

Exhibit No.:

Issue(s): *Property Taxes, Allocations,
Board of Directors Expenses,
Facilities, Payroll,
Cash Working Capital,
Incentive Compensation,
Board of Directors Expenses,
Dues and Donations, True-Up*

Witness: *Jason Kunst, CPA*

Sponsoring Party: *MoPSC Staff*

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Testimony*

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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

JASON KUNST, CPA

**UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI**

CASE NO. GR-2019-0077

*Jefferson City, Missouri
July 2019*

**** Denotes Confidential Information ****

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JASON KUNST, CPA
UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI
CASE NO. GR-2019-0077**

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1 Laura M. Moore:

- 2 • Capitalized incentive compensation adjustments associated with plant in
- 3 service and accumulated reserve;
- 4 • Columbia Gas Operations and Training Facility;
- 5 • Allocation of software assets to gas operations;
- 6 • Payroll and payroll tax expense;
- 7 • Incentive compensation expense;
- 8 • Rate case expense;
- 9 • Board of directors fees; and
- 10 • Dues and Donations.

11 Brenda L. Weber:

- 12 • Cash working capital

13 Staff will provide additional information received subsequent to my rebuttal filing supporting
14 its proposed adjustment for the donated Eldon facility.

15 And finally, my testimony will address Staff's true up positions on payroll and payroll
16 taxes, employee benefits, capitalized incentive compensation, rate case expense, cash working
17 capital, software rental expense, and property tax refunds.

18 **STAFF'S USE OF PLACEHOLDERS IN DIRECT TESTIMONY**

19 Q. On page 4, lines 3-21 and page 5, 1-10 of his rebuttal testimony Mr. Byrne lists
20 several instances where Staff utilized "placeholders" in its report. Does Staff wish to address
21 any of these instances?

22 A. Yes. I will address the use of placeholders for ** _____ ** and the
23 board of directors and executive expenses.

1 Q. On page 4, lines 13-16 of his rebuttal testimony Mr. Byrne includes Staff's
2 intentions to review corporate allocations as part of its true-up audit as part of an
3 inappropriate placeholder approach. Is this an example of a placeholder as suggested by
4 Mr. Byrne?

5 A. No. This was not a placeholder adjustment as suggested by Mr. Byrne.
6 This section of testimony was intended to let the Commission know that we would address
7 corporate allocations as part of our true-up audit if necessary. If there was a significant
8 event that changed the corporate allocation percentages, it may have been necessary to make
9 an adjustment as part of the true-up audit to capture the impact of the change in the
10 cost-of-service calculation. Mr. Byrne himself states on page 3, lines 12-20 and page 4,
11 lines 1-2 that Ameren Missouri has "no objections to adjustments that are needed to
12 accommodate true-up data" and that "it is a necessary step in calculating an up-to-date
13 revenue requirement."

14 Q. Please address the use of placeholders for the ** _____ **.

15 A. At the time of its direct filing, Staff did not have adequate time to review the
16 responses to the data requests it submitted regarding Ameren's ** _____ **.

17 Staff submitted its initial Data Request (DR) No. 0218 which sought information
18 related to Ameren's ** _____ ** on February 22, 2019, and Ameren Missouri
19 submitted its response on March 15, 2019, one day after the 20 day deadline established by
20 4 CSR240-2.090(C). Staff also submitted DR No. 0228 on March 4, 2019 which sought
21 additional information regarding the ** _____ ** such as cost savings and
22 journal entries related to the ** ____ **. Ameren Missouri requested an extension until
23 March 28, 2019 for DR No. 0228. Staff did not receive the response to DR No. 0228 until

1 April 15, 2019, four days before Staff's direct was due to be filed and past internal review
2 deadlines. Staff must have time to audit the information before an adjustment can be
3 proposed if needed. Finally, Staff submitted DR Nos. 0218.1, 0218.2, and 0218.3 which
4 sought information related to the ** _____
5 _____ ** on March 22, 2019, Ameren Missouri did not
6 request an extension or object to any of the three data requests; however, the responses were
7 not received by Staff until April 15, 2019, which was four days past the due date set by
8 Commission rule.

9 Q. Does the section of Staff's Report quoted by Mr. Byrne on page 4, lines 7-12
10 mention that Staff would review this issue through the its true-up filing?

11 A. Yes. Ameren Missouri may have had further changes to its ** _____
12 _____
13 _____ **. Changes in reasonable and prudently incurred investment levels
14 are always considered true-up items, and ** _____
15 _____
16 _____

17 _____ **

18 Q. Please address Staff's use of a placeholder for the board of directors and
19 executive expenses.

20 A. Staff was unable to propose an adjustment for some of the board of directors'
21 expenses in its direct filing, due to the delay in response by Ameren Missouri. Staff
22 submitted DR No. 0236 on March 6, 2019. Ameren Missouri requested an extension until
23 April 2, 2019 to file a response, which was the date of the last discovery conference before

1 Staff's direct filing. Staff did not receive the response to this data request until April 22,
2 which was after the filing of Staff's direct testimony in this case.

