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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2014-0258

REBUTTAL TESTIMONY

OF

LAURA M. MOORE

ON

BEHALF OF

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

**St. Louis, Missouri
January 2015**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LAURA M. MOORE**

4 **FILE NO. ER-2014-0258**

5 **I. INTRODUCTION**

6 **Q. Please state your name and business address.**

7 A. My name is Laura M. Moore. My business address is One Ameren Plaza,
8 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

10 A. I am employed by Union Electric Company d/b/a Ameren Missouri
11 (“Ameren Missouri” or “Company”) as Regulatory Accounting Manager.

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

14 A. Yes, I am.

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. The purpose of my rebuttal testimony is to address various issues
17 contained in the Staff Revenue Requirement Cost of Service Report (“Staff Report”), the
18 testimony of Office of the Public Counsel (“OPC”) witness Ted Robertson and the
19 testimony of Missouri Industrial Energy Consumers (“MIEC”) witness Greg Meyer.

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

21 A. Specifically, my rebuttal testimony addresses the following issues raised
22 by the Staff, OPC and MIEC: (1) the Staff’s proposed disallowance of Edison Electric
23 Institute (“EEI”) dues, dues for other environmental groups that assist the Company with

1 environmental compliance and other miscellaneous dues (Staff witness Kunst);
2 (2) property taxes (Staff witness Kunst); (3) lobbying expenses (Staff witness Wells);
3 (4) the proposed disallowance of snow removal costs (Staff witness Wells); (5) solar
4 rebate amortizations (Staff witness Cassidy and MIEC witness Meyer); (6) rate case
5 expense (Staff witness Sharpe); (7) storm cost normalization (Staff witness Boateng,
6 OPC witness Robertson and MIEC witness Meyer); (8) vegetation management and
7 infrastructure inspections base expenses (Staff witness Hanneken, OPC witness
8 Robertson and MIEC witness Meyer); (9) amortizations (Staff witness Cassidy, OPC
9 witness Robertson and MIEC witness Meyer), (10) the Department of Energy (“DOE”)
10 settlement (Staff witness Ferguson); (11) renewable energy credits (“REC”) in rate base;
11 (12) the new bill formatting costs (Staff witness Kunst), (13) payroll adjustments (Staff
12 witness Wells), (14) lease expense (Staff witness Wells) and (15) true-up items.

13 **II. EEI, ENVIRONMENTAL GROUPS AND OTHER**
14 **MISCELLANEOUS DUES**

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

18 A. First, Mr. Kunst notes that some (unidentified) part of EEI activity
19 necessarily includes lobbying, the costs of which Staff traditionally disallows. Next, he
20 cites two prior Commission rate orders where EEI membership dues were excluded (Case
21 Nos. ER-83-49 and EO-85-185). Since those cases were decided twenty-five years ago,
22 such dues have been excluded unless the utility could quantify the benefits of
23 membership. Mr. Kunst's disallowance implies he did not believe that there were any
24 benefits gained from the Company's EEI membership.

1 **Q. Is Mr. Kunst's disallowance of the entire amount of EEI dues**
2 **recorded in the Company's test year justifiable?**

3 A. No, it is not justifiable. Ameren Missouri is seeking to recover \$483,000
4 of the EEI dues it recorded in its test year. As to lobbying, Mr. Kunst failed to account
5 for the fact that Ameren Missouri already placed below-the-line \$134,000 worth of EEI
6 expenses that included EEI's lobbying costs, so those costs were never included by the
7 Company in its revenue requirement. Since no part of the \$483,000 of EEI dues recorded
8 in the test year by the Company relates to lobbying costs, no part of that amount should
9 be disallowed for that reason.

10 As to non-lobbying membership costs, even one of the cases cited by Mr. Kunst
11 explicitly states non-lobbying costs may be recoverable, depending upon the benefits that
12 accrue to ratepayers and shareholders through the Company's EEI membership.¹
13 Mr. Kunst's blanket disallowance was not justified because it failed to take into
14 consideration whether the Company's EEI membership confers such benefits.

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

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

¹ 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).

1 **Q. Can you provide some examples?**

2 A. Yes. Information technology presents both opportunities and security
3 challenges for the Company, as well as for the entire utility industry. The EEI Cyber
4 Security Working Group helps members identify and address emerging threats and utility
5 vulnerabilities. In addition, when the group meets, members who have experienced
6 particular cyber security problems share their experiences and the solutions so other
7 members can learn how to prevent those problems from happening to their companies, or
8 if the problems do occur, they can learn how to efficiently implement proven solutions.
9 EEI also works with members and various Congressional committees to craft legislation
10 to address cyber-attacks against the electric power grid. EEI members also collaborate on
11 current technology-related issues in the industry, such as pandemic planning, NERC²
12 Critical Infrastructure Protection (“CIP”) Compliance, Smart Grid deployment and
13 Phasor Measurement Units/SynchroPhasor (“NASPI”). Another example would be
14 government regulation. To remain in compliance with governmental regulations,
15 Ameren Missouri needs as much information and advance notice as possible about
16 changes to those regulations and about how those changes may impact its business. EEI
17 presents expert speakers who share their insights on governmental policy and future
18 regulations. EEI also provides its members updates on federal and state actions. Both of
19 these services help the Company be proactive with respect to regulatory compliance,
20 enabling it to plan in advance to implement required changes, which helps us avoid
21 financial or other penalties for noncompliance. It also helps us to mitigate regulatory
22 impacts that might otherwise affect our ability to provide service to our customers. All of

1 the above help us operate with lower costs and more efficiently than if we had to gather
2 all the information and experience, and incur all the related costs, on our own.

3 **Q. Are there other benefits from EEI membership?**

4 A. Yes there are. In addition to the information technology and regulatory
5 benefits described above, I have attempted to categorize below a number of additional
6 benefits provided by EEI.

7 ***Industry News***

8 Company personnel require up-to-date understanding of issues affecting the
9 electric utility industry. But it would be costly and time-consuming for Company
10 personnel to continually locate, gather and review every relevant publication to obtain
11 that information for ourselves. EEI provides its members a news clipping service that
12 does that for us.

13 ***Controller/Accounting***

14 Ameren Missouri must produce accurate financial statements in order for the
15 Commission to properly set rates, in order for the Company to procure the capital
16 necessary for investment and operations, and in order to comply with federal and state
17 financial reporting requirements. EEI sponsors educational forums that help Ameren
18 Missouri's Controller and accounting staff maintain utility-specific accounting skills. EEI
19 committees also share information related to utility-specific accounting topics, which
20 assure we are properly thinking about and accounting for utility-specific issues. EEI also
21 coordinates utility industry comments to accounting standard setters on potential new

² North American Electric Reliability Corporation, is the entity to which the Federal Energy Regulatory Commission has delegated authority over transmission reliability standards and requirements.

1 accounting standards, thereby eliminating the need for Ameren Missouri to devote its
2 own staff and resources to responding on an individual company basis. EEI is still
3 working to insure a standard on rate-regulated accounting will be maintained in the event
4 International Financial Reporting Standards (“IFRS”) must be adopted. In addition, EEI
5 meets regularly with the Financial Accounting Standards Board and the Securities and
6 Exchange Commission to discuss industry accounting issues, which helps those bodies
7 better understand the utility industry issues. Those meetings also help the utility industry
8 better understand the agencies' viewpoints, which helps produce more accurate and better
9 quality financial reporting.

