based on a cash basis, but I do not agree with the adjustment for lump-sum payments.

Q. Why do you disagree with the adjustment to the lump-sum payments?

A. An employee can select annuity payments for periods of 5, 10 or 15 years. Mr. Boateng arbitrarily chose to spread these lump sum payments over 15 years. Putting that issue aside, his approach of recalculating the 2015 lump sum payments by dividing them by 15 (in effect, recalculating them as if they were paid over 15 years), is flawed.

Q. Why is Mr. Boateng's approach flawed?

A. The 2015 lump sum payments totaled approximately $940,000. When divided by 15, this produces a normalized level of lump sum payments of just approximately $63,000, which is far too low and fails to reflect a normalized level of lump sum payments. Setting a proper normalized level of lump sum payments is necessary in order to provide a reasonable proxy for what lump sum payments would be in the future.

That Mr. Boateng's approximately $63,000 for the lump sum component of pension expense is far too low is as shown by actual, recently paid lump sums. The average of the lump sum payments over the last four years is approximately $366,000, derived from lump sum payments for 2012 through 2015 of approximately $81,000, $34,000, $410,000 and $940,000, respectively. These payments show that the amount varies significantly, making normalization appropriate.

Q. Please explain the adjustment made by OPC witness Hyneman.

A. Mr. Hyneman made several adjustments to develop his level of non-qualified pension costs, all but one of which is addressed in the rebuttal testimony of Company witness Marla Langenhorst. I will address the other adjustment here.

Q. What is the issue raised by the adjustment that you will address here?

A. Mr. Hyneman did not capitalize any non-qualified pension costs, even though a portion of these costs are capitalized on the books of the Company. The capitalization of a portion of the non-qualified pension costs is appropriate in order to capitalize that part of the non-qualified pension costs that should be allocated to capital projects. As noted, a portion of these costs are capitalized on our books, as required by the FERC Uniform System of Accounts, which defines overhead construction costs as including engineering, supervision, general office salaries and expenses, insurance, and *pensions*, among other costs. Because Mr. Hyneman does not explain why he is not capitalizing a portion of this expense, I reserve the right to address this issue further in surrebuttal testimony.

X. INCENTIVE COMPENSATION

Q. What adjustments did Staff make with regard to incentive compensation?

A. Staff made adjustments to disallow four distinct types of incentive compensation, as follows: 1) for the Ameren Marketing, Trading & Commodities ("AMTC") group; 2) to disallow incentives related to lobbying goals; 3) to disallow incentive compensation for severed employees; and 4) to adjust incentive compensation to match the actual incentive compensation payouts.

Q. Do you agree with some of these adjustments?

A. Yes, I agree with all of the adjustments except the disallowance of the AMTC incentive compensation.

Q. Why do you disagree with that disallowance?

A. Although the AMTC incentive program has been discontinued prospectively, payments will be made under this plan in 2017 for activities occurring in 2016. Since there will not be payments made from the plan after 2017, the Company proposes to amortize these amounts over two years, which is the same amortization period recommended by the Staff for rate case expense and other items.

XI. DUES AND DONATIONS

Q. Staff Witness Kunst has proposed a disallowance of certain dues and donations, including Edison Electric Institute ("EEI") dues. Putting aside the EEI dues, what disallowances does Mr. Kunst propose?

A. Staff proposed to disallow approximately $210,000 in membership dues related to various environmental groups that provide assistance to the Company in its many environmental compliance efforts.

Q. What is the rationale for Mr. Kunst disallowing these dues and/or donations?

A. Mr. Kunst states on page 107, lines 5-7, of the Staff Report that "Staff disallowed these dues and donations because they were not necessary for the provision of safe and adequate service, and thus provide no direct benefits to ratepayers."

