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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2019-0335

REBUTTAL TESTIMONY

OF

LAURA MOORE

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
January 2020

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REBUTTAL TESTIMONY

OF

LAURA MOORE

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I. INTRODUCTION

Q. Please state your name and business address.

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

Q. Are you the same Laura Moore that submitted 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 revenue requirement issues contained in the Staff Revenue Requirement Cost of Service Report ("Staff Report"), certain aspects of the testimony of Office of the Public Counsel ("OPC") witness Bob Schallenberg, and the testimony of Missouri Industrial Energy Consumers ("MIEC") witness Greg Meyer. Ameren Missouri's Senior Manager, Regulatory Accounting Mitch Lansford will also address several other revenue requirement issues arising from the Staff Report.

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) netting of regulatory assets and liabilities (Staff witness John P. Cassidy); (2) facilities and donations (Staff witness Jason Kunst); (3) Ameren Services

Company ("AMS") costs (Staff witness Keith Majors and OPC witness Robert E. Schallenberg); (4) miscellaneous revenues (Staff witness Kunst); (5) MISO Day 2 and MISO transmission revenues and expenses (Staff witness Lisa M. Ferguson); (6) FERC Return on Equity ("ROE") complaint cases (Staff witness Ferguson and MIEC witness Greg R. Meyer); (7) fuel additives (Staff witness Ferguson); (8) incentive compensation (Staff witness Matthew R. Young); (9) dues (Staff witness Paul K. Amenthor); (10) insurance expense (Staff witness Christopher D. Caldwell); (11) uncollectible expense (Staff witness Kunst); (12) Callaway refueling adjustment (Staff witness Amenthor); (13) Nuclear Regulatory Commission ("NRC") fees (Staff witness Caldwell); (14) rents and leases (Staff witness Kunst); (15) PSC assessment (Staff witness Jane C. Dhority); (16) miscellaneous expense (Staff witness Amenthor); (17) solar rebates (Staff witness Cassidy); (18) vegetation management and infrastructure inspection costs (Staff witness Kunst); (19) tax cuts and jobs act ("TCJA") stub period amortization (Staff witness Ferguson); (20) non-labor power plant maintenance expense (Staff witness Amenthor); (21) software allocations (Staff witness Kunst); (22) cloud computing (Staff witness Karen Lyons); (23) electric costs recorded to gas (Staff witness Caldwell); (24) relocation expense (Amenthor); (25) MEEIA training and customer segmentation (Staff witness Amenthor); (26) legal expense (Staff witness Caldwell): (27) injuries and damages (Staff witness Caldwell); (28) gross receipts tax settlement (Staff witness Kunst and MIEC witness Meyer); (29) capitalized O&M depreciation expense (Staff witness Dhority); (30) fuel adjustment clause ("FAC") (Staff witness Lisa Wildhaber); (31) cost savings measurement reporting (Staff witness Kunst); (32) KPMG Study (Staff witness Kunst); and (33) other revenue requirement issues (OPC witness Schallenberg).

Mr. Lansford's rebuttal testimony addresses the following issues from the Staff Report: (1) payroll and payroll taxes (Staff witness Amenthor); (2) pension and OPEB benefits (Staff witness Antonija Nieto); (3) non-qualified pension expense (Staff witness Nieto); (4) board of directors expense (Staff witness Kunst); (5) software maintenance agreements (Staff witness Kunst); (6) cybersecurity expense (Staff witness Kunst); and (7) electric vehicle employee incentive (Staff witness Lyons).

II. NETTING OF REGULATORY ASSETS AND LIABILITIES

Q. Why is there an issue regarding netting regulatory assets and liabilities?

A. As discussed below, the Company's direct case reflects a netting of certain regulatory assets and liabilities that the Staff contends should not be netted. The netting issue affects both rate base and amortization expense.

Q. Please explain the netting of regulatory assets and liabilities proposed in your direct testimony.

A. In the Unanimous Stipulation and Agreement that was approved by the Commission in the last Ameren Missouri electric case, File No. ER-2016-0179 (and with which the parties were ordered to comply),[1] it was agreed as follows for certain regulatory assets and liabilities:

> The Signatories agree that in the Company's next general rate proceeding, the balance of each amortization relating to regulatory assets or liabilities that remains, after full recovery by Ameren Missouri (regulatory asset) or full credit to Ameren Missouri's customers (regulatory liability), shall be applied as offsets to other amortizations which do not expire before Ameren Missouri's new rates from that general rate proceeding take effect. If no other amortization expires before Ameren Missouri's new rates from that general rate proceeding take effect, the remaining unamortized balance of any regulatory asset or liability that did not expire before new rates from that general rate proceeding take effect shall be a new regulatory liability or asset that is amortized over an appropriate period. Any over- or under-recovery of a

[1] Referred to hereinafter as the "0179 Stipulation".

> regulatory asset/liability will be treated in the same manner as the underlying regulatory asset/liability, meaning that if the underlying regulatory asset/liability was included in rate base the over-/under-recovery shall also be included in rate base, but if the underlying regulatory asset/liability was not included in rate base neither shall the over-/under recovery.

Based on the language above, the Company reviewed all of its existing regulatory assets and liabilities. For any regulatory assets or liabilities that were fully amortized by the end of the true-up period, that will be fully amortized before the effective date of new rates in this case, or that will be fully amortized in less than one year after the effective date of new rates, the amounts were netted together for future recovery or refund. The regulatory assets and liabilities that Ameren Missouri is proposing to net are split into three categories, as follows: (i) those included in rate base, (ii) those not included in rate base, and (iii) pension and Other Post-Employment Benefits ("OPEB"). The pension and OPEB regulatory assets and liabilities remained separate at the request of Staff.

The table below summarizes the regulatory assets/liabilities that the Company proposed to net that would be included in rate base, and Staff's position on each one:

Table 1

Amortizations Included in Netting - Rate Base

Regulatory Asset/Liability	Balance as of 12/31/19	Month Fully Amortized	Staff Position
Energy Efficiency ER-2010-0036	172,007	Not currently amortizing	Net
Energy Efficiency ER-2011-0028	566,435	March 2021	Don’t Net
Energy Efficiency ER-2012-0166	(2,625,065)	June 2019	Net
Energy Efficiency ER-2014-0258	835,907	May 2021	Don't Net
FIN 48 ER-2014-0258	513,650	July 2019	Net
FIN 48 ER-2016-0179	570,303	March 2020	Don’t Net

Q. How does Staff's proposal differ from the Company's proposal?

A. Staff has excluded all of the regulatory asset/liabilities that were not fully amortized at the end of the true-up period.[2] Staff contends that these amounts are not eligible for netting.