10 ***Treasury***

11 EEI also coordinates forums for interaction with utility investors. These forums
12 give the Company an opportunity to meet with multiple investors and potential investors,
13 which is more efficient from both a time and cost perspectives than making multiple trips
14 or implementing other methods to locate investors.

15 ***Energy Efficiency***

16 Ameren Missouri utilizes the services of EEI’s Institute for Energy Efficiency
17 (“IEE”) on a regular basis. IEE was created in 2008 to focus on accelerating the electric
18 power industry’s energy efficiency efforts and increasing the industry’s associated
19 investments. IEE works with the electric utility industry, regulators, policymakers and
20 other stakeholders to advance demand-side solutions for energy management including
21 energy efficiency, demand response, distributed power, and customer-focused
22 technologies. IEE resources were invaluable to Ameren Missouri in creating its Missouri
23 Energy Efficiency Investment Act filing. IEE provided Ameren Missouri detail on every

1 state's Demand Side Management cost recovery regulatory framework, which Ameren
2 Missouri reviewed and utilized in the development of its proposed Demand Side
3 Investment Mechanism.

4 ***Environmental***

5 Ameren Missouri remains concerned about environmental regulations that would
6 greatly increase the Company's capital investment, operating costs, resource planning and
7 rates, including the regulation of coal ash and other coal combustion byproducts as
8 hazardous waste, one-size-fits-all cooling tower requirements, and carbon regulation of
9 existing coal and gas fired power plants. EEI initiated efforts to urge the U.S.
10 Environmental Protection Agency (“EPA”) to regulate coal ash and other coal
11 combustion byproducts as non-hazardous waste, and continues to work in partnership
12 with the Utility Solid Waste Activities Group (“USWAG”) (which I discuss below) for
13 an appropriate regulatory construct for coal ash. In addition, EEI initiated a campaign to
14 avoid one-size-fits-all cooling tower requirement. The final rule regarding cooling
15 towers was issued this year and EPA has allowed each state to use its discretion in setting
16 compliance requirements. This concession by the EPA was largely the result of the
17 industry position developed through EEI. EEI is currently working to develop an
18 industry response to the recently proposed carbon regulations for existing coal and gas
19 fired power plants.

20 ***Physical Security/Emergency Response***

21 Ameren Missouri has a responsibility to work to protect its facilities, and respond
22 to emergencies related to its critical assets. EEI is leading the industry’s efforts on
23 developing physical security standards for protecting critical assets from attack. EEI was

1 asked by the Department of Homeland Security to coordinate the Spare Transformer
2 Equipment Program ("STEP"), and has worked to expand membership in the program.
3 Through STEP, a member utility may make a spare transformer available in short order
4 to another member utility that has lost a transformer due to an act of terrorism. EEI also
5 sponsors a Mutual Assistance Conference twice a year where utilities discuss issues,
6 concerns, experiences and processes required during emergency response. EEI has taken
7 a supporting role in the National Response Event ("NRE") that has been in development
8 since Super Storm Sandy. EEI is involved in the Electricity Subsector Coordinating
9 Council ("ESCC"), which is coordinating with federal and state government on planning,
10 preparedness, resilience, and recovery issues affecting the electric grid.

11 ***Energy Delivery***

12 EEI sponsors the Transmission, Distribution and Metering Conference held twice
13 annually. This conference allows utility members to share experiences and gain insights
14 into the latest technology. This type of peer-to-peer sharing of information and lessons-
15 learned is beneficial to everyone and should be encouraged by the Commission.

16 ***Regulatory/Rates***

17 EEI continues to advocate that distributed generation and net energy metering
18 policies end cost-shifting and ensure all electricity customers who use the grid share
19 equitably in the costs of maintaining it. Among their efforts, EEI directly engaged with
20 state commissions, policy makers, consumer advocates, and other key stakeholders,
21 directly engaged the media to ensure balanced public conversation, conducted a series of
22 summits through the Critical Consumer Issues Forum, forged an agreement with the
23 Natural Resources Defense Council that emphasizes the value of the grid and the need for

1 new rate designs supporting distributed generation, hosted monthly webinars to educate
2 member company staff and involved third-party experts in state proceedings, forums,
3 policy conversations and media.

4 ***Assistance***

5 EEI continues to advocate for increased Low-Income Home Energy Assistance
6 Program ("LIHEAP") funding. Congress's FY 2015 Consolidated Appropriations Act
7 included 20% more funding for LIHEAP than the President's budget proposal. This is a
8 direct benefit to customers, especially to those low-income customers who qualify for
9 this assistance.

10 ***Transmission***

11 EEI worked closely with NERC to streamline the process for addressing minor
12 reliability violations that do not pose a threat to bulk power reliability, which will free up
13 Company resources to focus on more important reliability matters. EEI remains involved
14 in the review of the Federal Energy Regulatory Commission's final Order 1000 rule on
15 transmission planning and cost allocation.

16 ***OSHA***

17 EEI worked with the Occupational Safety and Health Administration ("OSHA")
18 to develop final safety standard amendments governing the electric utility industry's
19 operations, maintenance, and construction activities. EEI continues to work with OSHA,
20 member companies and unions to limit adverse impacts of OSHA regulations on the
21 industry and obtain clarification in key areas.

1 **SEC**

2 EEI has developed an online compliance training module that Ameren Missouri
3 uses to help ensure compliance with the SEC's anti-market manipulation rules.

4 **Q. In sum, why should the Commission allow Ameren Missouri to**
5 **recover \$483,000 of its EEI dues through the Company's rates?**

6 A. The Commission should allow recovery of the non-lobbying portion of the
7 Company's EEI dues because, while it is not possible to quantify a dollar benefit of any
8 one of the above items, it is clear that EEI membership provides very substantial benefits
9 to Ameren Missouri's customers. These benefits greatly exceed the EEI membership
10 fees requested in this case.

11 **Q. Are there other disallowances that Staff Witness Kunst has proposed**
12 **related to miscellaneous dues?**

13 A. Yes. Beyond the amount of EEI membership dues, Staff Witness Kunst
14 proposed an additional \$757,000 in disallowances.

15 **Q. To what do these additional disallowances relate?**

16 A. Staff proposed to disallow approximately \$500,000 in membership dues
17 related to various environmental groups that provide assistance to the Company in its
18 many environmental compliance efforts, as well as the cost of the Company's
19 membership in the American Nuclear Society ("ANS"), which provides similar support
20 for the Company's operations at the Callaway Energy Center. Staff also disallowed
21 membership dues related to the Company's gas operations, even though the Company did
22 not include those dues in its revenue requirement in this case. In addition, Staff made
23 incorrect annualization adjustments and disallowed the amount of those adjustments.

1 Staff also disallowed the cost of Company office space in Washington, D.C. Finally,
2 Staff proposed disallowance of certain Illinois-related professional dues and license fees
3 for Company accountants, engineers and lawyers.

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

6 A. Mr. Kunst states on page 106, line 30, and page 107, lines 1-2, of the Staff
7 Report that “Staff disallowed these dues and donations because they were not necessary
8 for the provision of safe and adequate service and thus provide no direct benefits to
9 ratepayers.”

