Exhibit No.:	
Issue(s):	*NL Distribution Maintenance, Pensions/OPEBs, Call Center, True-Up*
Witness:	*Paul K. Amenthor*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal/True-Up Direct Testimony*
Case No.:	*GR-2021-0241*
Date Testimony Prepared:	*November 5, 2021*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

PAUL K. AMENTHOR

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. GR-2021-0241

Jefferson City, Missouri
November 2021

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PAUL K. AMENTHOR

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. GR-2021-0241

Q. Please state your name and business address.

A. Paul K. Amenthor, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

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

A. I am employed by the Missouri Public Service Commission ("Commission") as a Utility Regulatory Auditor.

Q. Are you the same Paul K. Amenthor who contributed to *Staff's Cost of Service Report* filed on September 3, 2021 in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal/true-up direct testimony in this proceeding?

A. My surrebuttal testimony will respond to Ameren Missouri witness Mitchell Lansford regarding Non-Labor Distribution Maintenance, Non-Qualified Pension Expense, and Pension and Other Post-Employment Benefits ("OPEB") Trackers, as well as respond to Ameren Missouri witness Laura Moore regarding Call Center Costs.

My true-up direct testimony will provide Staff's true-up position for Non-Labor Distribution Maintenance, Payroll and Payroll Taxes, Employee Benefits, Pensions and OPEBs, Non-Qualified Pension Expense, Call Center Costs, Software Rental Revenue, and Software Rental Expense.

SURREBUTTAL TESTIMONY

NON-LABOR DISTRIBUTION MAINTENANCE

Q. Please explain Staff and Ameren Missouri's position on this issue.

A. Staff has proposed to normalize distribution maintenance expense by including a three-year average in the cost of service, as these costs have fluctuated over time but Ameren Missouri's position is to accept the test year level of this expense because the fluctuation is not significant.

Q. Ameren Missouri witness Mitchell Lansford states on page 2, Lines 20-23 and on page 3, lines 1-5 of his rebuttal testimony that the Company's legacy cross-bore and valve maintenance programs are the driving factors behind rising non-labor distribution maintenance costs. Did Staff consider these two maintenance programs in its cost analysis?

A. Yes. Staff included costs associated with these two programs and also narrowed its review to costs incurred after implementation of the programs.

Q. Now that both programs are fully implemented, has the actual cost history demonstrated cost increases, as Ameren Missouri witness Lansford suggests?

A. No. The legacy cross-bore and valve maintenance programs were implemented in June 2017 and June 2019 respectively. As shown in the below graph, the actual history for the twelve months ending June 2018 through the twelve months ending June 2021 for both programs suggests a decrease in overall non-labor distribution maintenance costs, not an increase.

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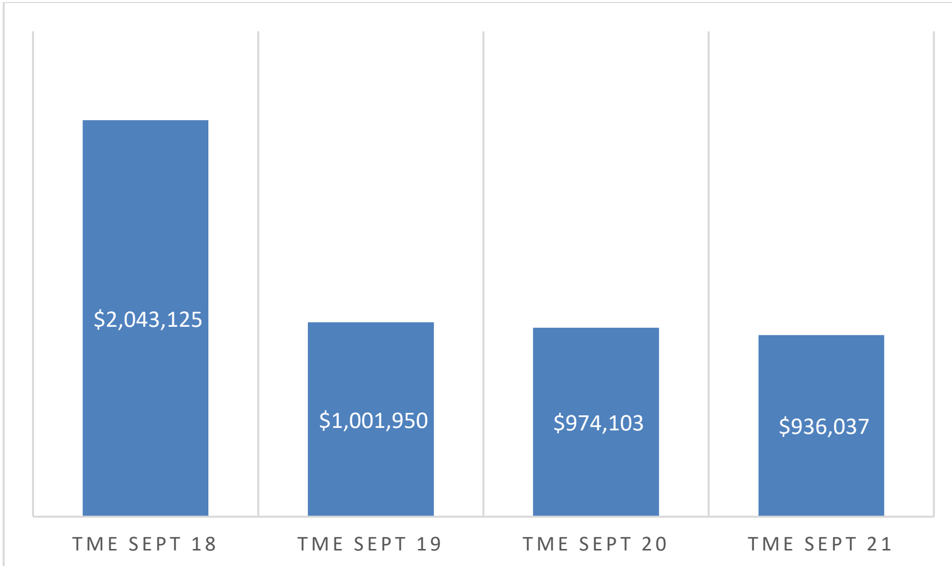

Q. Staff sought further information in Staff data request (DR) No. 203 by asking "Does Ameren Missouri anticipate changes to these expenses moving forward, if yes please explain?" How did the Company respond?