Q. Do you disagree with Staff witness Kunst's recommended disallowances of memberships in these environmental groups?

A. Yes. Mr. Kunst's workpapers indicate that approximately $210,000 for membership in these groups is disallowed because he claims that the primary objective of these groups is lobbying and that they do not provide a "direct benefit" to customers. The groups for which Mr. Kunst proposes disallowances include the Utility Water Act Group, the Utility Air Regulatory Group, the United Solid Waste Activities Group, the Midwest Ozone Group, the Regulatory Environmental Group for Missouri and the Illinois Environmental Regulatory Group. Since Ameren Missouri customers benefit from membership in these groups, I do not agree with these disallowances. Moreover, the charters of at least two of these groups expressly prohibit them from lobbying and one of the other groups expressly indicates that the dues it charges contain no lobbying-related charges. There are small portions of the dues for two of the other groups that reflect the lobbying portion of their activities, and we agree that those amounts should be recorded below-the-line.

Q. How do Ameren Missouri customers benefit from Ameren Missouri's membership in these environmental groups?

A. Below is a brief description of the activities of each of these groups and the benefits the Company's customers receive.

Utility Water Act Group ("UWAG")

The UWAG is a voluntary, ad hoc, non-profit, unincorporated group of individual electric power generation and/or transmission and distribution companies and three national industry trade associations – EEI, the National Rural Electric Cooperative Association ("NRECA"), and the American Public Power Association ("APPA"). UWAG was formed to obtain legal advice and representation on regulatory matters arising under the Clean Water Act ("CWA") and other relevant statutes addressing water-related issues. UWAG advocates on behalf of its members on regulatory matters under the CWA. By tracking all stages of key federal rulemakings and litigation and certain state rulemakings, UWAG provides members with timely information they can then use in permitting and interpretation of regulations as well as in working with their states to implement major United States Environmental Protection Agency ("EPA") initiatives under the CWA. UWAG also responds to individual members' questions about the scope and content of CWA rulemakings and litigation. UWAG provides additional support to members by providing technical and legal expertise in a cost-effective manner.

UWAG's overall goal is to advance cost-effective and flexible CWA policies that protect human health and the environment while assuring reliable electric power supplies. It does so by advocating on legal issues and related policy, scientific, and technical matters arising from water-related regulations, policies, and guidance affecting electricity generation, transmission, and distribution facilities. UWAG coordinates closely with EEI, APPA, NRECA, the Electric Power Research Institute ("EPRI"), and other utility and industry groups in areas of common interest.

UWAG informs, evaluates, and represents the interests of the membership in matters primarily relating to rulemakings and policies of the EPA and the United States Army Corps of Engineers ("USACE") under the CWA. Advocacy before other federal agencies or state authorities also is considered at the request of members or as they relate to the CWA. UWAG advocates on behalf of its membership by fostering constructive working relationships with agencies, industry trade associations, and other advocacy groups. Specific activities to support this purpose include: providing legal and related factual, technical, and policy comments on proposed regulations and emerging issues; providing member education on emerging issues through workshops and conference calls, as needed; engaging in litigation over rulemakings or decisions by EPA, USACE, or other federal or state regulators when deemed critical to the interests of UWAG members; and providing members with up-to-date information about CWA compliance.

Key areas of focus include: CWA section 316(a) and 316(b) cooling water system regulations and state implementation; "waters of the US" interpretation and rulemaking; EPA, USACE and state permitting programs; storm water and non-point source water management and permitting; water quality standards including steam electric effluent guideline limitations; and water quality analytical methods.

The UWAG group *prohibits any legislative lobbying activities* as stated in its charter.

It is obvious that the Company must plan for and comply with the many water-related regulations that impact its business, and it is equally obvious that the advice, advocacy and services UWAG provides benefits the Company and, consequently, its customers. The dues paid to UWAG during the test year of $115,000 should be included in the Company's revenue requirement.

Utility Air Regulatory Group ("UARG")

UARG participates in – and informs members about – federal and multi-state air quality rulemakings and related litigation. UARG's efforts have been instrumental in convincing the EPA to adopt rules that are based on the best available science and are not more stringent than needed to protect public health and welfare.