Q. Do you agree with Staff's interpretation of the language in the 0179 Stipulation?

A. No, I do not. The above-quoted language from the 0179 Stipulation provides that these over/under collected amounts "shall be applied as offsets to other amortizations which do not expire before Ameren Missouri's new rates from that general rate proceeding take effect." That reference can only refer to regulatory assets/liabilities that will not be fully amortized when rates from this case take effect. What the Company is proposing is to net all regulatory assets/liabilities that will expire within a year of the effective date of rates in this case, not all of the regulatory assets/liabilities on its books. The 0179 Stipulation allows this and it makes sense because as to those regulatory assets/liabilities that expire within a year, we can achieve significant simplification because there is only a small balance left to amortize. If we do not do this for regulatory assets/liabilities that expire (will be fully amortized) shortly after the effective date of new rates, the amortization periods will have to be rebased again. This causes the balances of the regulatory assets/liabilities to get much smaller. Unless future rate cases are timed perfectly with amortization periods (which is highly unlikely), these amounts may needlessly continue to be rebased multiple times.

[2] Staff Report, pp 34-36

Q. Please summarize the Company's position on rate base treatment for the amortizations.

A. There are three regulatory assets/liabilities listed in the above table about which there is a dispute. As to one of them (the FIN 48 item from ER-2016-0179 that will be fully amortized in March 2020), the Company will agree to Staff's position. However, the other two should still be netted for the reasons given above, and the Company's rate base should be adjusted to reflect the net amount.

Q. Please also discuss the amortization expense issue that is related to this netting proposal.

A. Staff has proposed to net fourteen amortization balances to arrive at the amount to be amortized.[3]

Q. Does the Company agree with the netting that Staff has proposed?

A. Not completely. The Company proposed a netting of amortizations in its direct case for purposes of calculating the amount to be amortized that is similar to the rate base issue just discussed. There are two amortizations that the Company has included in the netting that Staff has excluded related to the pre-MEEIA energy efficiency programs. These are the same two regulatory assets that were discussed above as Staff has also excluded them from the netting for rate base treatment.

Q. Please explain how Staff proposes to handle the two pre-MEEIA energy efficiency regulatory assets that they have excluded from netting.

A. Staff has proposed to continue to amortize these two regulatory assets as separate accounts. Both of these accounts would be fully amortized in March 2021 but

[3] Staff Report, pp. 106-109

Staff has proposed to reset the amortization by amortizing the remaining balance as of the effective date of new rates over three years.

Q. Is there a financial difference between Staff's and Company's positions?

A. No. The Company is proposing to amortize the netted accounts over three years so the financial impact is the same. The only difference is whether the amounts can be combined or not. The Company believes they can be netted together even though they are not yet fully amortized for the reasons discussed above.

Q. Do any other parties discuss the netting of amortizations issue in their direct testimony?

A. Yes. MIEC witness Meyer discusses this issue in his direct testimony. Mr. Meyer acknowledges that these two amortizations are not yet fully amortized but will be within a year of the effective date of rates.

Q. Is Mr. Meyer proposing an adjustment to these amortizations?

A. No. Mr. Meyer states that he is not opposed to including amortizations that will expire within one year of the operation of law date in the regulatory asset/liability balance.[4] He also expresses a concern that he would not be in agreement with netting any amounts that extend beyond that one year. The Company is in agreement that only regulatory assets/liabilities that would be fully amortized within that time frame should be netted.

[4] Direct Testimony of Greg R. Meyer, pp. 16-17.

Mr. Meyer also acknowledges there is a benefit to including these amounts in the netting, that is, that there would be no need to track these accounts in the next rate case if they are netted as proposed by the Company.

III. FACILITIES AND DONATIONS

Q. Please discuss the adjustments that Staff has proposed related to facilities and donations.

A. Staff's adjustments are broken into five parts: facility operating and maintenance ("O&M") costs; the Eldon donation; the Saint Louis University ("SLU") donation; the Eldon sale; and equipment donations.[5] The Eldon donation will discussed by Company witness Tom Byrne. I will discuss the other adjustments below.

Q. Please explain the adjustment Staff has proposed to remove operating and maintenance expense related to facilities that are no longer being used.

A. Staff has proposed to remove O&M costs related to facilities that are no longer being used as part of Ameren Missouri's facility action plan: the Eldon and Versailles facilities. The Company agrees with this adjustment.

Q. What did Staff propose for the SLU donation and the Eldon sale?

A. Staff mentions both of these transactions in its report but neither transaction was complete at the time the report was submitted so Staff indicated it may make an adjustment as part of its true-up audit. Mr. Kunst has described what Staff is contemplating for its true-up audit so I will go ahead and address these potential proposed adjustments now.

[5] Staff Report, pp. 38-41

For the SLU donation, Mr. Kunst states that the proceeds from the sale of the land (had it been sold) could have been used to offset the costs of the land for the replacement substation. For the Eldon sale, Mr. Kunst states that Staff may propose to make an adjustment to utilize a portion of any gain for the purchase of a facility that replaced the property that was donated.

Q. Do you agree with the potential adjustment for the SLU donation?

A. No. The SLU donation is a donation of *land* only. The Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USoA") is very clear on the appropriate accounting treatment for the sale of land. Electric Plant Instruction 7.E. states

> Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant when such property has been recorded in account 105, Electric Plant Held for Future Use, otherwise to account 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate, unless a reserve therefor has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

Given the clear terms of the USoA, if the Company had sold the land and received proceeds as Mr. Kunst has mentioned, any gain *or* loss on the sale would have been recorded in account 421.1 or 421.2, which are both *below*-the-line accounts. Therefore, the proceeds would not properly be available to offset other *above*-the-line expenditures. For example, a loss was recorded related to the land portion of the Eldon sale discussed further below and that loss was recorded below the line. Even if the property donated to SLU had been sold instead it would be improper to apply those proceeds to a different substation, the cost of which is recorded above-the-line.

Another important distinction related to land is how land is treated in customer rates when it is in service. For most assets, customers pay a return of the asset and a return on the asset. However, land does not depreciate so customer rates do not reflect any return of the investment in the lands. Since the utility does not receive a return of its capital invested in the land, proceeds received for the sale of land are retained by the Company. Consequently, it makes no sense to do as Mr. Kunst suggests, that is, it makes no sense to act as though the land was sold and to use assumed sales proceeds to offset another expense since had the land been sold, the Company would have retained the proceeds and they would not have been used to offset another above-the-line expense.

Q. Are there issues with a potential adjustment for the sale of the Eldon facility?

A. Yes, there are. The Company has properly split the proceeds received from the sale between the land and the structure. The proceeds for the sale of the structure were recorded as salvage in the accumulated depreciation reserve account. The amount of proceeds related to the land were used to calculate the loss on the sale of the land. This loss was recorded below-the-line in FERC account 421.2, just as the USoA prescribes. This information has been provided to Staff since the filing of its direct case. The Company has recorded the sale following the FERC USoA and no adjustment is necessary.

Q. Does the Company dispute the Staff's adjustment for the vehicle donations?

A. No.

IV. AMS COSTS

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

A. Yes. In the Staff Report, Staff witness Majors has proposed an adjustment to annualize the AMS costs allocated to Ameren Missouri during the 12 months ended December 31, 2018, using the updated AMS allocation factors for 2019.[6]

Q. Do you agree with the adjustment that Staff proposed?

A. Yes. The Company agrees with this adjustment. It makes sense to use the allocation factors that will be in place starting the day after the end of the true-up period.