3 **STAFF'S RECOMMENDATION FOR FILING OF JOINT ELECTRIC AND GAS**
4 **RATE CASES**

5 Q. On page 8, lines 5-14, Ameren Missouri witness Byrne states that requiring
6 Ameren Missouri to file concurrent electric and gas rate cases would not be appropriate or
7 lawful. Please explain why Staff's recommendation that Ameren Missouri file a concurrent
8 electric and gas rate case as part of its next general electric rate case filing is appropriate.

9 A. I cannot speak to the legality of the Commission requiring Ameren Missouri to
10 file a concurrent electric and gas case ** _____
11 _____ ** as I am not an attorney. However, there are many
12 different reasons that Staff listed as part of its direct testimony that speak to the
13 appropriateness of a concurrent filing. The two issues I will address in this testimony that
14 have led to Staff's recommendation are the property tax appeals as well as the allocation
15 of software assets among electric and gas operations. Staff witness Lisa M. Ferguson
16 will address the reduction of the Missouri State income tax rate in her surrebuttal testimony
17 on this issue.

18 Ameren Missouri is currently in the process of appealing its property tax payments
19 made during the time frame of 2013-2018. Ameren Missouri currently has the potential to
20 recover up to ** _____ ** of property taxes that were paid in protest. In addition to
21 the potential refunds from past years' appealed assessments, Staff is recommending inclusion
22 of the full amount of property taxes that were paid by Ameren Missouri in 2018. This tax
23 year has not undergone the entire appeals process, nor have the prior year's appeal decisions

1 | been applied to 2018 property tax by the true-up cut-off date in this case. The taxes paid by
2 | Ameren Missouri in 2018 include ** _____ ** that is related to the ongoing appeal
3 | process and paid in protest. If Ameren Missouri were to re-establish its infrastructure system
4 | replacement surcharge (ISRS) as part of this gas rate case and then drop that ISRS without
5 | base rate recovery or if Ameren Missouri decides not to file another gas rate case for many
6 | years, it is likely that the amount of property taxes included in rates would be overstated by a
7 | significant amount for an extended period. This is not just a theoretical possibility; the
8 | effective date of rates in Ameren Missouri's last gas case was February 20, 2011. Ameren
9 | Missouri had an ISRS which they allowed to expire in 2016. Ameren Missouri did not file
10 | another gas case again until December 3, 2018 when this current case was filed. If Staff had
11 | included a level of property tax that was higher than was actually experienced based on
12 | known information related to appeals, Ameren Missouri would have kept a significant amount
13 | of money during the almost ten year period for which there was no change in gas rates.
14 | If Staff includes a level of property tax in the cost of service that would cover what is believed
15 | to be an ongoing level of property tax, and that ongoing level of property tax then is reduced
16 | dramatically, customers should not have to continue to pay that higher level of property tax in
17 | rates going forward. In that situation, Ameren Missouri should file a case within a reasonable
18 | amount of time to readjust rates based on this dramatic change.

19 | Concurrent rate cases are also appropriate in order to address the software allocation
20 | issue that was discussed in the direct testimony of Ameren Missouri witness Laura M. Moore.
21 | Ms. Moore's position is to allocate a portion of the software costs that are already being
22 | recovered in electric rates as of the last general electric case, ER-2016-0179, to gas operations
23 | as part of this current gas rate proceeding. If Ameren Missouri's position is accepted, a

1 double recovery of a portion of the software costs will occur as Ameren Missouri will be
2 collecting the same costs in both its electric and gas rates. This is particularly true for the
3 customers of Ameren Missouri who receive both electric and gas service. To avoid any
4 double recovery of these software costs that are already being recovered in electric rates,
5 Ameren Missouri proposes a tracking mechanism so as to return those amounts to electric
6 customers in the next electric case, ER-2019-0335. Staff is recommending that the issue
7 should be first corrected in Ameren Missouri's next general electric case, No. ER-2019-0335,
8 where the gas portion of the software cost is removed from rates and then the gas portion of
9 the software can be appropriately included in gas rates during Staff's proposed ** _____
10 _____ **. Customers should not bear the burden of errors in the
11 allocation and recording of costs by Ameren Missouri.

12 If approved, Ameren Missouri's proposal allows full recovery of costs and cash flow
13 related to the misallocation with no burden of risk to the Company because of its proposed
14 tracking mechanism. Some customers would have the burden to pay twice and lose cash flow
15 due to allocation errors recorded on the part of Ameren Missouri.