By tracking all stages of key federal and multi-state air quality rulemakings and litigation, UARG provides members with timely information they can then use in permitting and interpretation of regulations as well as in working with their states to implement major EPA initiatives under the Clean Air Act ("CAA"). UARG also responds to individual members' questions about the scope and content of CAA rulemakings and litigation. UARG provides additional support to members by providing technical and legal expertise in a cost-effective manner.

The UARG areas of focus include: (a) implementing the CAA's Interstate Pollution Transport Provisions including the Cross State Air Pollution Rule ("CASPR"); (b) implementing the National Ambient Air Quality Standards ("NAAQS") – UARG is involved NAAQS implementation proceedings, including fine particulate (PM2.5), ozone, nitrogen oxides, and sulfur dioxide. UARG supports members that are working with their states to develop reasonable implementation approaches for any NAAQS issued by the EPA; (c) regulating Hazardous Air Pollutant Emissions from Coal-Fired Plants - UARG participates in all phases of EPA proceedings to evaluate controls for hazardous air pollutant ("HAP") emissions from coal- and oil-fired electric generating units ("EGUs") that include the Mercury and Air Toxics Standards ("MATS") regulation. To try to ensure any adopted rules are based on the best available science, UARG files detailed comments on regulatory proposals and meets with EPA policymakers and others in the Administration to discuss issues of importance to the industry; (d) monitoring and reporting of emissions – UARG tracks, comments on, and updates members on emission monitoring and compliance issues affecting EGUs. Unreasonable or poorly written monitoring, reporting, and other compliance requirements can impose unnecessary costs and burdens and make associated emission standards harder to meet. UARG also works with members and EPA to improve EPA's monitoring and reporting rules and policies that EGU owners must use to show compliance under rules such as the Acid Rain Program, the CSAPR, the MATS rule and the Mandatory Greenhouse Gas ("GHG") Reporting Rule; (e) work to ensure that EPA's HAP rules, New Source Performance Standards ("NSPS"), and other monitoring rules are written and implemented in a reasonable and cost effective manner and regarding issues relating to Title V Permitting – UARG advises members on interpretation and implementation of the CAA Title V operating permit program as well as changes in regulations and EPA policies.

The UARG group also *prohibits any legislative lobbying activities* as stated in its charter.

As is the case with water regulations, it is obvious that the Company must plan for and comply with the many air-related regulations that impact its business, and it is equally obvious that the advice, advocacy and services UARG provides benefits the Company and, consequently, its customers.

The dues paid to URAG during the test year of $12,000 should be included in the Company's revenue requirement.

Midwest Ozone Group ("MOG")

The Midwest Ozone Group is an affiliation of companies, trade organizations, and associations which have drawn upon their collective resources to advance the objective of seeking solutions to the development of a legally and technically sound national ambient air quality program. It is the primary goal of MOG to work with policymakers in evaluating air quality policies by encouraging the use of sound science. As members of the business community, the MOG membership also has a keen interest in assuring that policymakers are appropriately assessing the data and information required to accurately evaluate their emission control strategies.

Of specific value to Ameren Missouri and its customers are the cost-effective resources that are available as a result of its participation in the group. Ameren Missouri has access to both legal and technical resources with specific expertise in air quality that would be much more expensive if Ameren Missouri acquired the resources independently. The resources made available by membership in MOG are utilized as an extension of the Company's staff. Specific areas of support include monitoring of federal air quality regulations that will impact Missouri, development of scientific data critical to influencing cost-effective compliance strategies, assistance to interpret regulations and fully understand compliance obligations. Air quality regulations include the Cross State Air Pollutant Rule, Regional Haze rule and National Ambient Air Quality Standards.

The dues paid to MOG during the test year of $69,000 should be included in the Company's revenue requirement.

Regulatory Environmental Group for Missouri ("REGFORM")

The REGFORM is a Missouri non-profit corporation organized to promote and advance the interests of its members in matters involving environmental regulations. REGFORM members are regulated facilities engaged in industry, commerce, manufacturing, mining, research, higher education, energy, agribusiness, and transportation.