10 **Q. Do you agree with the Staff’s disallowance of these dues and/or**
11 **donations?**

12 A. No, I do not. Of course, without an explanation as to why Mr. Kunst does
13 not believe them to be necessary, it is difficult to understand the basis for his
14 recommendation.

15 **Q. Why do you disagree with Staff witness Kunst's recommended**
16 **disallowances of memberships in some environmental groups?**

17 A. Mr. Kunst states in his workpapers that \$500,000 for membership in these
18 groups is disallowed because the primary objective of these groups is environmental
19 regulation advocacy. The groups for which Mr. Kunst proposes disallowances include
20 the Utility Water Act Group, the Utility Air Regulatory Group, the United Solid Waste
21 Activities Group and the Midwest Ozone Group. Since Ameren Missouri customers
22 benefit from membership in these groups, I do not agree with these disallowances.

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

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

5 *Utility Water Act Group (“UWAG”)*

6 The Company's customers (and the Company) undoubtedly have an interest in
7 protecting the environment and public health, while at the same time expecting a cost-
8 effective and reliable electric power supply. Moreover, the Company is required to
9 comply with numerous water quality regulations, most notably those arising under the
10 federal Clean Water Act (“CWA”). UWAG is a voluntary, ad hoc, non-profit,
11 unincorporated group of individual electric power generation and/or transmission and
12 distribution companies and three national industry trade associations – the EEI, the
13 National Rural Electric Cooperative Association (“NRECA”), and the American Public
14 Power Association (“APPA”) –that works to advance these goals on behalf of its
15 members and their customers.

16 UWAG tracks and advises its members about all stages of key federal
17 rulemakings and litigation involving the EPA and the United States Army Corps of
18 Engineers (“USACE”), relating to the CWA. UWAG fosters constructive working
19 relationships with these and other agencies and departments, industry trade associations,
20 and advocacy groups. UWAG provides the Company and other members with legal,
21 factual, technical, and policy comments on proposed regulations and emerging issues.
22 Key areas of importance to the Company that UWAG focuses on include: CWA section
23 316(a) and 316(b) cooling water system regulations and state implementation; “waters of

1 the US” interpretation and rulemakings; EPA, USACE and state permitting programs;
2 stormwater and non-point source water management and permitting; water quality
3 standards including steam electric effluent guideline limitations; and water quality
4 analytical methods. UWAG also provides members education on emerging
5 environmental issues.

6 UWAG membership enables the Company to understand water-related
7 environmental issues and interpret and comply with environmental laws and regulations
8 in a manner consistent with the protection of the environment and public health and the
9 delivery of cost-effective, reliable electric power, a balance which is beneficial to the
10 Company's customers. UWAG membership dues permit the Company to share with
11 other UWAG members the costs of obtaining this expertise instead of requiring each of
12 the members to bear the costs of such expertise entirely on its own.

13 ***Utility Air Regulatory Group (“UARG”)***

14 Similar to the water quality issues referenced above, the Company's customers
15 (and the Company) also have an interest in air quality issues that must be balanced
16 against their expectation of a cost-effective and reliable power supply. Unreasonable or
17 poorly written monitoring, reporting, and other compliance requirements can impose
18 unnecessary costs and burdens on utilities, which can translate into increased rates for
19 customers. To try to ensure any adopted rules are based on the best available science,
20 UARG files detailed comments on regulatory proposals and meets with EPA policy
21 makers and others in the government to discuss issues of importance to the industry.
22 UARG has been instrumental in convincing the EPA to adopt rules only as stringent as

1 necessary to protect public health and welfare, and to ensure those rules are based on the
2 best available science.

3 UARG also tracks and advises its members about all stages of key federal and
4 multi-state air quality rulemakings and litigation. This timely information assists
5 members in permitting and interpretation of regulations, as well as in working with their
6 states to implement major EPA initiatives under the federal Clean Air Act ("CAA").
7 UARG works to ensure that new regulations are written and implemented in a reasonable
8 and cost-effective manner. Key issues of importance to the Company and its customers
9 that UARG is involved with include: implementation of the CAA's Interstate Pollution
10 Transport Provisions including the Clean Air Interstate Rule ("CAIR") and the Cross
11 State Air Pollution Rule ("CASPR"); proceedings addressing implementation of National
12 Ambient Air Quality Standards ("NAAQS"), including fine particulate (PM_{2.5}), ozone,
13 nitrogen oxides, and sulfur dioxide; EPA proceedings to evaluate controls for hazardous
14 air pollutant ("HAP") emissions from coal- and oil-fired electric generating units
15 ("EGUs"); and improvement of the EPA's monitoring and reporting rules and policies
16 that EGU owners must use to show compliance under rules such as the Acid Rain
17 Program, NO_x Budget Program, CAIR, CSAPR and the Mandatory Greenhouse Gas
18 ("GHG") Reporting Rule; interpretation and implementation of the CAA Title V
19 operating permit.

20 Similar to UWAG membership, by paying dues to UARG and thereby pooling its
21 resources with other UARG members, the Company is able, in a cost-effective way, to
22 promote the adoption of rational, cost-effective air quality statutes and regulations, and to
23 remain compliant with air quality-related statutes and regulations.

1 ***Utility Solid Waste Activity Group (“USWAG”)***

2 The Company and its customers also have an interest in addressing utility wastes,
3 byproducts and materials in a manner that is based on sound science, protects human
4 health and the environment and is flexible and cost-effective. USWAG, an association of
5 approximately 110 utility operating companies and energy/utility trade associations,
6 works on behalf of its members to achieve these goals. USWAG tracks and advises its
7 members on all stages of key federal waste management rulemakings and litigation,
8 under the Resource Conservation and Recovery Act, the Comprehensive Environmental
9 Response, Compensation, and Liability Act, the Toxic Substances Control Act, the
10 Hazardous Materials Transportation Act, and other related statutes. USWAG provides
11 the government facts on utility wastes and byproduct management. USWAG is also
12 actively involved in the formation of public policy related to: pollution prevention and
13 waste minimization; recycling and beneficial use of secondary and recovered materials;
14 solid and hazardous waste management; assessment and remediation of contaminated
15 sites; management of petroleum and other substances in tanks, containers, and
16 equipment; regulation of chemicals and toxic substances, and transportation of hazardous
17 materials.

18 Information USWAG provides helps the Company: identify potential issues
19 relating to utility waste management; develop positions and plans to address existing and
20 emerging waste issues; evaluate waste management options; and comply with federal
21 waste management laws and regulations. The information and assistance USWAG
22 provides to the Company undoubtedly benefit its customers, and benefits them in a cost-
23 effective and efficient way.

1 ***Midwest Ozone Group ("MOG")***

2 MOG is an affiliation of companies, trade organizations, and associations in the
3 electric utility industry that work collectively to advance their common objective of
4 developing a legally and technically sound national ambient air quality program. MOG
5 works to encourage policy makers to use sound science, and appropriately assess the data
6 and information required to accurately evaluate emission control strategies. MOG tracks
7 developments in rulemaking and litigation related to the EPA's New Source Review
8 regulations and provides its members with in-depth analysis of these developments.