16 Finally, filing a concurrent case would assist Staff in the examination of joint costs
17 allocated to gas operations. When general costs are allocated to gas operations, they tend to
18 lose their specific identity when recorded to the gas ledger. If both electric and gas costs are
19 reviewed at the same time, burden may be relieved from Staff in identifying costs allocated to
20 gas so as to determine whether these charges are prudent. If Staff cannot recognize allocated
21 costs in the general ledger then Staff must use additional time to ask what those costs pertain
22 to because Ameren Missouri has all pertinent and needed detail related to the information.
23 Staff does not have the necessary detail readily available to it. This would require further data

1 requests when typically the detail for the recording of electric costs will provide information
2 on what the costs are, allocated or not.

3 Q. Ameren Missouri witness Byrne discusses on page 8, lines 15-20 and page 9,
4 lines 1-2 that there is no basis for the Commission to invoke its authority to initiate a
5 complaint to compel the examination of Ameren Missouri's gas rates. Has Staff determined
6 that rates in a future rate case are inappropriate and has Staff requested the Commission to file
7 a complaint on Ameren Missouri?

8 A. No. Staff is not asserting what earnings will look like in a future rate case;
9 Staff is simply attempting to establish a level of property tax in rates that is based on actual
10 costs incurred. However, given that Ameren Missouri is currently in the process of appealing
11 ** _____¹ ** of property taxes it paid for gas operations in the most recent year (2018),
12 it seems that if Ameren Missouri is successful in those appeals that it would be appropriate for
13 Ameren Missouri to have their rates re-examined within a reasonable period of time so as to
14 not include a level of property tax that is known to be excessive. The level of excess property
15 tax included in rates should not be included in ongoing rates indefinitely. Staff could file
16 a complaint regarding gas rates in the future but is not recommending a complaint be filed at
17 this time.

18 **PROPERTY TAX APPEALS, ASSOCIATED REFUNDS, AND TRACKING**
19 **RECOMMENDATION**

20 Q. On page 10, lines 13-14, of his rebuttal testimony Mr. Byrne suggests
21 Staff's proposed accounting treatment for property tax refunds is completely open ended.
22 Is this correct?

¹ **

**

1 A. No. To clarify Staff's position, the proposed tracker would track the
2 property tax refunds that are received by Ameren Missouri from June 1, 2019 through the
3 true-up cut-off date in the next Ameren Missouri gas rate case. As Staff is recommending that
4 the Commission order Ameren Missouri to file a concurrent gas and electric case as part of its
5 next electric rate filing the refunds would only be tracked over ** _____ **.

6 Q. On page 10, lines 16-23, Mr. Byrne states that Staff's proposed tracking
7 mechanism is unfair as it would require tax refunds and settlements to be deferred but does
8 not defer the costs incurred by Ameren Missouri to obtain the settlements. He also proposes
9 the Commission require inclusion of the yearly change in property taxes in the tracker.
10 Is Mr. Byrne's comment accurate regarding Staff not including costs to litigate the appeal and
11 "cherry picking the beneficial tax refunds"?

12 A. No. First, Staff has included a level of legal and appraisal costs associated
13 with the property tax appeals in the cost of service by normalizing those costs incurred during
14 the test year over five years. Second, Mr. Byrne comments that "the Company regularly
15 incurs property tax increases which it is not able to reflect in rates." This is inherently untrue
16 because Missouri employs rate of return regulation where all relevant factors are considered
17 in setting customer rates. Ameren Missouri is a monopoly, and as such, regulatory lag is an
18 important component of rate of return regulation because it is a stand-in for competition.
19 Mr. Byrne is attempting to look at those costs to litigate that were recorded prior to the test
20 year and the annualized level of property tax that was established in the last rate case in a
21 vacuum. All relevant factors of revenue, expense, and investment must be considered in a
22 general rate case.

1 Q. Is Staff considering all relevant factors in its recommendation that Ameren
2 Missouri track the property tax refunds?

3 A. Yes. Ameren Missouri has not filed a general rate case for its gas operations
4 since 2009. It appears that Ameren Missouri's earnings were sufficient during the time frame
5 since the effective date of rates of the last gas rate case because Ameren Missouri did not file
6 a rate case for almost eight years while also allowing its ISRS to expire. Additionally, Staff
7 performed a high level earnings review in 2016 and determined that Ameren Missouri's return
8 on equity was in line with those of other Missouri natural gas utilities. It is apparent that if
9 Ameren Missouri was able to allow its ISRS to expire and also not file a gas rate case, there
10 were other factors that were offsetting the increases and decreases in the property tax expense
11 during that time frame. Ameren Missouri had the option to file a rate case to capture
12 increased property tax expense but chose not to.