REGFORM's mission is to ensure the development and negotiation of environmental regulations, laws, and policies are grounded on sound science and designed to produce demonstrated environmental improvements commensurate with the cost of compliance. REGFORM provides members with an increased opportunity to provide critical, facility-specific input into the rulemaking process; access to timely information including meeting summaries of various environmental commission meetings, Missouri Department of Natural Resources ("MDNR") programs advisory forums and stakeholder meetings; quarterly membership meetings, as well as seminars and training opportunities in specific environmental areas such as air quality, water quality and waste management.

Of specific value to Ameren Missouri and its customers are the cost-effective resources that are available as a result of the Company's participation in REGFORM. This gives the Company access to technical resources with specific expertise in air quality, water quality and waste management that would be much more expensive if Ameren Missouri acquired the resources independently. The resources made available by membership in REGFORM are utilized as an extension of the Company's staff. REGFORM provides Ameren Missouri with timely information that its staff can then use to manage compliance with environmental regulations as well as facilitating dialogue with the state agencies and stakeholders to implement environmental initiatives in a timely, environmentally responsible and cost effective manner.

The REGFORM 2016 dues invoice states that their program for 2016 *does not involve lobbying.*

The dues paid to REGFORM during the test year of $7,000 should be included in the Company's revenue requirement.

Illinois Environmental Regulatory Group ("IERG")

The primary objective of the Illinois Environmental Regulatory Group is the development and negotiation of environmental regulations in Illinois. IERG is committed to the principle that environmental regulation and policy be grounded on sound science and produce demonstrated environmental improvements commensurate with the costs involved for compliance. IERG is involved with an ever expanding universe of state agencies and departments, and on behalf of IERG members, staff is involved early in the effort to provide sound and technically defensible input throughout the regulatory or policy process.

IERG's mission is to ensure the development and negotiation of environmental regulations, laws, and policies are grounded on sound science and designed to produce demonstrated environmental improvements commensurate with the cost of compliance. IERG provides members with an increased opportunity to provide critical, facility-specific input into the rulemaking process; access to timely information, including meeting summaries of various state regulatory environmental meetings, IEPA and IDNR programs, forums and stakeholder meetings; quarterly membership meetings as well as seminars and training opportunities in specific environmental areas such as air quality, water quality and waste management.

Of specific value to Ameren Missouri and its customers are the cost effective resources that are available as a result of the Company's participation in IERG. This gives the Company access to technical resources with specific expertise in air quality, water quality and waste management that would be much more expensive if Ameren acquired the resources independently. The resources made available by membership in

IERG are utilized as an extension of the Company's staff and provide direct benefits to cost effective operation of Ameren Missouri generating assets in Illinois. IERG provides Ameren Missouri with timely information that its staff can then use to manage compliance with environmental regulations as well as facilitating dialogue with the state agencies and stakeholders to implement environmental initiatives in a timely, environmentally responsible and cost effective manner.

Ameren Missouri only pays a portion of the dues to IERG. IERG states in their annual dues invoice that their total annual lobbying expenses are less than 1% of their revenue. We agree that it is appropriate to move 1% of Ameren Missouri's share of the dues ($51) below the line and to exclude that portion from the revenue requirement.

The dues paid to IERG during the test year of $5,000, less $51, should be included in the Company's revenue requirement.[8]

XII. EEI DUES

Q. Staff witness Kunst recommended disallowance of the EEI dues that Ameren Missouri recorded in the test year. On what does Mr. Kunst base his disallowance?

A. First, Mr. Kunst notes that some (unidentified) part of EEI activity necessarily includes representing the electric utility industry in legislative and regulatory matters, the costs of which Staff traditionally proposes to disallow. Next, he cites two prior Commission rate orders where EEI membership dues were excluded (Case Nos. ER-83-49 and EO-85-185). Since those cases were decided 25 years ago, Staff has taken the position that such dues should be excluded unless the utility could quantify the

[8] The Company would also agree to exclude a $250 payment for its sponsorship of an IERG reception.

benefits of membership. Mr. Kunst's disallowance implies he did not believe that there were any benefits gained from the Company's EEI membership.