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

A. Yes. OPC witness Schallenberg proposes that $218,239,556 be excluded from the revenue requirement.[7] Mr. Schallenberg states that this amount is the full amount of AMS costs charged to Ameren Missouri in the test year.

Q. Do you agree with the adjustment that Mr. Schallenberg proposed?

A. No, I do not. The appropriateness of the adjustment will be discussed in the rebuttal testimonies of Mr. Byrne and Ameren Missouri witness John Reed.

Q. What other concerns has Mr. Schallenberg raised?

A. Mr. Schallenberg has stated that Ameren Missouri cannot operate independently from AMS. He alleges that one reason this is true is because Ameren Missouri does not have control of its own books and records.[8]

[6] Staff Report, pp. 41-42.
[7] Direct Testimony of Robert E. Schallenberg, p. 9.
[8] Direct Testimony of Robert E. Schallenberg, p. 3.

Q. Do you agree with this allegation?

A. No, I do not. While not kept in separate physical ledger book in a file cabinet, Ameren Missouri's books and records are separate from those of the other Ameren companies. Separate standalone financial statements are produced for Ameren Missouri, as are separate reports for regulatory reporting, rate case preparation, local taxes, and other purposes. AMS makes entries in the books and records as part of providing services to Ameren Missouri, but that does not mean Ameren Missouri does not have control of its books and records.

As the Controller for Ameren Missouri, I certify the FERC forms that are filed quarterly. In addition, the President of Ameren Missouri certifies the annual 10K filing for Ameren Missouri. I direct AMS to record journal entries as information arises. My group reviews the financial statements that are prepared for accuracy and completeness. Monthly review of financial results for Ameren Missouri are presented to senior Ameren Missouri leadership by me and my group. As noted, rate and regulatory accounting information from Ameren Missouri's books and records is prepared and utilized. Finally, revenues and expenses are recorded to Ameren Missouri's own accounts, kept according to the USoA.

Q. Are there any other concerns raised by Mr. Schallenberg that you would like to address?

A. Yes. Mr. Schallenberg also states in his direct testimony that the Company is purchasing goods and services outside the requirements of the Company's normal procurement policies, procedures, and practices when purchasing from an affiliate.[9]

[9] Direct Testimony of Robert E. Schallenberg, p. 5

Q. Do you agree?

A. No. Ameren Missouri is not operating outside of its policies and procedures when purchasing goods and services from affiliates. The applicable procurement procedure acknowledges affiliate transactions and recognizes an exception from the procedure for these transactions.

Q. If affiliate transactions are excluded from the procurement procedures, what is the process to evaluate the goods and services acquired from affiliates?

A. Transactions with AMS are reviewed and evaluated through the Joint Planning and Procurement Procedure, as discussed further by Company witness Ben Hasse, and not under the general procurement procedure applicable to other non-affiliate transactions.

V. MISCELLANEOUS REVENUES

Q. Please explain the adjustments Staff proposed for intercompany software and building lease rental revenues.

A. Staff has proposed to annualize the revenues from both the software and buildings leased by affiliates from Ameren Missouri.[10] The Company agrees with these proposed adjustments.

VI. MISO DAY 2 AND MISO TRANSMISSION REVENUES AND EXPENSES

Q. What has Staff proposed for MISO Day 2 and transmission revenues and expenses?

[10] Staff Report, pp. 55-56

A. Staff has proposed to make adjustments for these costs, with the exception of transmission Schedule 26A charges, using test year, a three-year average, or data provided for the 12 months ended April 2019, which annualizes the costs.[11]

Q. Historically, how have these costs been treated?

A. In prior cases, nearly all of these amounts have been updated with the true-up information; i.e., using the values for the 12-months ending with the true-up cutoff date.

Q. Are these amounts contemplated in the procedural schedule in this case?

A. Yes. The parties agreed (and the Commission adopted that agreement) that these revenues and expenses would be trued-up as part of the true-up in this case. Specifically, the procedural schedule order lists "net base energy costs (per FAC tariff)" and "Midcontinent Independent System Operator ("MISO") transmission revenues and expenses." The MISO Day 2 revenues and expenses issue are components of net base energy costs as are transmission revenues and expenses.

Q. Is it appropriate to use normalizations or other time periods for these costs instead of using the true-up values?

A. Not as to most of these items. Staff has provided no justification or rationale whatsoever for deviating from the consistent practice over many Company rate cases where nearly all of these items were trued-up using the cost or revenue levels for the 12-months ending with the true-up cutoff date.

Q. Are there examples of these costs that clearly do not make any sense to update to anything besides true-up amounts?

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[11] Staff Report, pp. 61-63

A. Yes. Transmission revenues and expenses provide a good example of why nearly all of the proposed normalizations should not be used. If normalized amounts for transmission revenues and costs are used in lieu of the true-up amounts, those normalized values will be improperly skewed because some of the years included in the normalization will be significantly influenced by pre-Tax Cuts and Jobs Act of 2017 tax rates. Because of the significant reduction in corporate tax rates, using pre-tax rate cut figures to normalize these items inappropriately elevates both the transmission revenue and expense levels causing them to be unrepresentative of the period during which rates set in this case will be in effect, when those lower tax rates will still be in effect. Consequently, the values for the 12-months ending with the true-up cutoff date should be used.

Q. Are there any other issues related to transmission revenues and expenses you would like to address?

A. Yes. During 2019, the Company began to incur MISO Schedule 9 expenses related to Wabash Valley Power Association, and also began incurring additional Southwest Power Pool ("SPP") Schedule 11 charges arising from use of Evergy's transmission system to provide service to Ameren Missouri customers in a western part of the Company's service territory (in the vicinity of Excelsior Springs). Since a full year of data is not available for these ongoing costs, an annualized amount based on ongoing 2019 levels should be included in the Company's revenue requirement. Annualized costs for these MISO and SPP costs are $4.5 million and $3.5 million, respectively.

VII. FERC RETURN ON EQUITY ("ROE") COMPLAINT CASES

Q. There have been two FERC ROE complaint cases, as described in Staff's Report. Please discuss the treatment of the first FERC ROE complaint case, File No. EL-14-12-000.

A. The first complaint case is related to MISO costs that were included in the FAC before the Commission made its decision to exclude most of the Company's transmission costs from the FAC based upon its determination of what constitutes "true purchased power." In the 0179 Stipulation, the Company agreed to defer the amounts to a regulatory liability account for recovery in its next general rate proceeding. The Company has deferred these amounts and proposes to leave them in the regulatory liability account until final resolution of the cases because nothing has changed since that treatment was agreed upon and ordered.

Q. Please explain the Staff's proposal for any refunds ordered by FERC in the first FERC ROE complaint cases.

A. Staff recommends that Ameren Missouri either pass any refunds received through the FAC or defer the refund amounts to a regulatory liability account for ratemaking treatment to be determined in the next Ameren Missouri rate proceeding.[12]

Q. Do you agree this is the proper treatment for these amounts?

A. Yes. This is consistent with the agreement the Commission ordered in the last case. Until all proceedings in the FERC ROE cases are completed, it makes sense to continue the treatment currently in place for the refunds from the first FERC ROE case.