13 Q. On page 10, lines 16-18, Mr. Byrne states that Staff's tracking mechanism
14 would not include deferred treatment for the costs for Ameren Missouri to obtain the
15 settlements. Is this correct?

16 A. Yes. Staff has not proposed to include future costs for external consultants and
17 external litigation for Ameren Missouri in its proposed tracking mechanism. Staff has
18 proposed to include a normalized amount of these expenses in the cost-of-service calculation
19 through its five year normalization discussed above.

20 ** _____ **

21 Q. On page 20, lines 21-22 and page 21, lines 1-2, Mr. Byrne states that

22 ** _____

1 _____
2 _____ **. Did Staff propose an adjustment to disallow costs
3 related to this ** _____ **?

4 A. No. Staff has not proposed an adjustment to disallow any costs associated with
5 the ** _____ ** because Staff also believes
6 it is appropriate for ** _____

7 _____
8 _____
9 _____
10 _____
11 _____
12 _____

13 _____ **

14 Q. Starting on page 21, lines 20-23 and page 22 lines 1-2, Mr. Byrne states his
15 concern that ** _____

16 _____
17 _____
18 _____

19 _____ **

20 A. No. ** _____² _____

21 _____
22 _____

² Staff Report page 37, lines 11-20.

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It is important to note that on page 20, lines 13-15 of Ameren Missouri witness
Byrne's rebuttal he states that **

**

Q. On page 21, lines 17-19, Mr. Byrne states **

** Has Staff requested quantifications of cost savings?

A. Yes. In past rate cases, Staff issued a data request asking for cost saving
initiatives that the utility has implemented since the previous rate case. Those can be large
or small cost savings initiatives. Staff has received responses in the past, including the one
to Staff DR No. 0014 in the current case **

**

3 **

**

1 If Mr. Byrne's statement is true that ** _____
2 _____
3 _____
4 _____
5 _____
6 _____

7 • _____
8 _____
9 _____
10 _____ 4

11 • _____
12 _____
13 _____
14 _____ 5

15 • _____
16 _____
17 _____ 6 **

18 Mr. Byrne's statement ** _____
19 _____
20 _____

4 ** _____
_____ **

5 ** _____ **

6 ** _____ **

1 _____ - _____
2 _____
3 _____
4 _____ **

5 **CAPITALIZED INCENTIVE COMPENSATION**

6 Q. Did Staff mistakenly omit in its direct cost-of-service report a section
7 describing the removal of incentive compensation?

8 A. Yes. This section typically details Staff's adjustment to remove an
9 accumulation of earnings based capitalized incentive compensation that has been regularly
10 disallowed by Staff since 2002. Staff has proposed this adjustment in many past Ameren
11 Missouri gas and electric rate cases. Additionally, this adjustment is similar to the adjustment
12 described by Ameren Missouri witness Laura M. Moore on page 10, lines 15 through 21 of
13 her direct testimony. Please see the surrebuttal testimony of Staff witness Lisa M. Ferguson
14 for additional testimony regarding the omission of this section of the report by Staff.

15 Q. Did Ameren Missouri witness Moore propose a similar adjustment as part of
16 her direct testimony?

17 A. Yes. On page 10 lines, 15-21 of her direct testimony, Ms. Moore proposes an
18 adjustment to remove the capitalized portion of disallowed and/or not requested incentive
19 compensation.

20 Q. What were the differences between Staff's adjustment and the adjustment
21 proposed by Ameren Missouri witness Moore?

1 A. In her adjustment, Ms. Moore used the current percentage of incentive
2 compensation that was not being requested by Ameren Missouri, and the current
3 capitalization ratio, current gas allocation percentage, and current Ameren Services allocation
4 percentage for removal of all capitalized incentive compensation since the previous Ameren
5 Missouri gas rate case, No. GR-2010-0363. Her calculations resulted in an adjustment to
6 remove \$1,261,489 of plant-in-service and \$401,685 of accumulated depreciation reserve as
7 of Ameren Missouri's direct filing.

8 Staff used the disallowed percentages from previous Ameren Missouri electric rate
9 cases⁷ that were filed since the last gas rate case, GR-2010-0363, along with the
10 corresponding capitalization ratios, gas allocation percentages, and Ameren Services
11 allocation percentages in its calculation of the removal of capitalized incentive compensation
12 through December 31, 2016. This date was the true-up cut off for the last Ameren Missouri
13 general electric rate case No. ER-2016-0179. Staff used these particular percentages because
14 they are the companion removals to the piece of incentive compensation removed in the
15 various electric rate cases.