Q. Is Mr. Kunst's disallowance of the EEI dues recorded in the Company's test year justifiable?

A. No, it is not justifiable. Ameren Missouri paid approximately $510,000 of the EEI dues in the test year. As for lobbying, Mr. Kunst failed to account for the fact that Ameren Missouri *already placed below-the-line* approximately $85,000 worth of EEI dues that related to EEI's lobbying efforts. That portion of the dues was never included by the Company in its revenue requirement. Since no part of the approximately $510,000 of EEI dues recorded in the test year by the Company relates to lobbying costs, no part of that amount should be disallowed based on the claim that EEI lobbies.

As to non-lobbying membership costs, one of the cases cited by Mr. Kunst explicitly states non-lobbying costs may be recoverable, depending upon the benefits that accrue to ratepayers and shareholders through the Company's EEI membership.[9] Mr. Kunst's blanket disallowance is not justified because he failed to take into consideration whether the Company's EEI membership confers such benefits.

Q. Do Ameren Missouri's customers benefit from Ameren Missouri's membership in EEI?

A. Yes, they do. By pooling resources and information with other EEI members, the Company can more efficiently and effectively address issues and challenges it has in common with other members of the utility industry than if the Company addressed those issues on its own.

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[9] In Case No. ER-83-49, ***In the Matter of Kansas City Power & Light Co***., 26 Mo. P.S.C. (N.S.) 233 (Aug. 30, 1983).

Q. Can you provide some examples?

A. Yes.

Information Technology:

- The EEI Technology Advisory Committee serves to keep members abreast of emerging strategic information technology and business issues that impact the energy industry. Participation allows Ameren Missouri to receive updates on federal and state actions as they happen, allowing us to take action or begin planning on issues relating to topics that impact our ability to provide service efficiently (e.g., cyber security, information security, including security of customer information).

- Attending committee meetings provides opportunities to meet with other industry professionals to:

  - Discuss similar issues and work to develop common solutions;

  - Learn from the experience of other utilities;

  - Benefit from expert speakers who discuss the future of legislation/regulations, which allows us to remain proactive in our compliance efforts by planning early and before requirements are mandatory;

  - Share resources to gain insight on pending governmental policies and regulations more efficiently and at a lower cost than if those resources had to be duplicated;

  - Collaborate on evolving industry issues relative to the North American Electric Reliability Council ("NERC") reliability standards, infrastructure protection requirements, smart grid deployment, cyber security, and emergency response, among others;

  - Participate in the CIO Executive Advisory Committee and the Electric Sector Coordinating Council ("ESCC") Advisory Committee which provides information sharing across the industry, particularly related to cyber security and telecommunications challenges. The cross-industry collaboration is extremely helpful and instrumental in improving cyber defense and response capabilities across investor-owned utilities, municipals and coops;

  - The Cyber Security Working Group discusses emerging cyber security issues. EEI is currently working with member companies and various Congressional committees in crafting legislation to address cyberattacks against the electric power grid and to identify vulnerabilities that could be exploited;

- We continually get updates from the NERC CIP drafting teams as they develop the new regulations;

- EEI began facilitating the formation of the cyber mutual assistance program, initiated by the ESCC. This program is intended to be similar to the mutual assistance program for storm recovery. Ameren Missouri is actively engaged in establishing the framework and procedures for this program.

All of the above helps Ameren Missouri to more efficiently and effectively use information technology as part of providing service to customers, which helps us operate with lower costs than we could absent these benefits.

Early notice of federal/state regulations also helps us be more proactive in response, and avoid penalties for noncompliance.

Controller's Function:

- EEI provides value to the Controller's function in many ways, including providing educational forums that allow for the maintenance of utility-specific skills for accounting staff. Accurate financial statements allow the Commission to properly set rates and are necessary to procure the capital necessary to invest and operate Ameren Missouri. EEI members receive discounts at their sponsored forums.