[12] Staff Report, pp 63-65. It should be noted that the deferral to the regulatory liability is of 95% of the refunded sum since only 95% of the costs were included in the FAC.

Q. Please explain the accounting treatment for second FERC ROE complaint case proposed by the Company.

A. While the FERC has issued an order that if upheld would require refunds, the order is on appeal and no refunds have been received to-date. Therefore, it is premature to determine the ultimate disposition of any refunds that might ultimately be received in this case.

Q. How was this issue handled in the Company's last rate case?

A. In the 0179 Stipulation, Ameren Missouri agreed to defer any refunds it might ultimately receive from the second FERC ROE case to FERC account 253, with the parties agreeing that this deferral did not suggest how amounts ultimately received would be treated in a future rate proceeding. The Commission ordered this treatment when it approved the 0179 Stipulation and nothing has changed that warrants a different treatment now. Please note that there are issues relating to any refunds that the Company may receive from the second FERC ROE case that do not exist for the first FERC ROE cost because of the true purchased power decision I noted earlier. Since that decision was made, there have been varying percentages of transmission costs (and revenues) included in the FAC and ultimately the Commission may have to resolve issues about what portion of any second FERC ROE case refunds the Company receives should be included in the FAC or otherwise refunded to Missouri customers. Again, those issues are not ripe for determination in this case. Continuing to defer any possible refunds to account 253 preserves everyone's ability to take whatever position they deem to be appropriate in a future rate case if and when actual refunds are at issue.

Q. Please explain Staff's proposal for the treatment of the second FERC ROE complaint case.

A. Staff is trying to get the Commission to arguably prejudge the issue as to the second FERC ROE case by asking the Commission to order deferrals to a *regulatory liability* or refunds via the FAC now, before refunds exist and before all parties have a full and fair opportunity to deal with the impact of the Commission's true purchased power decision when actual refunds exist.

Q. Do any other parties address the FERC ROE cases?

A. Yes, MIEC witness Meyer also addresses the FERC ROE cases.

Q. What is Mr. Meyer's position on this issue?

A. Mr. Meyer's position is that he continues to support the deferral treatment that was agreed upon in the 0179 Stipulation until both the cases have come to a final resolution.[13] In other words, Mr. Meyer's position is the same as the Company's position.

VIII. FUEL ADDITIVES

Q. What adjustment has Staff proposed for limestone and activated carbon fuel additives?

A. Staff has proposed to use an updated amount of limestone and activated carbon amounts based on the twelve months ended September 30, 2019.[14]

Q. Do you agree with Staff's proposed adjustment?

A. No. The proper way to set a normalized level of fuel additive expense is to base it on the normalized generation output of the Company's coal-fired units determined by production cost modeling in this proceeding, instead of historical values.

[13] Direct Testimony of Greg R. Meyer, pp. 15-16
[14] Staff Report - Confidential, pp. 74-75

Q. 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.

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.

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

A. The normalized output of the Company's 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. The output from whichever production cost modeling run is used for other purposes in this case should be used for this purpose, using trued-up values.

IX. INCENTIVE COMPENSATION

Q. Please explain Staff's adjustments related to incentive compensation.

A. Staff's incentive compensation-related adjustments included: 1) disallowance of long-term incentive compensation costs under the Performance Share Units ("PSU") and Restricted Share Units ("RSU") plans, 2) disallowance of short-term incentive compensation costs directly related lobbying activities, 3) the use of a three-year average to normalize short-term incentive compensation, 4) a calculation of the difference between cash basis and accrual basis for short-term incentive compensation, and 5) disallowance of incentive compensation costs directly related to Ameren Corporation Earnings Per Share.[15]

Q. Does the Company agree with any of these adjustments?

A. Yes. The Company agrees with Staff's disallowance of PSU and RSU costs from rate base and O&M, as applicable. PSU costs were excluded from the Company's original filing, as has been done over the last several Company cases. Although RSU costs were accrued on the Company's books during the test year, such costs have not be paid to employees. Generally, this occurs after the awards are vested over a three-year period and 2018 was the first year this type of award was offered. RSU costs should be included in the Company's revenue requirement in future cases once paid, both in rate base and O&M to the extent applicable.

Additionally, the Company agrees with Staff's disallowance of short-term incentive compensation costs directly related to lobbying activities.

[15] Staff Report - Confidential, pp. 87-88

The Company disagrees with Staff's remaining incentive compensation-related adjustments.

Q. Please explain why Staff's normalization of short-term incentive compensation is not appropriate.

A. While it is appropriate to normalize expenses at times, this is not one of them. At Ameren Missouri, these costs were $18.8 million, $29.8 million, and $32.9 million in 2016, 2017, and 2018, respectively. At Ameren Services Company, these costs were $20.1 million, $26.3 million, and $29.2 million in 2016, 2017, and 2018, respectively. This clear trend of increasing costs is a result of inflation and increased headcount. Staff provided no support demonstrating that the related costs contained in the test year were not normal amounts, failed to consider changes in headcount, and did not provide support for the use of a term of three years for normalization. If Staff's proposed adjustment is accepted, the allowed level of expense in the revenue requirement used to set rates would fail to reflect a normal level of expense and would fail to be reflective of the level of these costs in the future.

Q. Please explain why Staff's calculation of the difference between cash basis and accrual basis for short-term incentive compensation is inappropriate.

A. First, it would be appropriate to reflect these costs on a cash basis within the revenue requirement. However, Staff's calculation is incorrect. Staff utilized the percentage of total labor expensed during the test year to estimate the portion of the short-term incentive compensation payment that is comparable to the amount expensed. Short-term incentive compensation expensed during the test year is a known number. Therefore using total labor expensed, which includes base salaries, as a proxy for the portion of short-term incentive compensation expensed is inappropriate and inherently less precise. Short-term incentive compensation expensed during the test year was $31.6 million or 71.4% of total short-term incentive compensation. After correcting for this matter, the appropriate adjustment to reflect short-term incentive compensation on a cash basis is a $100,000 reduction to the revenue requirement.

Q. Did the Company or Staff utilize total labor-based metrics to estimate elements of capitalized or expensed short-term incentive compensation in other adjustments?

A. Yes. Both the Company and Staff utilized total labor-based metrics in calculating disallowances for incentive compensation costs directly related to Ameren Corporation Earnings per Share. Separate calculations were performed for the portions capitalized and expensed. Each calculation should be updated using the known incentive compensation amounts capitalized and expensed during the test year. As a result and subject to true-up, $4.7 million should be excluded from O&M and $30.7 million from rate base in the Company's revenue requirement.

Q. Are there any other elements of Staff's calculation of the disallowance of incentive compensation directly related to Ameren Corporation's Earnings per Share that is inappropriate?

A. Yes. The Company disagrees with normalizing the Earnings per Share-related impact over a three-year period for the same reasons the Company disagrees with normalizing short-term incentive compensation costs, as previously described.