A. In response to Staff's DR No. 203, Ameren Missouri stated that it does not anticipate significant future expense changes in the continued implementation of the cross-bore and valve maintenance programs. The chart above, coupled with this DR response, demonstrates that the implementation of both programs has decreased the overall non-labor distribution maintenance cost.

Q. Ameren Missouri Mitchell Lansford states on page 2, lines 15-19 of his rebuttal testimony that the forecast non-labor distribution maintenance cost for the next five years indicates Ameren Missouri is planning to spend a consistent amount on non-labor distribution maintenance. Does Staff include forecasted amounts in its cost of service?

A. Staff does not include forecasted costs in its cost of service calculation. It is Staff's position that costs in rates must be known and measurable. Known in the sense that the amount is actual incurred cost; measurable meaning that the cost can be calculated with a high degree with accuracy. Forecasted costs are not known and measurable, as those costs have not yet been incurred. As stated above, Ameren Missouri does not anticipate significant changes in the expense levels and it plans to spend a consistent amount, thus Staff's position is appropriate.

NON-QUALIFIED PENSION EXPENSE

Q. Ameren Missouri witness Lansford states on page 7, lines 4-19 of his rebuttal testimony that the qualified pension costs are accounted for and included in the revenue requirement based on an actuarial analysis that determines the plan's normal level of annual costs, and there is no reason that non-qualified pension costs should be treated differently. What is the difference between qualified pension expense and non-qualified pension expense?

A. A non-qualified pension expense, such as the supplemental employee retirement plan (SERP), provides a pension payment to select executives, chosen by Ameren Missouri's management. In contrast, qualified pension expense is for pension plans generally available to all employees. Another difference is that qualified pension plans are required under federal law to be pre-funded, while SERP plans are not. While the accrual calculations of pension expense generally form the basis for the amount of the utility's annual cash outlay for pension expense, there is no cash outlay for Ameren Missouri related to SERP expense until amounts due are actually paid to qualifying employees, which is typically many years after SERP expense is booked. Finally, the amounts calculated on an accrual basis for qualified plans that are contributed to an external trust fund can be deducted currently for income tax purposes, while no tax deductions are available for SERP expense until amounts are paid out to beneficiaries.

For these reasons, Staff takes the position that non-qualified pension expense should not be subject to a tracking mechanism, as the qualified plan is.

Q. Why shouldn't SERP expense be given rate recovery on an accrual basis, similar to qualified pension expense?

A. As previously discussed, the accrual expense calculations for qualified plans are the basis for the annual amounts contributed by Ameren Missouri to the trust funds, meaning the utility has an annual cash outlay tied to its annual expense accrual. With SERP expense, there is no cash outlay on the utility's part until the SERP benefits are actually paid to qualifying employees, which can be many years after the associated accrual expense is booked. In this regard, SERP expense accruals cannot be considered to be "known and measurable" cash obligations in the same way that annual pension contributions for qualified plans are.

Q. What did Staff include for non-qualified pension expense in its direct testimony?

A. Staff included a five-year average for lump sum payments and the test year amount for annuity payments. In general, Staff uses three to five year averages to smooth out any fluctuations over time. However, Staff believes a five-year average of lump sum payments and the test year amount for annuity payments are more reflective of the ongoing level moving forward. This is subject to Staff's true-up audit as discussed later in this testimony.

PENSION AND OPEB TRACKERS

Q. Ameren Missouri witness Lansford disagrees on pages 12 and 13 of his rebuttal testimony with Staff's proposal to only include the deferral of service costs in rate base. Does Staff still maintain its position?

A. No. After reflection on the issue and further discussions with Ameren Missouri, Staff agrees that the tracking mechanism accurately compares the amount of service and non-service costs in rates to actual incurred service and non-service costs. Therefore, Staff agrees with the Company's position that both the non-service and service cost elements of Pensions and OPEBs should receive the same treatment and inclusion in rate base.

Q. Ameren Missouri witness Lansford disagrees on page 14, lines 6-12 of his rebuttal testimony with the balance because of an incorrect annual amortization for the pension and OPEB deferral from Case No. GR-2010-0363. Was the time period of the balance and the amortization period different from what the Commission ordered in Ameren Missouri's subsequent gas rate case, Case No. GR-2019-0077?

A. Yes. The balance was established as $1,753,752 at 5/31/2019 and the annual amortization was established to be $350,751 but that was based on a 5 year average at 5/31/2019 instead of 9/30/2019, effective date of rates. Staff will re-review this calculation at true-up along with all other pension and OPEB amortizations.

Q. Ameren Missouri witness Lansford states on page 14, lines 13-16 of his rebuttal testimony that Staff recommended the prior pension and OPEB deferrals be amortized over three years and that the proposed amortization period is a change from prior practice. Is that a change from prior practice?