- Committees that allow for the sharing of questions and information related to various accounting topics, which assure we are properly thinking about and accounting for various utility-specific issues. Accurate financial statements allow the Commission to properly set rates and are necessary to procure the capital necessary to invest and operate Ameren Missouri. Use of EEI reduces Company staff that may be necessary to respond.

- Coordinate responses with other leaders in the industry to accounting standard setters for requested comments on potential new accounting standards. Use of EEI reduces Company staff that would be necessary to respond and allows for responses that represent the industry rather than an individual company.

- Daily Energy News service assures that staff is up-to-date on industry issues. Use of EEI reduces Company staff that may be necessary to stay abreast of emerging developments.

- Coordinate forums for interaction with investors that provide capital to utilities. These forums are an efficient method of meeting investors and potential investors versus multiple trips and other targeting methods.

- EEI regularly has meetings with the Financial Accounting Standards Board (“FASB”) and the Securities and Exchange Commission (“SEC”) to discuss industry accounting issues, helping these bodies better understand the utility industry’s issues and help the utility industry understand their viewpoints resulting in higher quality financial reporting. Examples include:

    - <u>Derivatives: Application of the Normal Purchases and Normal Sales Exception to Certain Electricity Contracts within Nodal Energy Markets</u> - As a result of EEI extensively discussing this issue with the FASB's Emerging Issues Task Force, in August 2015, the FASB issued guidance clarifying the application of the normal purchases and normal sales (“NPNS”) exception to certain electricity contracts. Many entities would prefer to apply the NPNS exception so that the assets/ liabilities do not need to be marked to fair value every period (which could result in significant income statement volatility). EEI's efforts resulted in the FASB issuing amendments to its guidance that allows entities to use the NPNS exception for these contracts, and avoid mark-to-market accounting.

    - <u>Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost</u> - The FASB has proposed new guidance that would require an entity to present pension service cost in the same line item as other employee compensation costs, and present the remaining components of pension net benefit cost in a separate line item outside operating items. In addition, the proposed guidance would limit the components of net benefit cost eligible to be capitalized to service cost. These proposed amendments could result in significant implementation costs for the utility industry (and ultimately customers), and possible FERC to Generally Accepted Accounting Principles (“GAAP”) reporting differences. EEI has submitted a comment letter response to the FASB that states we believe that the net benefit cost should continue to be recognized in operating expenses as compensation costs, and that with respect to the electric and gas utility industry, the proposed presentation would be inconsistent with the economic effects of cost-of-service rate regulation and regulatory accounting principles. Our ability to participate in EEI's comment letter process and respond holistically as an industry helps our comment letter to be strongly considered by the FASB in its standard setting process.

    - <u>Revenue Recognition: Revenue from Contracts with Customers</u> - The FASB issued new guidance that changes the criteria for recognizing revenue from a contract with a customer, and replaces most industry-specific guidance with a new five-step model. In order to provide implementation guidance, the FASB is working with The American Institute of Certified Public Accountants ("AICPA") to develop a guide for several industries. EEI has a task force that is working directly with the AICPA task force to draft the utility chapter in this guide, and to provide feedback to the FASB on amendments needed to its revenue recognition guidance.

- EEI has been an effective forum to influence tax legislation and administrative rule-making to minimize tax burdens on customers, especially in the area of capital recovery through depreciation and repairs.

Energy Efficiency:

Ameren Missouri utilizes the services of EEI's Institute for Electric Innovation ("IEI") on a regular basis. IEI was created in 2008 to focus on accelerating the electric power industry's energy efficiency efforts and increasing the industry's associated investments. IEI works with the electric utility industry, regulators, policymakers and other stakeholders to advance customer-side solutions for energy management, including energy efficiency, demand response, distributed power, and customer focused technologies. The IEI resources were invaluable to Ameren Missouri in creating its Missouri Energy Efficiency Investment Act ("MEEIA") filings. IEI has resources to provide detail on the demand-side management ("DSM") cost recovery regulatory frameworks for every state that the Ameren Missouri team reviewed and utilized in the development of its proposed Demand-Side Investment Mechanism.