X. DUES

Q. Staff has proposed disallowance of specified membership dues. Does the Company agree with these disallowances?

A. With the exception of the Utility Air Regulatory Group, the Company disagrees with the Staff's proposed disallowances related to various industry groups that deal with environmental issues and other issues faced by utilities across the country. Please see the rebuttal testimony of Company witness Tom Byrne regarding why the Company disagrees with the disallowance of membership dues paid to the following organizations: EEI, the Utility Water Act Group, the United Solid Waste Activities Group, the Midwest Ozone Group, the Regulatory Environmental Group for Missouri and the Illinois Environmental Regulatory Group. In addition to the dues addressed by Tom Byrne, the Company disagrees with the disallowance of dues related to the Utility Economic Development Association ("UEDA"), Utility Analytics Institute ("UAI"), Downtown STL Inc., and The Conference Board.[16] I will address those groups below.

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

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

[16] Staff Report, pp.94-95.

UEDA is a non-profit organization made up of economic development professionals at various utilities. The UEDA is dedicated to providing members with timely utility and industry focused educational opportunities, relevant training and networking opportunities designed to facilitate and help achieve goals in an evolving and changing utility environment. The attraction or development of new customers benefits existing customers greatly, as increased revenues can more than offset related incremental costs.

UAI is an organization that assists utilities in realizing desired business outcomes using data analytics. The Company is using data analytics to reduce the cost of serving customers in numerous instances.

Downtown STL Inc. is a non-profit organization that serves as a catalyst for creating and promoting a downtown that attracts investment, economic activity and vibrancy. The attraction or development of new customers benefits existing customers greatly, as increased revenues can more than offset related incremental costs.

The Conference Board helps members anticipate what is ahead, improve their performance, and better serve society. Increased efficiency, effective management through change, and better serving our customers is all beneficial to customers.

Q. Staff proposed National Resources Research Institute dues are updated for the 2019 amount. Does the Company agree with this adjustment?

A. Yes.

XI. INSURANCE EXPENSE

Q. Please describe Staff's adjustment to insurance expense.

A. Similar to the Company, Staff proposed an annualization of insurance expense using current insurance premiums. Staff disallowed a portion of an insurance policy because it related to non-utility property.[17] The Company agrees with Staff's methodology for calculating this adjustment and the disallowance of insurance premiums related to non-utility property. Staff did not include insurance expenses related to contracts that were not available prior to September 30, 2019. These additional contracts have been provided and this adjustment should be updated through the true-up date.

Q. Staff identified maintenance costs associated with the insurance premium related to non-utility property previously referenced. Does the Company agree with the disallowance of those non-utility property maintenance costs?

A. Yes.

XII. UNCOLLECTIBLE EXPENSE

Q. Has Staff made an adjustment to uncollectible expense?

A. Yes. Staff has made two adjustments to uncollectible expense. The first is to normalize the amount of uncollectible expense and the second one is to remove third party collection expenses.[18] I will discuss each adjustment below.

Q. Please explain the adjustment Staff has proposed to normalize uncollectible expense.

A. In its original filing, Ameren Missouri used the accrued amounts for the bad debt expense in the test year. Staff proposes, instead, that the amount of uncollectible expense be determined by using the actual net write-offs for the test year of 2018.

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[17] Staff Report, p. 96.
[18] Staff Report, pp. 97-98.

Q. Does the Company agree with Staff's adjustments to normalize uncollectible expense?

A. Yes. The Company agrees with this adjustment.

Q. Please explain the adjustment Staff has proposed to remove third party collection expense from O&M.

A. Staff has proposed to remove costs incurred by Ameren Missouri for letters sent by collection agencies. Staff removed these expenses because Ameren Missouri has discontinued the use of this service for sending out the overdue account letters.

Q. Does the Company agree with Staff's adjustments to remove third party collection expense?

A. Yes. The Company agrees with this adjustment.

XIII. CALLAWAY REFUELING ADJUSTMENT

Q. Please explain Staff's adjustment to Callaway refueling costs.

A. Staff normalized the overtime and non-labor costs associated with a nuclear refueling outage by including an average of the costs incurred for the prior three refueling outages, divided by the number of months between outages, and multiplied by the number of months in a year to arrive at an annual level.[19]

Q. Does the Company agree with this adjustment?

A. The Company agrees with Staff's methodology, but disagrees with Staff's adjustment amount. The data the Company provided and Staff used to perform its calculation is incomplete. After correcting for the incomplete data, $16.0 million and $4.8 million should be included in the revenue requirement for non-labor and overtime costs

[19] Staff Report - Confidential, pp. 78 and 100.

associated with a nuclear refueling outage, respectively. Given the most recent refueling outage occurred in the spring of 2019, this calculation should be trued up through December 31, 2019 for the impact of any final costs.

XIV. NUCLEAR REGULATORY COMMISSION ("NRC") FEES

Q. Please explain the adjustment Staff has proposed to annualize NRC fees.

A. Ameren Missouri included two components of the NRC fees in its original filing: the fixed annual fee and the variable fee, based on the number of hours billed to Ameren Missouri by the NRC for various activities in the 2018 test year. Staff proposed to annualize these costs by multiplying the number of hours billed in the 12 month test year by the most current NRC fee as of August 2019, then added the fixed annual fee to it.[20]

Q. Does the Company agree with Staff's adjustments to annualize NRC fees?

A. Yes. The Company agrees with this adjustment.

XV. RENTS AND LEASES

Q. Please explain the adjustment Staff has proposed to annualize lease expense.

A. Staff has proposed an adjustment to annualize lease expense. This adjustment includes the lease expense for swing space needed while the corporate headquarters is being renovated and a lease for space for the Smart Meter Project Team.[21] Staff has annualized the cost of both of these leases. Staff has also annualized the intercompany rental revenues for this space.

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[20] Staff Report, pp. 100-101.
[21] Staff Report, p. 102

Q. Does the Company agree with this adjustment?

A. Yes, the Company agrees with the adjustment.

XVI. PSC ASSESSMENT

Q. Please explain the adjustment Staff has proposed to annualize the Public Service Commission ("PSC") assessment.

A. The operations of the Commission are funded by assessments levied upon utilities, and amounts are re-evaluated each year. In the original filing, Ameren Missouri used the amount charged in fiscal year 2018. Staff proposes adjusting the PSC assessment to the assessment which took effect as of July 1, 2019 (fiscal year 2020).[22]

Q. Does the Company agree with Staff's adjustments to annualize the PSC assessment?

A. Yes. The Company agrees with this adjustment.

XVII. MISCELLANEOUS EXPENSE

Q. Please explain Staff's adjustment to annualize miscellaneous expenses.

A. Staff identified various recurring studies, engagements, and assessments performed during the test year that occur less frequently than annually. Staff proposed the costs related to these activities be annualized over the frequency of the activity.[23]

Q. Does the Company agree with this adjustment?

[22] Staff Report, p. 103.
[23] Staff Report, p. 104.