9 The benefits the Company's MOG membership confers on the Company's
10 customers, with respect to ambient air quality issues and applicable statutes and
11 regulations, are similar to those noted above for the other environmental groups to which
12 the Company pays dues—membership provides the Company access to legal and
13 technical resources with expertise in air quality, that function as an extension of the
14 Company's staff, but at much less expense than if the Company acquired the resources
15 independently.

16 In summary, all of these environmental groups I just described do together what
17 the Company could not do alone, at least not without incurring far greater costs than the
18 costs involved in the dues that we pay. It is also unlikely that the Company could be as
19 effective in efforts to balance environmental compliance with the costs of that
20 compliance to our customers if we were to work on these issues alone.

1 **Q. Another disallowance you discuss is related to gas memberships. Do**
2 **you agree with that disallowance?**

3 A. No. There should be no disallowance (which, as calculated by Staff
4 reduces our revenue requirement), because Ameren Missouri did not include any gas-
5 related costs in the revenue requirement that was filed. Since the approximately
6 \$127,000 adjustment is designed by Staff to remove something from our revenue
7 requirement, it is entirely inappropriate since that sum was not included in the first place.

8 **Q. You also mention a proposed disallowance related to incorrect**
9 **annualization adjustments. Please explain.**

10 A. Staff witness Kunst proposed a disallowance of approximately \$10,000
11 related to two invoices for 2014 dues. The related purchase orders for these two invoices
12 were for a three year period, but the amount paid and included in the Company's revenue
13 requirement was for 2014 only. Consequently, there is nothing to annualize. There was
14 another error in an annualization adjustment of approximately \$59,000 for membership in
15 the National Electric Energy Testing Research & Applications Center for April 2013
16 through March 2014. The payment made was for an annual membership, so no
17 annualization adjustment was necessary. Instead of annualizing the membership fee, as
18 intended, Staff mistakenly disallowed the entire amount.

19 **Q. There was also a proposed disallowance of approximately \$56,000 for**
20 **the rental of office space in Washington, D.C. Do you agree with this adjustment?**

21 A. No. Ameren Services Company ("AMS"), which provides various
22 corporate support services to Ameren Missouri and its affiliates, has an office in
23 Washington, D.C., for its Federal Regulatory and Legislative Affairs department. AMS

1 charges 50% of the office rental expense below-the-line to account for lobbying
2 activities, so only 50% of total expenses allocated to Ameren Missouri associated with
3 that office (i.e. the portion not related to lobbying) are included in Ameren Missouri's
4 revenue requirement. This is appropriate because the employees in that office do not
5 spend all of their time on lobbying. Their time is also spent serving as Ameren
6 Missouri's liaison with FERC, coordinating and attending meetings with FERC
7 Commissioners and FERC Staff and serving as the first line of support to Ameren
8 Missouri in communications, information gathering, research, and advice on FERC
9 policies and procedures, and providing guidance and oversight on all filings submitted by
10 Ameren Missouri at FERC. In addition, these employees provide assistance to the
11 Company in terms of representation, attendance and reporting on FERC meetings,
12 conferences, and other meetings which involve Ameren Missouri proceedings or the
13 proceedings of other companies in which Ameren Missouri is a party. These employees
14 also provide a monitoring service, informing the appropriate individuals in the Company
15 about FERC orders, policies and proceedings that may have an impact on the Company's
16 business. They help prepare Ameren Missouri FERC filings, verify Ameren Missouri's
17 tariff in FERC's database, and coordinate and provide assistance to outside legal counsel
18 on behalf of Ameren Missouri's representation at FERC.

19 In addition, Ameren Service's Vice President for Federal Regulatory and
20 Legislative Affairs (whose main office is the DC office) also serves as the Chief
21 Compliance Officer for the FERC Standards of Conduct, is responsible for and oversees
22 our NERC and FERC compliance programs, and is the senior representative directly
23 coordinating all responses to FERC audits or other investigations.

1 As the Commission knows, Ameren Missouri, while subject to the Commission's
2 jurisdiction in relation to its retail service, is also subject to FERC's jurisdiction in
3 relation to the operation of its large transmission system, its regional transmission
4 organization activities, and therefore must comply with numerous FERC regulations and
5 reporting requirements. All of these activities must be performed in order to provide
6 service, including the retail service this Commission regulates. The cost of this office is a
7 necessary and appropriate business expenses that should be reflected in our revenue
8 requirement.

9 **Q. Do you agree with the proposed Staff disallowance regarding out of**
10 **state professional dues and license fees?**

11 A. No, I do not. Staff witness Kunst has proposed a disallowance of
12 approximately \$7,000 related to these memberships and fees. What Mr. Kunst overlooks
13 is that Ameren Missouri and Ameren Services have employees who live in Illinois and
14 have memberships and licenses in that state. Ameren Missouri also has several
15 generating facilities in Illinois and engineers who work at those facilities.

16 **Q. The last disallowance discussed above was related to a corporate**
17 **membership to the American Nuclear Society. Please explain.**

18 A. Ameren Missouri has a corporate membership to the American Nuclear
19 Society, with annual membership fees of approximately \$5,000. Staff witness Kunst
20 proposed to disallow this amount because Ameren Missouri also pays for a few
21 employees to join this group individually. The benefits attributable to the Company's
22 membership are the ability to share information and research, and to share in developing
23 standards, publications and meetings with others in the industry. Individuals that join the

1 organization also receive publications, as well as an annual suppliers listing with vendors
2 that do special nuclear work. They also attend annual meetings and participate in
3 information sharing.

4 **III. PROPERTY TAXES**

5 **Q. Did Staff propose an adjustment for property taxes in the Staff**
6 **Report?**

7 A. Staff is proposing to use the 2013 property tax amounts but also stated that
8 it will continue to review this issue through true-up.

9 **Q. Does the Company disagree with the property tax adjustment**
10 **proposed by Staff witness Kunst?**

11 A. The Company does not disagree with the Staff adjustment as long as the
12 property tax amounts are true-up to the 2014 property tax expense in the Company's
13 true-up filing.

14 **IV. LOBBYING ADJUSTMENT TO LABOR**

15 **Q. Staff witness Wells made an adjustment to payroll expense for**
16 **executives' time related to lobbying activities. Does the Company agree with this**
17 **adjustment?**

18 A. No. The Company charges time related to lobbying expenses below-the-
19 line, so these amounts are already excluded from the Company's revenue requirement.
20 Staff witness Wells assigned a portion of certain executives' time to lobbying expenses.
21 The Company disagrees with those amounts because it proposes to eliminate some
22 expense not included in the proposed revenue requirement in the first place. The
23 Company believes it has charged and continues to charge the proper amount to lobbying
24 so no adjustment is needed.

1 For example, Staff witness Wells allocated 50% of Warren Wood's (Vice
2 President, External Affairs & Communications, Ameren Missouri) time to lobbying and
3 10% of the time of Warner Baxter (Chairman, President & CEO, Ameren), Michael
4 Moehn (President & CEO, Ameren Missouri), Martin Lyons (Executive Vice President &
5 Chief Financial Officer, Ameren) and Lynn Barnes (Vice President, Business Planning &
6 Controller, Ameren Missouri) to lobbying. However, Mr. Wood already allocates 40% of
7 his time to lobbying, which is booked below-the-line, so only 60% of his time is included
8 in the Company's revenue requirement. There was a similar adjustment to Mr. Moehn's
9 salary. Mr. Moehn already has 8% of his salary allocated to lobbying activities, which
10 already was excluded from the revenue requirement. Since Mr. Wood and Mr. Moehn
11 already have the appropriate amount of time allocated to lobbying, disallowing an
12 additional amount of their time is inappropriate.