Environmental:

EEI provides updates on federal and state actions related to environmental issues as they develop. This information helps us develop compliance strategies and take action to prepare for environmental regulations and issues that impact our industry in a proactive manner before requirements are mandatory. This enhances our ability to provide service efficiently and minimize cost impact to our customers. EEI provides dedicated environmental staff that is available to support members as well as coordinate the activities of committees on specific environmental topics such as air quality, water quality, land and natural resource management and climate policy. The environmental committees provide information sharing across the industry particularly related to environmental issues and challenges.

Attending the committee meetings allows us to meet with others from the industry which helps us to:

- Discuss similar issues and work to develop common solutions.
- Learn from the experience of other utilities.
- Benefit from expert speakers who discuss the future of legislation/regulations.
- Share resources to gain insight on pending governmental policies and regulations more efficiently and at a lower cost than if those resources had to be duplicated.
- Collaborate on current environmental issues affecting the industry, such as air quality regulations; water quality regulations; coal combustion residuals; climate and energy policy

Specific examples include the following:

- EEI initiated an effort to urge EPA to regulate coal ash and other coal combustion byproducts as non-hazardous waste and achieve a balance between ensuring environmental protection and cost impacts on customers. EEI is continuing to work in partnership with the Utility Solid Waste Activities Group for favorable resolution of the coal ash issue.
- Likewise, EEI initiated a campaign to avoid a one-size-fits-all cooling tower requirement. If a one-size-fits-all cooling tower requirement arose, it would result in higher capital investment and operating expenses for Ameren Missouri and ultimately its customers. The final rule issued by the EPA has provided for a state to use discretion in setting compliance requirements, largely as a result of the industry position developed through EEI.
- EEI developed an industry response to the EPA's Clean Power Plan rulemaking, which recently finalized carbon regulations for existing coal and gas fired power plants. As a result, the final Section 111(d) guidelines

> include a phase-in of emission reductions over the entire length of the program; a reliability planning requirement and reliability safety valve; a two-year delay in implementation; and the ability for states to shape their own glide paths in certain circumstances. In addition, the final Section 111(b) standards include reasonable and achievable standards for new natural gas units and modified/reconstructed coal and natural gas-based units, and a less stringent standard for new coal-based units. Implementation of this rule will have significant cost and Integrated Resource Plan ("IRP") ramifications for Ameren Missouri.

Other:

EEI continues to support distributed generation and net energy metering policies that would end cost shifting and ensure all electricity customers who use the grid share equitably in the costs of maintaining it.

EEI is leading the industry's efforts on physical security, helping to develop standards for protecting critical assets from attack.

EEI sponsors the T&D Distribution, Transmission and Metering Conference held twice annually. This conference allows utility members to share experiences and gain insights into the latest technology.

RestorePower is an EEI workgroup that promotes continuous improvement of mutual assistance, emergency preparedness and emergency response among utilities and serves as a resource for participants of the Regional Mutual Assistance Groups. The EEI also sponsors a Mutual Assistance Conference twice a year where utilities meet to discuss issues, concerns, experiences and processes required during emergency response. The EEI has taken a supporting role in the National Event Response ("NER") that has been in development since Super Storm Sandy.

EEI is an active member of the Electricity Subsector Coordinating Council. The ESCC serves as the principal liaison between the federal government and the electric power sector coordinating efforts to prepare for, and respond to, national-level disasters or threats to critical infrastructure.

EEI also continued to advocate for increased LIHEAP funding.

EEI led a multi-faceted aggressive campaign to retain lower dividend tax rates. The lower dividend tax rates benefit both Ameren Missouri and its customers who own common stock. EEI is still working to ensure a standard on rate-regulated accounting is maintained in the event that International Financial Reporting Standards ("IFRS") is required.

EEI worked closely with NERC to streamline the process for addressing minor reliability violations that do not pose a threat to bulk power reliability, which will free up Company resources to focus on more important reliability matters.