A. No. Staff's analysis ignores similar recurring activities that occurred outside of the test year. In particular, a comprehensive market segmentation and demand study is performed every three years, with less robust updates performed in the interim years. The test year contained expenses for an interim update. The cost of the most recently completed comprehensive study should be included in any annualization of these costs. Similarly, the selected customer study occurs every two years, with a less robust update performed in the year in which a full study is not performed. The test year contained expenses for an interim update and the cost of the most recently completed comprehensive study should be included in any annualization of these costs. Electric vehicle studies are performed annually. The Company performs a cybersecurity assessment every two years. The Staff's proposal to discard the test year level of these various miscellaneous expenses fails to account for any of these facts, and fails to demonstrate the test year level does not provide a reasonable proxy for what these expenditures in total will be in the future once rates are reset. Therefore, the test year expense levels should be used to set the Company's revenue requirement.

Q. Has Staff proposed other adjustments to miscellaneous expenses?

A. Yes. Please refer to the rebuttal testimony of Company witness David Loesch for consideration of the remaining adjustments to miscellaneous expenses proposed by Staff.

Q. Staff proposed an annualization over a two year period of Celebrating Ameren costs. Does the Company agree with this adjustment?

A. Yes.

XVIII. SOLAR REBATES

Q. Please explain the adjustment proposed by Staff for the solar rebates.

A. Staff has included a three-year amortization for the last of the solar rebates agreed to in File No. ET-2014-0085 that were paid out since the last rate case. [24]

Q. Do you agree with the adjustment proposed?

A. I agree that an adjustment is needed to include the last of these solar rebates but I disagree with the amount proposed by Staff.

Q. Please explain the adjustment that the Company will include in true-up.

A. In the Company's direct case, the last of the solar rebates were not yet paid out so I included an adjustment to reflect the remaining amount of solar rebates that would be paid to reach the $91.9 million of total solar rebates that was agreed to in the solar rebate case. Since the direct filing, the Company has paid the remainder of the solar rebates.

When the final solar rebates were paid out, the total payments exceeded the cap by $5,075 since otherwise, the "last customer" would have received a lower per-watt rebate than all of the other customers. Accordingly, the Company deferred the $5,075 to the regulatory asset. The Company will put the full amount of solar rebates paid into its true-up filing and will adjust the amortization amount to $136,999, which is appropriate under the circumstances.

[24] Staff Report, p. 116.

XIX. VEGETATION MANAGEMENT AND INFRASTRUCTURE INSPECTION COSTS

Q. What adjustment has Staff proposed for the vegetation management and infrastructure inspections costs?

A. Staff has proposed to use an annualized level of these costs through September 2019 and to review them again based on true-up information.[25]

Q. Does the Company agree with this proposed adjustment?

A. No. This is an instance where normalization is appropriate, because vegetation management and inspection expenses do not follow a predictable relationship over time. For example, over a short multi-year period expenses are both increasing and decreasing, primarily because some portion of the necessary work is not required each and every year. These expenses were a combined $51.6 million, $54.0 million, and $48.8 million in 2017, 2018, and 2019, respectively. This indicates that a normalized level provides a better proxy for what the level of this expense will be when rates are set in this case rather than an annualized level from one 12-month period.

XX. TCJA STUB PERIOD AMORTIZATION

Q. What adjustment has Staff proposed for the Tax Cuts and Jobs Act ("TCJA") stub period amortization?

A. As explained in Staff's report, this amount is the result of the tax rate change from January 1, 2018 through July 31, 2018, the date that rates were changed to reflect the TCJA changes. This amount was deferred and an amortization needs to be set in this case, as contemplated by the Commission-approved settlement in File No. ER-2018-0362. The

[25] Staff Report, pp. 120-121.

settlement called for an amortization but did not prescribe the period of amortization. Staff has proposed a 3-year amortization period for this amount.[26]

Q. Does the Company agree with this amortization period?

A. No, it does not. A 5-year amortization period is more appropriate, consistent with the periods previously used by the Commission for other items, such as storm cost amortizations and pension and OPEB amortizations.

XXI. NON-LABOR POWER PLANT MAINTENANCE

Q. Please explain the adjustment Staff has proposed for non-labor power plant maintenance.

A. Staff has proposed to normalize the operations and maintenance costs incurred for the Sioux Energy Center, Labadie Energy Center and Rush Island Energy Center using a six-year average.

In addition, Staff has also proposed to normalize the operations and maintenance costs of the Maryland Heights Renewable Energy Center using a five-year average.[27]

Q. Does the Company dispute this adjustment?

A. No. The proposal to use a six-year average for the steam plants seems appropriate based on the six-year outage cycle that the Company is using. The adjustment for Maryland Heights is appropriate due to the operating issues that the plant has been facing.

XXII. SOFTWARE ALLOCATIONS

Q. Please explain the adjustment that Staff has made for software allocations.

[26] Staff Report, pp. 125-128.
[27] Staff Report, pp. 128-129.

A. Staff has proposed an adjustment to rate base and intangible amortization expense for software assets that were not partially allocated to Ameren Corporation.[28] An allocation to Ameren Corporation is now occurring and an adjustment will not be needed for future software projects. The Company agrees with this adjustment.

XXIII. CLOUD COMPUTING

Q. Please explain Staff's position with respect to Microsoft Office 365 and Salesforce cloud computing costs. Does the Company agree with this treatment?

A. Staff proposed that all cloud computing costs that do not qualify as software licenses under Generally Accepted Accounting Principles ("GAAP") be treated as an expense in the period incurred.[29] The Company does not take exception in this instance. However, the Company continues to believe that NARUC's position that cloud computing and traditional on-premise software development costs should be treated in the same manner and included in rate base is a more appropriate long-term way to treat these expenditures, for the reasons given in my direct testimony.

XXIV. ELECTRIC COSTS RECORDED TO GAS

Q. Please describe the nature of the costs considered in this subsection.

A. The Company inappropriately allocated certain electric costs to gas operations during the test year. This matter was identified during the Company's most recent gas rate review. These costs were appropriately excluded from the gas revenue requirement, but should be included in electric rates. The Company recorded an adjustment to include these electric business costs in its original filing, as referenced in my direct testimony.

[28] Staff Report, pp. 129-130.
[29] Staff Report, pp. 130-132.

Q. Staff disallowed the portion of the Company's adjustment that included these electric costs in the revenue requirement in this case that related to the Utilities Solid Waste Disposal Group and Midwest Ozone Group.[30] Does the Company agree with Staff's proposed disallowance?

A. No. Membership dues related to these organizations are addressed in the rebuttal testimony of Company witness Tom Byrne.

Q. Are there other components of Staff's proposed disallowance related to electric costs allocated to gas and does the Company agree with those?

A. Yes.

XXV. RELOCATION EXPENSE

Q. Please describe Staff's adjustment to employee relocation expense.

A. Staff proposed normalization of relocation costs using a five-year average.[31]

Q. Does the Company agree with this adjustment?

A. No, although, the Company agrees this is an instance where normalization is appropriate because relocation expenses do not follow a predictable pattern over time. For example, over a short multi-year period, expenses are both increasing and decreasing. The Company disagrees with the use of a five-year average for these costs. Housing prices and inflation have increased these expenses dramatically over a five year period. Normalization is not an appropriate means to reduce the revenue requirement by factoring in costs from five years ago that lack significant increases due to changes in housing prices and inflation. To reduce the impact of failing to include these factors, while acknowledging relocation expenses should still be normalized in some manner, these expenses should be

[30] Staff Report, p. 133.
[31] Staff Report, pp. 133-134.

normalized over a shorter period which should include the most current periods available. Relocation expenses should be normalized over the three-year period ending December 31, 2019 resulting in a $400,000 reduction from the test year level.