A. No. In Ameren Missouri's electric rate cases, it has been common practice to establish any new pension and OPEB deferral over a five year period and then reset any prior case deferral amortization over a period that is believed to line up with recovery of the Company's next anticipated rate proceeding. As Ameren Missouri's has only had two gas rate proceedings in the last approximately 12 years, it seems appropriate in the gas rate case to establish the reset of amortization over three years, similar to approximate Ameren Missouri filing a gas general rate case consistent with infrastructure system replacement surcharge

(ISRS) rules. Additionally, Ameren Missouri stated that it will be installing AMI metering in the near future and more than likely will need to file a rate case to recover those investments.

CALL CENTER COSTS

Q. Ameren Missouri witness Laura Moore states on page 8, lines 8-13 of her rebuttal testimony that the external call center hours were artificially low during the pandemic and thus Staff calculating call center costs based on a three-year average is inappropriate. Does Staff agree that a three-year average is not appropriate?

A. Yes. After further review, Staff calculated that the actual historical external call center costs since November 2017 when Ameren Missouri switched outside vendors from Convergent to First Contact trended downward from $2,139,231 in June 2019 to $1,570,457 in June 2021. Therefore using a three-average will not reflect the ongoing level of this expense.

Q. Do you agree with Ameren Missouri witness Laura Moore's suggestion that call volume in 2020 was reduced due to the pandemic?

A. It is possible, that with moratoriums on service disconnections and late fees that the pandemic had an impact on the level of external call center costs. It also appears to be true that the pandemic continues and it is not clear when it may end. The external call volume may or may not return to pre-pandemic levels after our true up cut-off in this current rate case. It may not even return to pre-pandemic levels in 2022 because of the tight current labor market. However, Ameren Missouri ended its moratorium on disconnections and late fees in late August 2021. Therefore, Staff recommends inclusion of the last twelve months of call volume hours, priced out at the most current contract rate, as more reflective of the call center costs going forward. This is subject to Staff's true-up audit as discussed later in this testimony.

TRUE-UP DIRECT

NON-LABOR DISTRIBUTION MAINTENANCE

Q. Has Staff reviewed non-labor distribution maintenance expense as part of its true-up audit?

A. Yes. Staff reviewed non-labor distribution maintenance through September 30, 2021 true-up cutoff point. Based upon this review, Staff proposes to normalize non-labor distribution maintenance expense by using a three-year average of these expenses during the period covering January 1, 2014 through September 30, 2021.

PAYROLL AND PAYROLL TAXES

Q. Has Staff updated the payroll and payroll taxes calculation as part of its true-up filing?

A. Yes. Staff updated its payroll and payroll taxes annualization to include the actual employee counts as of September 30, 2021.

EMPLOYEE BENEFITS

Q. Has Staff updated the level of employee benefits as part of its true-up filing?

A. Yes. Staff updated its calculation to include the actual cost of employee benefit expense that occurred during the true-up period ending September 30, 2021.

PENSIONS AND OPEBS

Q. Has Staff updated qualified pension and OPEB expense, tracker amortization, and rate base balances?

A. Yes. Staff updated its Pension and OPEB expense calculation to include the last known actuarial amounts. The trackers have been reset and the net balances, which are regulatory liabilities, will be amortized over the next five years. Staff reduced the rate base by the amount of the regulatory liabilities.

NON-QUALIFIED PENSION EXPENSE

Q. Has Staff updated non-qualified pension expense as part of its true up?

A. Yes. Staff updated its non-qualified expense to include a five-year average ending December 31, 2020 for lump sum payment, three-year average for five and ten-year annuities, test year level for fifteen and Life term annuities.

CALL CENTER COSTS

Q. Did Staff true up call center costs?

A. Yes. Staff trued-up the call center costs to include the current hourly rate applied to the actual hours worked during the twelve months ending September 30, 2021.

SOFTWARE RENTAL REVENUE

Q. Has Staff updated software rental revenue?

A. Yes. Staff updated software rental revenue to include the last known amount of the rental revenue at September 2021 multiplied by 12 for an annual level.

SOFTWARE RENTAL EXPENSE

Q. Has Staff updated software rental expense?

A. Yes. Staff updated software rental expense to include the last known amount at September 2021 multiplied by 12 for an annual level.

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

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust Its Revenues for Natural Gas Service	)))	Case No. GR-2021-0241

AFFIDAVIT OF PAUL K. AMENTHOR

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

COMES NOW PAUL K. AMENTHOR and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal/True-Up Direct Testimony of Paul K. Amenthor*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Paul K. Amenthor

PAUL K. AMENTHOR

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 3rd day of November, 2021.

LISA M. FERGUSON
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: June 23, 2024
Commission Number: 16631502

Lisa M. Ferguson

Notary Public