EEI has developed an online compliance training module that Ameren Missouri uses to help ensure compliance with anti-market manipulation rules.

EEI's Rail Transport workgroup coordinates the utilities' responses to the issues related to railroad transportation, including rail transportation capacity, competition, reliability, rate reasonableness and grievance resolution.

EEI worked with the Occupational Safety and Health Administration ("OSHA") on the final safety standard amendments governing the industry's operations, maintenance, and construction activities. EEI will continue to work with OSHA, member companies and the International Brotherhood of Electric Workers ("IBEW") to limit adverse impacts on the industry and to obtain clarification in key areas.

EEI Information Resources Center ("IRC") is a centralized service that EEI members use for help with finding information or connecting with EEI subject specialists. The IRC provides readily available information and/or makes referrals to additional sources or contacts to support EEI members' research needs.

Q. Is it possible to quantify a dollar benefit for these many beneficial activities engaged in by, and support provided by, EEI?

A. Obviously it is not.

Q. In sum, why should the Commission reflect approximately $510,000 of EEI dues in the Company's revenue requirement?

A. The Commission should allow recovery of the non-lobbying portion of the Company's EEI dues because, while it is not possible to quantify a dollar benefit of any one of the above items, based on the scope of EEI's activities and the support EEI provides, common sense dictates the conclusion that EEI membership provides very substantial benefits to Ameren Missouri's customers, and that those benefits easily exceed the EEI membership fees requested in this case.

XIII. VEGETATION MANAGEMENT AND INFRASTRUCTURE INSPECTION ANNUAL EXPENSE

Q. Staff witness Boateng states that he is adjusting the test year expense level of vegetation management and infrastructure inspection costs to a normalized level based on a three-year average. Are the Staff's Accounting Schedules consistent with the approach described by Mr. Boateng?

A. No. Instead, Staff witness Boateng used the updated annual level of expense based on the 12 months ended September 30, 2016.

Q. Do you agree with the amounts included in the Staff's Accounting Schedules?

A. Yes, I do, as long as those amounts are trued-up. This is an expense that has been steadily decreasing over the last few years so it is appropriate to use the 12 months ending December 31, 2016, the end of the true-up period.

XIV. INTEREST ON CUSTOMER DEPOSITS

Q. The Company is required to accrue interest on the deposits held for its customers. What interest rate is the customer receiving on these deposits?

A. As of January 1, 2017, the rate of interest to be paid to customers will be increased to 4.5% on both electric and gas deposits from the previous rate of 4.25%. This rate should be updated in the true-up and applied to the trued-up customer deposit values.

XV. CYBERSECURITY COSTS

Q. Staff witness Kunst made an adjustment to reduce cybersecurity expenses in the Staff Report. Please explain his adjustment.

A. Mr. Kunst made an adjustment to use the 12-month period ending October 31, 2016, instead of using the test year investment level. This adjustment was a decrease from the test year level of costs.

Q. Do you agree with the adjustment made by Mr. Kunst?

A. I do not. Costs should be trued up only when the trued-up costs are more representative of the expected level of costs. In this case, the true-up period is not representative because, as Mr. Kunst admits, these costs are increasing. Staff Report, page 133, lines 14-15 (“there has been an upward trend in cybersecurity and critical infrastructure protection costs”). That upward trend is consistent with the Company's expectation, rendering Staff's adjustment inappropriate.

Q. Does this conclude your rebuttal 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 Annual Revenues for Electric Service.	)) File No. ER-2016-)

AFFIDAVIT OF LAURA M. MOORE

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

Laura M. Moore, being first duly sworn on her oath, states:

1. My name is Laura M. Moore. I am employed by Union Electric Company d/b/a Ameren Missouri as Director Regulatory Accounting.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Union Electric Company, d/b/a Ameren Missouri, consisting of 46 pages and ~~Schedule(s)~~ ____________________, 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.

Laura M Moore
Laura M. Moore

Subscribed and sworn to before me this 17th day of January, 2017.

Geri A. Best
Notary Public

My commission expires: ______________