XXVI. MEEIA TRAINING AND CUSTOMER SEGMENTATION

Q. Staff indicated they were still reviewing this topic.[32] Has additional information been provided?

A. Yes. Responses to Data Requests 0240.1 and 0240.2 have been provided in support of this topic. The Company's original filing contained an error, which was corrected in the responses to the aforementioned data requests.

XXVII. LEGAL EXPENSE

Q. Staff has proposed to disallow legal expenses related to the FERC ROE complaint cases.[33] Does the Company agree with this adjustment?

A. No. Staff's only argument for disallowance was that the level of ROE associated with Ameren Missouri's FERC jurisdictional transmission business only benefits shareholders. This is not true. The difference between Ameren Missouri's retail and transmission ROE's is provided to or paid by retail customers. Over the last several years retail customers have benefited from the higher ROEs paid by transmission customers because the revenues associated with these higher ROEs have resulted in a direct offset to the retail revenue requirement. Since transmission ROEs directly impact the amount retail customers are receiving or paying, the costs to litigate the FERC ROE complaint cases should be included in the Company's revenue requirement.

[32] Staff Report, p. 134.
[33] Staff Report, pp. 135-137.

Q. Staff has proposed a normalization of legal expenses associated with the Rush Island New Source Review litigation.[34] Does the Company dispute this adjustment?

A. No.

XXVIII. INJURIES AND DAMAGES

Q. Please explain Staff's adjustment to injuries and damages expenses.

A. Staff normalized injuries and damages-related payments made over a three-year period.[35]

Q. Does the Company agree with this adjustment?

A. The Company agrees with Staff's methodology, but the calculation should be extended through the true-up date. This is an instance where normalization is appropriate because payments do not follow a predictable relationship over time. For example, over a short multi-year period payments are both increasing and decreasing. Payments made were $4.5 million, $5.1 million, and $3.8 million in 2017, 2018, and 2019, respectively.

XXIX. GROSS RECEIPTS TAX SETTLEMENT

Q. Please explain the positions of Staff witness Mr. Kunst and MIEC witness Mr. Meyer.

A. Both parties are opposed to including the settlement amounts in the revenue requirement.[36] I will discuss each one separately.

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[34] Staff Report, pp. 135-137.
[35] Staff Report, p. 137.
[36] Staff Report, p. 138 and Direct Testimony of Greg R. Meyer, pp. 9-11.

Q. Why does Mr. Kunst believe this amounts should be excluded from the revenue requirement?

A. It is unclear why Staff is proposing to exclude this amount. Mr. Kunst states in his direct testimony that he will address this issue in rebuttal testimony.

Q. Has Staff proposed any other adjustments related to this settlement?

A. Yes. Staff has proposed an adjustment to normalize the legal fees incurred by Ameren Missouri in the test year. The Company has included legal fees in the requested regulatory asset for this item.

Q. Please explain the adjustment proposed by Mr. Meyer.

A. Mr. Meyer proposes to exclude the settlement and legal fees related to this case for several reasons. His first reason is that Ameren Missouri should be responsible for interpreting and applying the correct taxes to customer bills. Second, the settlement of the case and the payment period falls outside the test year. Third, he believes that including this amortization in rates violates the principle of retroactive ratemaking. His last reason for excluding these costs is that the Commission has never asserted jurisdiction in the setting of business tax license payments. I will discuss each of these issues separately below.

Q. Please discuss the first concern that Mr. Meyer discusses relating to the responsibility of interpreting and applying the taxes.

A. Just because the Company made a judgment years ago that certain items were not subject to gross receipts taxes does not mean the judgment was imprudent. Mr. Meyer is using hindsight based on the outcome of the litigation, which is inappropriate.

Q. The second issue that Mr. Meyer states is related to the timing of the settlement and payments. Do you agree this is an issue?

A. No, I do not. The settlement was agreed to in 2017 but all of the settlement payments as well as the legal bills that were included in the Company's case were paid in January 2018, during the test year in this case.

Q. Next Mr. Meyer states that this amortization violates the principles of retroactive ratemaking. Do you agree with this statement?

A. No. This settlement and the settlement amount paid was unusual and extraordinary so the amount should be given deferral treatment. As I describe above, the Company has charged the taxes the settlement is related to in a similar manner for many years. This case is unusual and not something that happens on a regular basis and past rates are not being adjusted; only prospective rates.

Q. The last issue that Mr. Meyer raises regarding this amortization is that the Commission has not asserted jurisdiction in setting business tax license payments. Is this an issue?

A. No, it is not an issue. Although this lawsuit was based on allegations related to gross receipts tax, the settlement of any given lawsuit encompasses many things. Please recall that the Company retained two highly qualified defense firms to represent its interests in these matters, Armstrong Teasdale and Eversheds-Sutherland. These firms are highly regarded and well known for providing sound legal advice in matters involving litigation and taxation. They are intimately familiar with the jurisdictions in which they practice, the court systems, jury awards, the inclinations of the costs and reputations of plaintiffs' counsel that may have bearing on litigated outcomes, among many other considerations that weigh on the recommendations they provide. As part of the process in deciding on if settlement was proper, the Company relied on their judgment and recommendations, as well as its own internal expertise. The recommendations of counsel and our own knowledge and expertise in such matters forms the basis upon which we decided if settlement was prudent and a settlement value. Among other considerations taken into account, were: the facts supporting the allegations; the individual languages of the codes, the evolution of the electric industry, the trend of gross receipt tax litigation in the telephone carrier cases and more broadly across the nation, the probability of an adverse verdict; total likely settlement amount; and the impact on other issues and/or evolving settlements. In the end we consider the standard by which a settlement and the amount to be dependent upon the prevailing facts and circumstances, the recommendations of outside counsel, the range of exposure—all of which leads to a reasonable and prudent decision. These payments are not tax payments but a settlement payment amount. A lack of jurisdiction over the taxes provides no basis to disallow costs. For example, the Commission doesn't have jurisdiction over wholesale power sales but the off-systems sales the Company receives are included in the revenue requirement as an offset to expense.

XXX. <u>CAPITALIZED O&M DEPRECIATION EXPENSE</u>

Q. Does the Company have any issues with the adjustment made by Staff related to the capitalized O&M depreciation expense?[37]

A. The Company is not in agreement with Staff on the adjustment to depreciation expense for depreciation that is charged to capital and O&M accounts.

[37] Staff Report, pp. 147-148.

However in discussions with Staff, I believe Staff will be adjusting their calculation. Once the adjustment has been made by Staff, the Company and Staff will be in agreement.

XXXI. FUEL ADJUSTMENT CLAUSE ("FAC")

Q. Do you have any issues to address regarding the FAC?

A. Yes. I will address the request by Staff to have two base factors: one for summer and one for winter.[38] I will also address the Staff's base factor calculation and two items that are a part of net base energy costs. Other FAC issues will be discussed by Company witnesses Marci L. Althoff and Andrew Meyer.