16 For incentive compensation that was capitalized after December 31, 2016, Staff used
17 its current recommended disallowed percentage of 15.27%, which includes disallowing a
18 portion of the "key performance indicators" for lobbying targets, earnings based incentive
19 compensation, and a portion of the executive plan based on electric operations metrics of
20 incentive compensation as well as the current operations and maintenance (O&M), Ameren
21 Services, and gas allocation factors/ratios. Staff's calculation resulted in an adjustment to

⁷ Ameren Missouri case Nos. ER-2011-0028, ER-2012-0166, ER-2014-0258, ER-2016-0179.

1 remove \$1,235,852 of capitalized incentive compensation and \$391,225 of corresponding
2 accumulated depreciation reserve.

3 Q. Why did Staff elect to use the historic O&M ratios and allocations rather
4 than use one specific factor for the entire time period as proposed by Ameren Missouri
5 witness Moore?

6 A. Since its last gas rate case in 2010, Ameren Corporation has made several
7 changes to its incentive compensation plans, primarily to the Executive Incentive Plan for
8 Officers (EIP-O) and the Executive Incentive Plan for Directors (EIP-D) including changing
9 the amount of the plans that were based on earnings per share. It is Staff's position that it
10 would be more appropriate to use the percentage of disallowed incentive compensation that
11 would closely match the incentive compensation plan that was in place during the time frame
12 when it was capitalized. In that same vein, it is also appropriate to use the capitalization ratios
13 as well as the gas and Ameren Services allocation percentages that were used during that
14 particular time the plan was in place, as these can vary from year-to-year.

15 **SOFTWARE ALLOCATION TO GAS OPERATIONS**

16 Q. How did Ameren Missouri propose to deal with the software costs that have
17 already been included in electric rates as determined in ER-2016-0179?

18 A. Ms. Moore proposed to include software costs in the cost-of-service
19 calculation for gas operations and track the amounts that were already included in electric
20 rates, creating a double recovery of the costs. The tracked costs would then be refunded to
21 electric ratepayers in the next Ameren Missouri electric rate case. Staff's proposal in direct
22 testimony is to first remove the costs from electric rates as to avoid a double recovery of these

1 costs by customers in the next electric case and then include the costs in the next gas case for
2 which Staff proposes concurrent filing.

3 Q. Do you agree with the statement by Ms. Moore on page 8, lines 1-2 of her
4 rebuttal testimony that the costs for these software assets need to be included in the gas rates
5 to reflect the proper cost of service?

6 A. Yes. These are costs that should properly be charged to gas operations;
7 however, not at the expense of double recovery from ratepayers. This is an error that Ameren
8 Missouri has made in its recording of this cost, and correction of this allocation can be
9 accomplished in a future gas rate case.

10 Q. On page 8, lines 5-9 of her rebuttal testimony, Ms. Moore discusses Ameren
11 Missouri's proposed tracking mechanism for the software assets. What is Staff's position
12 regarding a tracking mechanism for software?

13 A. Staff believes this is a recording error on the part of Ameren Missouri and
14 should be fixed in the next electric and gas rate cases, however if the Commission were to
15 accept Ameren Missouri's position to allow the recovery of the gas portion of the software
16 costs in rates in this case, then the costs certainly need to be tracked. It would then be
17 appropriate to return these costs to the electric ratepayers as part of the next Ameren Missouri
18 electric rate Case No. ER-2019-0335.

19 Q. On page 8, lines 10-18 of her rebuttal testimony, Ms. Moore states that Staff's
20 proposed adjustment for removal of the gas portion of software assets included the gas portion
21 of software assets that were put into service after December 31, 2016, the true-up cutoff from
22 the last electric rate case. Did Staff err in its calculation of its adjustment?

1 A. Yes. Staff made an error in the calculation of its adjustment in its direct filing
2 and has since corrected its adjustment to only remove the software assets that were in-service
3 prior to December 31, 2016. The gas portion of software assets put into service subsequent to
4 December 31, 2016 should be included in Staff’s cost of service. The following chart
5 summarizes the corrected amount of software costs that are at issue:

Net Plant-in-Service	** _____ **
Depreciation Expense	** _____ **
Rental Revenue	** _____ **

7
8 **COLUMBIA GAS OPERATIONS AND TRAINING CENTER**

9 Q. On page 5, lines 13-15 of her rebuttal testimony, Ms. Moore claims that
10 “any future sale with regard to ** _____
11 _____ ** should be addressed in a future rate case,” Is Staff proposing an
12 adjustment related to the sale of this property in this immediate gas rate case?

13 A. No. Staff is not proposing any ratemaking treatment in this case, Staff is
14 providing notice to Ameren Missouri that Staff is aware of a ** _____ **
15 for which a replacement was constructed and that adjustments may be proposed in the future
16 once the ** _____ ** is completed.