13 While Mr. Baxter, Mr. Lyons and Ms. Barnes do not have a set allocation of their
14 time to lobbying (because their time on this activity is very minimal), if they do engage in
15 lobbying they charge their time on a direct assignment basis. Since directly-assigned
16 lobbying charges are already excluded from our revenue requirement, disallowing part of
17 their time is inappropriate.

18 **V. SNOW REMOVAL COSTS**

19 **Q. Staff witness Wells is proposing an adjustment to normalize snow**
20 **removal costs. Do you agree with this adjustment?**

21 A. The Company does not disagree with the adjustment in concept, but has a
22 difference in the amount of the adjustment. Staff witness Wells has proposed an
23 adjustment of approximately \$330,000. After a review of this adjustment, it was
24 determined that Staff's adjustment excluded an account in one period, likely a simple

1 oversight. The Company has calculated a corrected adjustment of approximately
2 \$322,000.

3 **VI. SOLAR REBATE AMORTIZATIONS**

4 **Q. Did Staff propose any adjustments to the solar rebate amortizations?**

5 A. Yes, Staff witness Cassidy proposed to adjust the amortizations for the
6 amounts spent through October 31, 2014. He also states that Staff will continue to
7 monitor the solar rebate spending through the true-up period to determine if any other
8 adjustments are needed. The Company does not disagree in principle with Mr. Cassidy's
9 adjustment, assuming an adjustment is made for actual amounts spent through
10 December 31, 2014, consistent with the true-up period in this case.

11 **Q. Do any other parties propose adjustments to the solar rebate**
12 **amortizations?**

13 A. Yes, MIEC witness Meyer proposes an adjustment to remove the solar
14 rebate amortization. Mr. Meyer states that Ameren Missouri should not recover these
15 costs since the earnings from retail rates covered the entire amount of solar rebate
16 expenses during the period when those rebate costs were incurred.

17 **Q. Do you agree with Mr. Meyer's adjustment?**

18 A. No, recovery of the solar rebates was agreed to as part of the Stipulation
19 and Agreement in File No. ET-2014-0085 (Rebate Stipulation.) The Rebate Stipulation
20 was specific as to how and when the solar rebate expenditures would be recovered.
21 MIEC was party to the Rebate Stipulation, and as such is bound by its terms and cannot
22 propose to treat those expenditures in any other manner. The Rebate Stipulation was
23 specific about what challenge a signatory could or could not bring in a rate case: "The
24 Signatories agree not to object to Ameren Missouri's recovery in retail rates of prudently

1 paid solar rebates and the additional amount provided for above.”³ Further, the sentence
2 quoted above was footnoted, which read as follows:

3 Given the Signatories' agreement that the specified amount
4 should be paid, the only questions in future general rate
5 proceedings regarding the recovery of solar rebate
6 payments is whether the claimed solar rebate payments
7 have been made and whether they were prudently paid
8 under the Commission's RES rules and Ameren Missouri's
9 tariff. "Prudently paid" relates only to whether Ameren
10 Missouri paid the proper amount due to an applicant for a
11 rebate, paid it to the proper person or entity, and paid it in
12 accordance with the Commission's RES rules and Ameren
13 Missouri's tariffs.⁴

14 In addition, as explained in the rebuttal testimony of Ameren Missouri witness
15 John Reed, it is inappropriate to discontinue an agreed-upon and Commission-approved
16 amortization based on a utility's earnings during one specific historic period.

17 **VII. RATE CASE EXPENSES**

18 **Q. Staff Witness Sarah Sharpe has proposed an adjustment for rate case**
19 **expenses. What does her adjustment include?**

20 A. Ms. Sharpe is proposing an adjustment to rate case expenses that basically
21 has three parts. First, Staff is adjusting rate case expenses to normalize them over
22 18 months. The second part of the adjustment is to normalize the expenses related to a
23 study of AMS expense allocations. Staff is proposing a five-year normalization for these
24 costs. Last, Staff has proposed a disallowance of consulting costs for performing a cash
25 working capital (“CWC”) lead-lag study. At this time, Staff recommends the overall rate
26 case expense allowed in this case be set equal to \$796,000, provided however, that Staff
27 will update this number throughout the case but no later than 2 weeks after the filing of

³ File No. ET-2014-0085, Non-Unanimous Stipulation and Agreement, November 8, 2013, p. 6.

1 reply/true-up briefs. Staff's Revenue Requirement Cost of Service Report, dated
2 December 5, 2015 (Report), states as follows: "Staff proposes this adjustment with the
3 intention of updating Ameren's total rate case expense throughout the remainder of this
4 case's proceedings through and up to two weeks after the filing of reply/true-up briefs in
5 this case." (p. 105)

6 As I explain in further detail below, I anticipate that \$796,000 will be insufficient
7 recovery of rate case expense in light of actual prudently incurred costs to prosecute this
8 case. The Company has already spent approximately \$741,000 to date⁵ on this case.

9 **Q. Do you agree with all three parts of Staff's adjustment to Rate Case**
10 **expense?**

11 A. Not entirely. While I agree that trueing-up the rate case expense is
12 appropriate, and that an 18-month normalization period is acceptable, I disagree with
13 Staff's other adjustments as cited in its Cost of Service Report.

14 **Q. Please respond to Staff's proposal to normalize rate case expense over**
15 **an 18-month period.**

16 A. The Company agrees with Staff's normalization period of 18 months for
17 rate case expenses, provided it is noted the Company may seek a different period in
18 future cases as the conditions affecting the interval of rate case filings change.

19 **Q. Do you believe it is appropriate to normalize the costs of the AMS**
20 **study over a 5-year period?**

21 A. No, I do not. These costs are not for the AMS Study that was performed
22 to review costs after the divestiture of AER. Instead, these costs were incurred for a

⁴ *Id.*

1 study that is required for *this* rate case. The invoices the Company included in rate case
2 expense are related to the direct testimony of Ameren Missouri witness Mr. Michael J.
3 Adams. Mr. Adams prepared direct testimony in support of AMS costs that were
4 allocated to Ameren Missouri. The AMS study that Staff's adjustment is based on was
5 done in 2013, and the costs of that study were not included in the Company's rate case
6 expenses. The Company is required to provide evidence in support of expenses in its rate
7 cases, and in every rate case there are special circumstances requiring specific testimony.
8 AMS allocations are a relevant consideration in this case and the testimony was
9 appropriate. Additionally, Staff has sought responses to data requests in the course of its
10 cost of service audit. Given the study that was conducted in 2013, the Company was
11 required to answer those data requests. The testimony offered by Mr. Adams provided
12 information that would likely have been solicited anyway, and thus provided an advance
13 disclosure of information pertinent to Staff's cost of service audit. The testimony and
14 responsive answers to discovery will assist the Commission in setting accurate rates, and
15 thus are appropriate.