Q. Please explain the request by Staff for two base factors.

A. Staff states in direct testimony that the Company should continue to include two base factors: one for summer and one for winter.

Q. Does the Company agree?

A. Yes. That is what the Company proposed.

Q. Please explain the base factor calculation issue.

A. Regarding the base factor values in the Staff Report, the Company does not agree with them. However, it is my understanding that a formula error was found in a Staff's work paper, that Staff is aware of it and agrees there was an error and once that formula error is corrected, the Staff and the Company's base factors will be very close. It is further my understanding that the remaining difference (after correction of the formula error) is simply one of timing and that the remainder of the difference should take care of itself in true-up. Assuming that is the case, there is no disagreement.

[38] Staff Report, p. 150.

Q. Staff excluded replacement power costs and fly ash revenues from Net Base Energy Costs ("NBEC"). Does the Company agree these costs and revenues should be excluded from NBEC?

A. No. Under the FAC tariff supported by both the Company and the Staff, these costs and revenues are tracked in the FAC and thus must be included in NBEC, which forms the base against which changes in costs and revenues tracked in the FAC are compared when determining future FAC rate adjustments.

XXXII. COST SAVINGS MEASUREMENT REPORTING

Q. Please explain Staff's position on the cost savings issue.

A. As Ameren Missouri understands Staff's recommendation, it is asking for quantification and reporting on Customer Affordability initiatives using a projected cost savings threshold of $250,000.[39] Ameren Missouri is willing to quantify and report to Staff annually on active Customer Affordability initiatives with over $1 million in projected annual cost savings. Given Ameren Missouri's size and the scope of Customer Affordability initiatives, a threshold of just $250,000 is too low. The initiatives to be reported on will include projects that are focused on operational efficiencies but will not include projects designed for infrastructure upgrades, reliability projects, such as substation replacements, energy center projects, etc…. For example, if replacing a component at a power plant is expected to produce $1 million in savings the replacement is not a Customer Affordability initiative but is instead an ordinary course of business operational project. Ameren Missouri agrees to begin its reporting of active Customer Affordability projects meeting the $1 million thresholder no later than September 1, 2020.

[39] Staff Report, pp. 159-161.

XXXIII. KPMG STUDY

Q. Please explain the adjustment Staff has proposed to normalize the KPMG benchmark study.

A. The benchmarking study performed in 2018 is a study that Ameren Missouri plans to update in 2022. Because this is not an annual study, Staff has proposed to normalize the benchmarking study over a four-year period.[40]

Q. Does the Company agree with Staff's adjustments to normalize the benchmark study?

A. Yes. The Company agrees with this adjustment.

XXXIV. OTHER REVENUE REQUIREMENT ISSUES

Q. Are there any other issues that you would like to address?

A. Yes. In the direct testimony of Mr. Schallenberg, he has raised a concern that the Company has not adjusted the revenue requirement for the decrease in net base energy costs included in the FAC base amount. He has also pointed out a concern about the removal of the TCJA credit on customer bills.[41]

Q. Please explain the issues that Mr. Schallenberg has raised regarding the decrease in the FAC base.

A. The Company has proposed to reduce the revenue requirement by less than $1 million and the FAC base amount by over $100 million in this case. Mr. Schallenberg has suggested in his direct testimony that because the revenue requirement has not gone down by over $100 million that the Company must not have included the decrease in net base energy costs in the revenue requirement, although, later in his testimony he seems to

[40] Staff Report, pp. 161-162.
[41] Direct Testimony of Robert E. Schallenberg, pp. 10-13.

suggest that maybe the amount is offset. It is hard to tell if he thinks we did not include the reduction or if he thinks the revenue requirement was offset.

Q. Please explain.

A. At first, he appears to think we did not include the adjustment based on the following statement in his testimony,

> Ameren Missouri did not identify or explain the reason it did not reduce its revenue requirement by the $108 million expense reduction to the amount it credits to customers under the FAC.[42]

In his very next question and answer, Mr. Schallenberg talks about trying to determine what costs have increased to offset the reduction from the FAC and the TCJA customer credit.

Q. Are Mr. Schallenberg's concerns valid?

A. No, they are not. The full amount of the reduction in net base energy costs was accounted for and in fact did reduce the revenue requirement filed by the Company with its direct case. In fact, the Company said as much in the Local Public Hearing notice it filed as part of the FAC minimum filing requirements included with Ms. Althoff's direct testimony (and so stated in the Local Public Hearing notice agreed upon by OPC and approved by the Commission that was sent to customers). Had this case reflected only the reduction in net energy costs and had all other costs changes since the last rate case been ignored, then his assumption that the revenue requirement would be reduced by $100 million would be correct. Of course, that is not the case, as is obvious from my direct testimony and work papers, as well as the notice I just mentioned.

[42] Direct testimony of Robert E. Schallenberg, pp 12, lines 4-6.

Q. So it is possible to see the reduction in the FAC base costs in the revenue requirement?

A. Yes, it is and without difficulty. If you review the net base energy costs that are included in the FAC base calculation, they are the same net base energy costs that are included in the revenue requirement in this case. They are not highlighted or called out in the revenue requirement but the Company's revenue requirement is presented by FERC account which does break out these costs separately. This presentation has been consistent for as long as I have been working on rate cases, which has been the prior three cases. And I specifically discussed the other cost and revenue changes upon which the revenue requirement in this case is based in my direct testimony, clearly calling out very large increases in rate base, etc. Those large rate base increases taken alone would of course have resulted in a large increase in revenue requirement. Since the Company is asking for a small rate decrease it's obvious the large reduction in net base energy costs offsets what would otherwise have been a rate increase. Put another way, in any revenue requirement, some costs can decrease and offset other costs that have increased. That is what happened here.

Q. What concern does Mr. Schallenberg raises regarding the TCJA customer credits.

A. Mr. Schallenberg states:

> Eliminating this credit will increase customers' bills, and consequently increase the Company's revenues.

Q. Is this correct?

A. No, it is not. The Company is not eliminating the credit that customers are receiving for the TCJA tax reduction. Instead what the Company is doing in this case is eliminating the separate credit *line item* on customer bills and rolling the credit amount into *base rates*. The reduction in the tax rate and the return of the excess deferred accumulated taxes will still be reflected on customers' bills just in base rates at the effective date of rates. Ameren Missouri witness Steve Wills addresses this mistake on Mr. Schallenberg's part in more detail in his rebuttal testimony.

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 Decrease Its Revenues for Electric Service.	)))	File No. ER-2019-0335

AFFIDAVIT OF LAURA M. MOORE

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

COMES NOW Laura M. Moore, and on her oath declares that she is of sound mind and lawful age; that she has prepared the foregoing *Rebuttal Testimony*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Laura M Moore
Laura M. Moore

Subscribed and sworn to before me this 21st day of January, 2020.

Geri A. Best
Notary Public

My commission expires:

GERI A. BEST
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: February 15, 2022
Commission Number: 14839811