1 **PAYROLL AND PAYROLL TAX EXPENSE**

2 Q. On page 10, lines 1-6 of her rebuttal, Ms. Moore discusses a possible error in
3 Staff's calculation of payroll expense. Is there an error in Staff's payroll calculation in its
4 direct case?

5 A. Yes. There was a cell reference error in Staff's direct work papers that
6 understated the payroll expense. This error has since been corrected and will be reflected in
7 Staff's true-up calculations.

8 **INCENTIVE COMPENSATION EXPENSE**

9 Q. Beginning on page 14, lines 22-23 and continuing on page 15 lines 1-10 of her
10 rebuttal, Ms. Moore identifies two key performance indicators ("KPIs") that Staff
11 recommended for disallowance as they relate to lobbying-related goals. Is this correct?

12 A. No. Staff erred in its description of the adjustment in the Staff report; Staff did
13 not propose an adjustment to remove KPIs related to the legislative or regulatory approvals
14 for innovative projects. Staff's direct report should have identified the specific KPI removed
15 as ** _____ **. Staff mistakenly typed the wrong
16 KPI line item when writing direct testimony. Staff contends this KPI directly relates to
17 lobbying related efforts and its associated costs should not be included in rates.

18 **RATE CASE EXPENSE**

19 Q. What is Ameren Missouri's recommendation regarding rate case expense
20 based on rebuttal testimony?

21 A. In her rebuttal testimony, Ameren Missouri witness Laura M. Moore describes
22 how the Company is supportive of the normalization of rate case expense but it depends on

1 the Commission's eventual order regarding Staff's proposed concurrent gas and electric
2 rate case filings. If the Commission accepts Staff's position, the normalization period should
3 be ** _____ ** but if the Commission does not order Staff's position, a three year
4 normalization of current rate case expenses, other than those required by statute such as the
5 depreciation study costs over five years, is appropriate. At the time of the direct filing,
6 Ameren Missouri had initially proposed a three year amortization of estimated rate case
7 expenses of ** _____ **, which translates to ** _____ ** on an annual basis until
8 fully collected.

9 Further, Ms. Moore states that it would be "inappropriate" for the Commission to
10 order the sharing of rate case expenses between the shareholders and ratepayers.

11 Q. Why has Staff chosen to normalize rate case expenses rather than amortize
12 them as proposed by Ameren Missouri?

13 A. Staff performs normalization adjustments to include a "normal" level of
14 expenses in the cost of service calculation. Typically investor owned utilities do not file a rate
15 case every single year, so it is appropriate to spread the rate case costs across a time period
16 between rate cases when the rates from that particular rate case are in effect.

17 Q. Does Staff agree with Ms. Moore that it is inappropriate for the Commission to
18 order the sharing of rate case expenses and that 100% of prudently incurred rate case related
19 costs should be included in rates?

20 A. No. In its most recent orders regarding the regulatory treatment of rate case
21 expenses, the Commission has ordered that it is appropriate to share rate case expenses
22 between ratepayers and shareholders. In Case No. ER-2014-0370, the Commission
23 ordered that:

1 KCPL should receive rate recovery of its rate case expenses in
2 proportion to the amount of revenue requirement it is granted as
3 a result of this Report and Order, compared to the amount of its
4 revenue requirement rate increase originally requested.

5 In Case No. GR-2017-0215, the Commission ordered:

6 Under Missouri law, the Commission must set just and
7 reasonable rates, and rates in this, that include all of the utility's
8 rate case expense, for the reasons set forth above, are not just or
9 reasonable. However, the Commission determines that it is just
10 and reasonable for ratepayers and shareholders to share rate
11 case expense. In these cases, the just and reasonable sharing
12 mechanism is based on the fact that the issues controlled by the
13 company amount to about half of the contested issues at
14 hearing. Thus, the shareholders who ultimately controlled 50
15 percent of the rate case issues should share 50 percent of the
16 rate case expense with the exception of the customer notice cost
17 and depreciation study were done because of Commission order
18 and rule requirements.

19 Q. If the Commission were to reject Staff's recommendation that Ameren
20 Missouri file another rate case in ** _____
21 _____ ** does Staff agree with Ms. Moore that the rate case expenses, other than
22 depreciation study costs, should be normalized over three years?

23 A. No. If the Commission were to reject Staff's recommendation, Staff would
24 agree with the position of The Office of the Public Counsel witness Amanda Connor that
25 non-depreciation study rate case expenses should be normalized over four years. Staff has
26 previously proposed this period in the most recent natural gas rate cases for Spire Missouri in
27 Case No. GR-2017-0215 and Liberty Utilities in Case No. GR-2018-0013, and was ultimately
28 ordered for Spire Missouri in Case No. GR-2017-0215. It has been nearly nine years since
29 Ameren Missouri has filed a gas operations rate case so there is no recent history on which to
30 base the normalization of rate case expenses. However, since Ameren Missouri has stated it

1 is seeking to “restart⁸” its Infrastructure System Replacement Surcharge (ISRS), it would be
2 reasonable to use the same normalization period that was recommended for two other gas
3 utilities that are utilizing the ISRS.