16 **Q. What is Staff's explanation for disallowing consulting costs for a Cash**
17 **Working Capital ("CWC") lead-lag study?**

18 A. Staff states these costs should be disallowed because Ameren Missouri
19 already possesses the regulatory experience, knowledge, and resources to handle
20 in-house, and without the assistance of an outside consultant. Staff's suggestion is this is
21 work that an entry level accountant should do.

⁵ This amount is through year end December 31, 2014.

1 **Q. Does the Company agree with the proposed disallowance of consulting**
2 **costs for a CWC lead-lag study?**

3 A. No. It is reasonable and necessary to use outside consultants who have a
4 particular expertise to assist with certain issues requiring significant additional time and
5 specialization. In Ameren Missouri's last rate case, the Commission recognized that it
6 may be necessary to retain outside experts and consultants where specialized skills are
7 required, holding as follows:

8 The testimony of Mr. Hevert on cost of capital, whose fees
9 Public Counsel would also disallow, is a good illustration
10 of why Ameren Missouri is sometimes justified in hiring
11 outside expert witnesses. As indicated elsewhere in this
12 report and order, the determination of an appropriate return
13 on equity is a very difficult matter that requires a great deal
14 of skill and expertise. There are Ameren employees who
15 understand cost of capital questions, but they are engaged
16 full-time in managing the capital needs of the company. It
17 is unreasonable to expect that Ameren Missouri should be
18 precluded from recovering the cost of hiring an appropriate
19 return on equity expert to counter the experts engaged by
20 the other parties to the case. (Order dated December 12,
21 2012, Case No. ER-2012-0166, p. 40)

22 With respect to the issue of CWC in the present case, the situation is no different.
23 The Company acknowledges that its employees are competent in many areas, and that, in
24 theory, an individual employee could be reassigned to include CWC analytics as part of
25 that employee's routine function. It is important to remember, however, that these
26 employees have duties far broader than supporting the Company's rate increase requests.
27 Moreover, their testimony is often Company-specific and not necessarily based upon an
28 expertise that is industry-wide on an issue such as this one. In addition, it is not clear that
29 taking the CWC analysis in-house would result in cost savings. If one or more
30 employees were assigned to perform the required CWC analysis and provide testimony

1 supporting that analysis, the Company would be required to hire one or more additional
2 employees to perform the job duties of the employees now assigned to CWC.

3 **Q. Could Ameren Missouri's Regulatory Accounting Department, as**
4 **presently staffed, prepare the CWC study?**

5 A. No. To prepare for this case, Ameren Missouri's Regulatory Accounting
6 Department worked full time to prepare a revenue requirement without a CWC study, and
7 does not have the capability to undertake such a task with existing resources.

8 **Q. What kind of resources would have been required to take the CWC**
9 **lead-lag study in-house in this case?**

10 A. The cost to conduct the CWC study is not the only cost the Company
11 would incur if it brought that function in-house. In addition to the CWC study, one or
12 more in-house employees would be required to prepare and file testimony and to respond
13 to data requests submitted by other parties to the case. Contractors from Concentric
14 Energy Advisors ("CEA") spent 188 hours performing the calculations and advising
15 Ameren Missouri with respect to the lead-lag study, and provided an additional
16 96.5 hours providing support after direct testimony was filed. It also should be noted
17 that, in an attempt to control rate case expense, CEA did not perform a full lead-lag study
18 in this case. Instead, it updated the inputs to a CWC model that CEA developed from
19 prior Ameren Missouri rate cases. To prepare a full lead-lag study, CEA estimates it
20 would take 300 hours to prepare the study, and additional hours to assist with support,
21 such as responding to data requests.

1 **Q. Could Ameren Missouri update the model that CEA provided?**

2 A. As noted above, the Company could update the CEA study, but Company
3 personnel would be required to undertake at least 188 hours of professional labor time to
4 do so, and would then be required to provide approximately 100 additional hours to
5 support the study results in discovery and testimony. In reality, it would likely take
6 longer due to the time necessary to become familiar with the operation and inputs of the
7 CEA model. In addition, the model is work product that belongs to CEA, an independent
8 contractor. Therefore, Ameren Missouri would either have to acquire the model, get a
9 license to use it, or develop its own model in-house. Any of these options would add to
10 the cost of performing CWC analysis in-house. As noted above, conducting a full CWC
11 study internally would take at least 300 hours of professional time, not including the
12 required support that would likely include testimony and data request analysis. Given the
13 internal resources available, and CEA's expertise in this area, Ameren Missouri believes
14 it was the most efficient and cost effective option to hire CEA to update its model for the
15 purposes of this case.

16 **Q. Earlier you indicated that you expect the level of rate case expense**
17 **currently estimated by Staff will be insufficient. Please explain your basis for that**
18 **assessment.**

19 A. The Company expects it will be required to spend more litigating this
20 present case than it has spent litigating past cases, due to the number and complexity of
21 contested issues in this case, including the issues raised by Noranda Aluminum, Inc
22 ("Noranda"). Responding to these issues will require resources and time on the part of
23 Ameren Missouri and the attorneys and experts the Company has hired to assist it. Based

1 on the considerations I just mentioned, I anticipate that the Company will incur rate case
2 expenses that are greater than it has incurred to litigate past cases. My assessment is
3 based upon expert witness estimates, and Ameren Missouri's recent experience in
4 litigating the Noranda complaint dockets. As of year-end 2014, the Company has spent
5 approximately \$741,000, which is nearly equal to Staff's 18-month normalized value (as
6 presently estimated). With respect to updating the costs to reflect actual expenses
7 incurred through the end of the case, Staff's recommendation will provide an accurate
8 assessment of expenses, when compared to estimates, and accordingly should be adopted.

9 **VIII. STORM COST NORMALIZATION**

10 **Q. What amount does the Company currently have included in base**
11 **rates?**

12 A. Currently, Ameren Missouri has \$6,800,000 included in base rates for
13 normalized storm costs based File No. ER-2012-0166.

14 **Q. What have the other parties in this case proposed for storm costs in**
15 **base rates?**

16 A. Staff witness Boateng has proposed a normalization period of 60 months
17 ending September 30, 2014, being reviewed through December 31, 2014. This results in
18 a normalized storm cost expense of approximately \$4,600,000.

19 MIEC witness Meyer has proposed a normalization period of 72 months. This
20 results in an annualized storm cost expense of approximately \$5,800,000.

21 OPC witness Robertson has recommended normalized storm costs of
22 approximately \$5,900,000 based on an 84-month period.

1 **Q. What does Ameren Missouri propose to use for storm costs?**

2 A. Ameren Missouri proposes storm costs of approximately \$4,600,000 based
3 on a 60-month normalization period.

4 **Q. Why has Ameren Missouri proposed the 60-month normalization**
5 **period?**

6 A. A 60-month normalization period was agreed upon by both Staff and
7 Ameren Missouri and was the normalization period ordered by the Commission in File
8 No. ER-2012-0166. As the Commission pointed out in its *Report and Order* from that
9 case, even if one has data going back for a long period of time (citing 79 months and
10 94 months as examples), at some point, the normalization period would become too long
11 to be reliable.⁶ Sixty months is long enough to capture the varied history of storm levels
12 without going back so far as to lose the normalization benefit.

13 **Q. Are there any other issues related to storms that are discussed by the**
14 **other parties?**

15 A. Yes, Staff witness Boateng, OPC witness Robertson and MIEC witness
16 Meyer all propose the elimination of the storm tracker. This issue is discussed further in
17 Ameren Missouri witness Wakeman's rebuttal testimony.

18 **IX. VEGETATION MANAGEMENT AND INFRASTRUCTURE**
19 **INSPECTIONS BASE EXPENSES**

20 **Q. What base level of expense did Ameren Missouri propose for**
21 **vegetation management and infrastructure inspections costs?**

⁶ File No. ER-2012-0166, *Report and Order*, December 22, 2012, p. 99.

1 A. Ameren Missouri proposed to include \$55,400,000 for the vegetation
2 management expenses and \$5,800,000 for the infrastructure inspections expenses. These
3 amounts are based on actual expenses incurred during the test year.

4 **Q. What level of expense did the other parties propose?**

5 A. Staff witness Hanneken proposed including \$54,600,000 for vegetation
6 management expenses and \$5,800,000 for infrastructure inspections expense. Staff
7 determined this amount based on a three-year average, and plans to review the amounts
8 through the true-up period.

9 OPC witness Robertson is proposing to include \$52,400,000 for vegetation
10 management and \$5,600,000 for infrastructure inspections expenses. Mr. Robertson's
11 proposal is based on a 62-month average for vegetation management. This is the period
12 of time the program has been in place. His proposal for the infrastructure inspections
13 amount is based on a two-year average.

14 MIEC witness Meyer is proposing to include \$52,500,000 for vegetation
15 management expenses and \$5,800,000 for infrastructure inspection expenses.
16 Mr. Meyer's proposal is based on a five-year average for vegetation management.
17 Mr. Meyer agrees with the Company's proposal for the infrastructure inspections
18 expense.

19 **Q. Does the Company agree with the proposals of the other parties?**

20 A. No. The Company proposes to use actual incurred amounts through the
21 true-up period for the base level of expense included in the revenue requirement. This is
22 consistent with the treatment for the base level of expenses for vegetation management
23 and infrastructure inspections used in each of the last three Ameren Missouri rate cases.

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X. AMORTIZATIONS

Q. Mr. Cassidy, Mr. Roberson and Mr. Meyer all support adjustments to Ameren Missouri’s amortizations. Do you agree with their adjustments?

A. I do not oppose Mr. Cassidy's adjustments. Mr. Cassidy’s adjustment has two parts: the first is an adjustment that will give back any amounts the Company has over-collected for amortizations that expire before the effective date of rates and the second allows the Company to collect the remainder of amortizations that will expire in June 2015. By making both of these adjustments together, Mr. Cassidy is allowing the Company to collect the exact amount that was deferred, no more or no less.

Mr. Meyer also discusses these amortizations, but does not propose the adjustment that Staff is proposing. The Company agrees with the Staff’s proposed adjustments. Mr. Robertson only discusses the storm tracker amortizations and not the other amortization included in Staff’s adjustment. The Company agrees with Staff’s proposed adjustments.

Q. What is your position on the other amortization adjustments proposed by Mr. Meyer?

A. I oppose them. These adjustments would ensure that the Company does not collect the amounts that it has appropriately deferred for those items. Specifically with regard to solar rebate costs, energy efficiency costs and mandatory Fukushima study costs, Mr. Meyer opposes recognizing the amortizations because of the level of Ameren Missouri’s earnings in a past period. This is inappropriate.

Q. Why is it inappropriate to disallow amortizations based on the Company’s past earnings shown in a surveillance report?

1 A. As the Commission is aware, by authorizing a rate of return for an electric
2 utility the Commission does not guarantee that the utility will actually earn that return in
3 any given period. The utility is expected to have an opportunity to earn the authorized
4 return over the long run, but the actual return it earns will be above or below the
5 authorized return in any given period based on the specific circumstances that occur in
6 that period. For example, unusual weather can positively or negatively impact earnings
7 in any given period. For a utility with a nuclear plant like Ameren Missouri, a nuclear
8 re-fueling can significantly impact actual earnings in any given period. Other factors can
9 also positively or negatively impact earnings, but the idea is that over the long run rates
10 are set that allow the utility the opportunity to earn its authorized return. The
11 Commission specifically recognized this in its recent order in File No. EC-2014-0223.
12 Items that should legitimately be amortized—like the Nuclear Regulatory Commission’s
13 mandated one-time costs for studies required because of the failure of the nuclear plant at
14 Fukushima, or Commission-approved energy efficiency and solar rebate amortizations—
15 should not be ignored in periods where circumstances have allowed the utility to earn
16 above its authorized return. As noted, since there is nothing to mitigate under-earnings in
17 periods where the utility earns below its authorized return (i.e., there is no floor), such
18 treatment would disrupt the balance the regulatory process provides and ensure that over
19 the long run the utility could not earn its authorized return. In other words, Mr. Meyer’s
20 treatment would impose a ceiling when earnings reported in the surveillance reports
21 exceeded the utility’s authorized return, but would impose no floor when earnings were
22 below the authorized return. Ameren Missouri witness John Reed addresses this issue in
23 his testimony in detail. As a consequence, Mr. Meyer’s proposal to deny the proposed

1 amortization of the Fukushima study costs, the solar rebate and energy efficiency
2 deferrals should be rejected.

3 **Q. Do quarterly surveillance reports of the kind filed by Ameren**
4 **Missouri provide a useful measure of whether the Company's rates are too high or**
5 **too low?**

6 A. No they don't. This is illustrated by the fact that Ameren Missouri filed
7 surveillance reports showing earnings in excess of its authorized returns during the
8 pendency of its last rate case, File No. ER-2012-0166, yet every party filing revenue
9 requirement testimony in the case acknowledged that Ameren Missouri's rates should be
10 increased. The only question in that case was how much rates should be increased.
11 Ultimately the Commission ordered a rate increase of \$260 million.

12 Additionally, in an over-earnings complaint case filed in February 2014, Noranda
13 argued that the Company's rates should be reduced based on earnings in excess of the
14 authorized return reflected in the quarterly surveillance reports. But the Commission
15 denied that Complaint stating that surveillance reports did not provide data of sufficient
16 quality to use to set rates. *See* File No. EC-2014-0223, *Report and Order*. Finally,
17 surveillance reports submitted during the pendency of this case show earnings in excess
18 of the Company's currently authorized return. Yet no party is recommending a rate
19 decrease in this case.

20 The bottom line is that surveillance report data is not of sufficient quality to use to
21 set rates, and it certainly should not be used as the basis to prevent amortizations of sums
22 that were deferred pursuant to Commission-authorized deferrals.

1 **Q. If amortizations can be adjusted or eliminated based on a**
2 **retrospective examination of a utility’s earnings, does that create problems from an**
3 **accounting standpoint?**

4 A. Yes. If the Commission can change or eliminate previously authorized
5 amortizations based on a retrospective examination of a utility’s earnings, utilities will
6 have no certainty that deferred costs will ever be recovered. Under such circumstances,
7 arguably no deferral could be recognized on the books and records of a utility, and the
8 benefits of deferring unusual, non-recurring items, a process long utilized at this
9 Commission and at other commissions throughout the country, would be significantly
10 reduced or eliminated. The same is true of the deferrals used for mandated renewable
11 energy standards costs, like solar rebates, or energy efficiency costs, which by their very
12 nature are being incurred to benefit all customers.