4 Q. Has Staff proposed any adjustments to remove rate case expenditures on the
5 grounds of the costs being imprudent?

6 A. No. At this time, Staff has made no adjustments in the current case to disallow
7 any rate case expenses for imprudence. Staff will continue to review rate case expenses
8 incurred through the time of filing reply briefs in this rate case.

9 **BOARD OF DIRECTORS AND EXECUTIVE EXPENSES**

10 Q. On page 20, lines 17-22, and page 21, lines 1-6 of her rebuttal, Ms. Moore
11 describes that Staff has removed all hotel expenses related to the Ameren Corporation Board
12 of Directors meetings. Is this correct?

13 A. Yes. In addition to the Ritz Carlton Hotel, the board of directors had hotel
14 expenses at the ** _____
15 _____ ** and at the ** _____ ** for the annual
16 meeting of the shareholders in Peoria, Illinois. Ameren Corporation has a general office
17 building that includes three separate board rooms, a large atrium and two auditoriums that
18 have capacity to seat ** ____ ** people⁹. This location has been used numerous times in the
19 past for board meetings and shareholder meetings. It is unnecessary to incur travel and hotel
20 costs for shareholder and board meetings outside of the general office building located in
21 St. Louis, MO.

⁸ Page 6, lines 1-2 of the direct testimony of Ameren Missouri witness Warren Wood.

⁹ Staff attended a tour of the Ameren Corporation general office building on March 5, 2019.

1 **DUES AND DONATIONS**

2 Q. On page 22, lines 6-11 of her rebuttal testimony Ms. Moore proposes an
3 adjustment to remove the dues paid to the Utility Air Regulatory Group (UARG) during the
4 test year. Did Staff already recommend removal of these costs as part of its direct filing?

5 A. Yes. As part of its direct filing, Staff has already removed the dues paid to the
6 UARG as part of the electric costs that were incorrectly allocated to gas operations.
7 Ms. Moore agreed to Staff's proposed adjustment for these costs on page 9 lines 5-7 of her
8 rebuttal testimony.

9 **CASH WORKING CAPITAL**

10 **Revenue Lag**

11 Q. On page 2, lines 13-16 of her rebuttal testimony, Ms. Weber states that the
12 sales tax and gross receipts tax "have different statutory requirements and are treated
13 differently in calculating the expense lead time." Is the treatment for expense lead time
14 relevant to the revenue lag?

15 A. No. The revenue lag is calculated differently than the expense lag. How
16 Ameren Missouri collects funds for sales taxes and gross receipts taxes is different than the
17 requirements of payments made to tax collectors, vendors, etc.

18 Q. On page 2, lines 17-23 of her rebuttal testimony Ms. Weber discusses that
19 there is direct offsetting revenue for the gross receipts tax and no direct offsetting revenue for
20 the sales tax, and that the recording of these items in the ledger is also different. For purposes
21 of pass through taxes and cash working capital, does it matter how Ameren Missouri has
22 recorded these items in its books and records?

1 _____
2 _____
3 _____ **

4 Q. What effect does Ameren Missouri's proposal for the management payroll
5 expense lead have on cash working capital for that issue?

6 A. Not only is it a bad business practice to ** _____ ** employees, but Ameren
7 Missouri's proposal to shift the pay dates for its management employees so that they are paid
8 ** _____ ** has the effect of increasing the cash working capital
9 requirement for management payroll, all else equal, because it will be necessary for Ameren
10 Missouri to acquire the money from investors to meet that payroll demand.

11 Q. Has Staff accepted negative expense leads in the past for payroll and payroll
12 taxes as suggested by Ms. Weber on page 3, lines 12-16?

13 A. Yes. Occasionally a pay date would fall on a holiday or a weekend which
14 would require Ameren Missouri to pay its employees prior to the normal pay date and that
15 would result in a negative expense lead for that specific pay period. However, the impact of
16 the negative expense lead times for those pay periods was mitigated by the weeks that were
17 paid normally and had a positive expense lead. This is because the pay date landing on a
18 holiday or weekend is an occasional occurrence rather than the normal process. The shift in
19 pay dates to accommodate holidays and weekends can happen with the new pay dates used
20 by Ameren Corporation as well, but it now creates a larger revenue requirement for
21 management payroll because the normal payroll process ** _____ **
22 on top of the negative expense lead for pay dates that land on holidays and weekends.

1 For example in May of 2018, Ameren Missouri management employees were ** _____ **
2 by ** ___ ** days when Memorial Day fell on the 28th.

3 Q. Has Staff accepted negative expense leads for other categories of payments as
4 suggested by Ms. Weber on page 3, line 23 and page 4, lines 1-3 of her rebuttal testimony?

5 A. Yes. Some vendors or contracts may require Ameren Missouri to provide
6 upfront payment for services such as happens with rents or insurance payments. Not only
7 is payroll expense different, there is no contractual agreement requiring Ameren Missouri to
8 ** _____ **. This was a management decision. Additionally, other prepaid
9 items are not given individual expense leads in the lead/lag study, as they are accumulated
10 along with all other O&M expenses in cash vouchers (that has its own expense lead). Payroll
11 is one of the larger expenses incurred by Ameren Missouri, as well as being incurred and paid
12 differently than other expenses, and for those reasons justifiably has a separate expense lead.

13 Q. Is Staff aware of any other utilities that ** _____ ** ?

14 A. No. In reviewing the lead lag studies filed by other regulated Missouri
15 utilities Staff found no other utility that is paying its employees with a ** _____
16 _____¹¹, ** let alone ** _____ **.

17 **ELDON FACILITIES**

18 Q. With regards to the donation of the Eldon facility, has Staff received additional
19 information from Ameren Missouri since the time of its rebuttal filing?

20 A. Yes. Staff received a supplemental response to Staff DR No. 0282 which
21 contained a ** _____

11 ** _____ **

1 _____
2 _____
3 _____
4 _____
5 _____ **

6 Q. Did Staff have this information when it filed its rebuttal testimony?

7 A. No. The initial response to Staff DR No. 0282 that was received by Staff on
8 May 22, 2019 indicated that the internal real estate file did not contain information supporting
9 the decision and rationale to donate the facility, which was part of the information that Staff
10 requested in the date request. The supplemental response, dated May 31, 2019, was received
11 by Staff on June 11, 2019 (four days after Staff filed its rebuttal testimony and 21 days after
12 the response was initially due to be filed in EFIS).

13 The information contained within the response to Staff DR No. 0282,
14 ** _____ ** provided support for Staff's position that the donation of the property was
15 inappropriate and imprudent given that Ameren Missouri had to construct a replacement
16 facility for the Eldon operations and that the donation was used to ** _____
17 _____ **. Ameren Missouri described in its response to Staff
18 DR No. 0278 ** _____

19 _____ **. However, a replacement facility was determined to be
20 needed subsequent to that donation, meaning that an Eldon facility was still necessary
21 for company operations. The replacement facility was then subsequently constructed with
22 no sale proceeds to offset the investment cost of the replacement because the transaction
23 constituted a donation rather than a sale. In addition, Ameren Missouri ultimately had to

1 ** _____ ** to conduct ongoing operations as part of it's
2 ** _____ **. The decision by Ameren Missouri to donate the Eldon facility has
3 incurred additional costs, not only for a replacement facility but also for the ** _____
4 _____ **, for which Ameren Missouri is now seeking recovery and which Staff
5 believes should not be borne by ratepayers.

6 Q. Has Staff made any corrections to its recommendation and to its adjustment
7 that was previously provided in rebuttal testimony and workpapers?

8 A. Yes. ** _____
9 _____
10 _____
11 _____
12 _____
13 _____
14 _____
15 _____
16 _____
17 _____
18 _____ **

19 **TRUE-UP DIRECT**

20 **Payroll & Payroll Taxes**

21 Q. Please explain Staff's true-up adjustment to payroll and payroll taxes.

1 **Property Tax Refund**

2 Q. Has Staff made any adjustments with regards to the property tax refunds that
3 were received before the true-up cut-off date?

4 A. Yes. Staff has updated its calculation to include the refunds that were received
5 by Ameren Missouri through May 31, 2019.

6 **Software Rental Expense**

7 Q. Has Staff made any adjustments with regards to software rental expense?

8 A. Yes. Staff has reviewed the software rental expense through the true-up date
9 of May 31, 2019 and is now recommending that the actual amount incurred during the month
10 of May 31, 2019 be multiplied by twelve to calculate the appropriate amount of ongoing
11 software rental expense.

12 **Cash Working Capital**

13 Q. Has Staff made any adjustments to its cash working capital calculation as part
14 of its true-up audit?

15 A. Yes. While Staff has made no changes to the lead/lag calculations, Staff has
16 updated the annualized amounts for certain CWC line items (payroll, payroll taxes, employee
17 benefits, and federal and state income taxes) to reflect Staff's true-up position.

18 Q. Does this conclude your surrebuttal/true-up direct testimony?

19 A. Yes, it does.

SCHEDULE JK-s1

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IN ITS ENTIRETY