13 **Q. Were there also proposed adjustments to rebase some of the**
14 **amortizations? Please explain.**

15 A. Yes, all of the witness also propose to rebase and adjust some of the
16 amortizations. Staff has proposed to rebase some of the amortizations, including one
17 Energy Efficiency amortization expiring in 2016, the Vegetation Management and
18 Infrastructure Inspection amortizations expiring in 2015 and the Financial Accounting
19 Standards Board Interpretation Number 48 (“FIN 48”) amortization expiring in 2015.
20 The Company agrees to Staff’s proposal to rebase these amounts and amortize them over
21 a period consistent with prior treatment.

22 OPC witness Robertson and MIEC witness Meyer propose to rebase some of the
23 same amortizations as Staff but not all of those proposed by Staff. They both also have

1 different amortization periods proposed for the rebased amounts. The Company agrees
2 with the proposal of Staff for the amortizations to rebase and the periods to amortize
3 them over.

4 **XI. DEPARTMENT OF ENERGY (“DOE”) SETTLEMENT**

5 **Q. Has Staff proposed an adjustment in relation to the DOE Breach of**
6 **Contract Settlements?**

7 A. No. Staff has not proposed an adjustment in this case related to the DOE
8 Breach of Contract Settlement. Although, Staff has recommended the Commission order
9 the Company to return all future refunds that stem from settlements that Ameren
10 Missouri has reached with DOE to ratepayers.

11 **Q. Does the Company agree with this recommendation?**

12 A. No. Staff's focus on this refund ignores the fact there are also costs that
13 change between rate cases that the Company does not get to recover. For example, in
14 File No. ER-2012-0166 the true-up period ended July 31, 2012, and property taxes are
15 not paid until December 2012. The amount that was allowed in rates for that case was
16 based on the property taxes paid in 2011. The increase in the property taxes paid in 2012
17 was never recovered by the Company.

18 Also, the settlement amounts that were booked as miscellaneous non-utility
19 operating revenue related to refunds of expenses that were incurred in a period of time
20 that Ameren Missouri was not involved in rate cases. Requiring the Company to pass
21 these refunds through rates to be set in this case would result in a windfall to current
22 customers.

1 **XII. RENEWABLE ENERGY CREDITS (“REC”) INVENTORY**

2 **Q. How are RECs treated in the Company’s original rate filing?**

3 A. The Company included a thirteen-month average of the REC inventory
4 account in rate base consistent with the treatment in prior rate cases.

5 **Q. How has Staff treated the REC inventory amounts?**

6 A. The Staff has not included the REC inventory amounts in the Company’s
7 rate base. Staff also has not proposed a disallowance of these amounts in the Staff
8 Report.

9 **Q. What do these inventory balances represent?**

10 A. These are the inventory balances for wind RECs, customer purchased
11 solar RECs, third party solar RECs and purchased solar RECs that have not yet been
12 retired but eventually will be used to meet compliance with the Missouri Renewable
13 Energy Standard (“RES”). The RES allows a three year banking of RECs.

14 **Q. How are these RECs balances calculated?**

15 A. The RECs are placed in inventory in the month that the corresponding
16 megawatt-hours are generated. The RECs are purchased and paid for when they are
17 included in inventory. The RECs are then expensed when the REC is retired to meet the
18 compliance requirement of the RES statute.

19 **Q. Is this treatment unusual?**

20 A. It is not. In fact, placing these types of assets in inventory and earning a
21 return on that inventory is standard regulatory practice and should be allowed in this case.

22 **XIII. NEW BILL FORMATTING COSTS**

23 **Q. Staff witness Kunst has proposed a disallowance related to bill inserts**
24 **and the new customer bills. Please explain.**

1 A. Staff witness Kunst has proposed a disallowance of approximately
2 \$273,000 related to bill inserts and the postage needed to mail these prior to the Company
3 implementing a full page bill.

4 **Q. Do you agree with the disallowance that was proposed by Staff?**

5 A. No, I do not. The Company disagrees with approximately \$27,000 of the
6 costs that Staff included in its proposed disallowance.

7 **Q. Why does the Company believe these costs should be included in the**
8 **revenue requirement?**

9 A. Staff has excluded the costs of the inserts and brochures that the Company
10 has sent out in the test year and will continue to send out in the future. While it is true
11 that the cost of the additional postage will not be necessary in the future, the cost to print
12 the brochures and inserts will be necessary. The full page bill will remain a one page bill,
13 so additional information may need to be printed as an insert. For example, some of the
14 printing costs that were disallowed were for inserts explaining the budget billing
15 settlement process, Keeping Current programs and rate change/rate case information.
16 Also included in the proposed disallowance is the costs for the printing brochures
17 regarding underground inspections. These are required communications, and similar
18 communications will be required during the period rates set in this case are in effect.
19 These communications also will still likely be mailed separately from the bill as they are
20 tied to the timing of the inspections and not the billing cycle of the customer.

21 **XIV. PAYROLL ADJUSTMENTS**

22 **Q. Staff Witness Wells made some adjustments for what he**
23 **characterized as discretionary bonuses. Do you agree with these adjustments?**

1 to continue to provide these services while the Company negotiates a new contract. The
2 Company has paid the same contract amount through the extension period.
3 Consequently, the lease payments are an ongoing expense that should be reflected in our
4 revenue requirement.

5 **XVI. TRUE-UP ITEMS**

6 **Q. Are there some true-up adjustments that the Company plans to make**
7 **that are not typical true-up items? Please explain.**

8 A. Yes, the Company has a few additional adjustments it plans to make in the
9 true-up filing. These adjustments include rent expense from AMS, the annual fee from
10 the U.S. Nuclear Regulatory Commission (“NRC”), intercompany revenues and costs
11 related to the new General Ledger system, insurance costs for two new insurance policies
12 and AMS allocated costs.

13 **Q. Please explain these adjustments and why they are necessary.**

14 A. AMS rent expense needs to be updated. During 2014, some revisions
15 were made to these calculations and the corrected amounts were booked. The test year
16 amounts do not include these revisions, so the Company proposes to include these revised
17 amounts in the true-up filing.

18 The NRC annual fees are increasing for 2015. These fees are paid quarterly to the
19 NRC. The first quarter 2015 amount was paid in October 2014 based on the NRC’s
20 fiscal year. The Company will make an adjustment in the true-up filing for these fees.

21 The Company implemented a new General Ledger system that was placed in
22 service in July 2014. There are additional intercompany revenues and costs related to
23 this General Ledger system that were not included in the test year.

1 During 2014, the Company purchases two additional insurance policies. One is a
2 solar property insurance policy for the new solar energy center and the other is a
3 pollution legal liability policy to cover the liability exposures relating to the ash disposal
4 facilities. These amounts will be included in the adjusted insurance amounts in the
5 Company's true-up filing.

6 Lastly, the Company will make an adjustment to reflect AMS costs as discussed
7 in Ameren Missouri witness Porter's rebuttal testimony.

8 **Q. Does this conclude your rebuttal testimony?**

9 A. Yes, it does.

