

Exhibit No.:
Issue: Department of Energy
Refunds for Nuclear Spent
Fuel Storage Expense
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2014-0258
Date Testimony Prepared: January 16, 2015

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

REBUTTAL TESTIMONY

OF

LISA M. FERGUSON

STAFF Exhibit No. 213
Date 2-23-15 Reporter XF
File No. ER-2014-0258

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

CASE NO. ER-2014-0258

*Jefferson City, Missouri
January 2015*

1 REBUTTAL TESTIMONY

2 OF

3 LISA M. FERGUSON

4 UNION ELECTRIC COMPANY,
5 d/b/a Ameren Missouri

6 CASE NO. ER-2014-0258

7 Q. Please state your name and business address.

8 A. Lisa M. Ferguson, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

9 Q. By whom are you employed?

10 A. I am employed by the Missouri Public Service Commission ("Commission")
11 as a member of the Auditing Unit Staff ("Staff").

12 Q Are you the same Lisa M. Ferguson who contributed to Staff's *Revenue*
13 *Requirement Cost of Service Report* filed December 5, 2014 in this case?

14 A. Yes, I am.

15 Q. What is the purpose of your rebuttal testimony in this proceeding?

16 A. My rebuttal testimony will clarify my direct testimony as to the method
17 that the Company has used to book refunds received from the U.S. Department of
18 Energy ("DOE") related to prior costs incurred by the Company to store spent nuclear fuel.
19 In addition, Staff requests that the Commission order Ameren Missouri to follow
20 Staff's recommended accounting treatment for reimbursements of expense received from
21 DOE on a going-forward basis. In addition, the Staff also requests the Commission require
22 Ameren Missouri to provide email notification to the Staff when refunds of expense are
23 received from DOE.

1 **SPENT NUCLEAR FUEL REFUNDS**

2 Q. What is the situation that Ameren Missouri faces with spent nuclear fuel?

3 A. Ameren Missouri entered into a contract with DOE on March 6, 1984 as part
4 of the Nuclear Waste Policy Act (NWPA) that was signed into law. It was agreed that
5 Ameren Missouri, as well as other utilities under similar contracts, would pay the government
6 fees that would be sufficient for DOE to implement and operate a program for the prompt
7 removal of spent nuclear fuel from nuclear power plants nationwide. The contract terms
8 specified that DOE was to begin removal of spent nuclear fuel no later than January 31, 1998.
9 DOE has failed to commence the removal of the spent nuclear fuel on that date and later, and
10 the United States Court of Appeals subsequently held that this failure to commence removal
11 of the spent nuclear fuel constituted a breach of the government's contractual obligation to the
12 nuclear utilities that signed contracts with DOE, including Ameren Missouri.

13 Absent implementation by DOE of a permanent storage program, Ameren Missouri
14 has two acceptable storage methods for spent nuclear fuel available to it after the fuel is
15 removed from the reactor core. One method is to store spent nuclear fuel in wet pools, the
16 other option is to store it in dry cask storage once the wet pool has reached capacity. Ameren
17 Missouri has already increased the capacity of its wet pool storage by "re-racking" or
18 replacing the existing storage racks with new racks having additional storage capacity. This
19 increased storage for spent nuclear fuel assemblies (spent fuel rods) from 1,340 to 2,360.
20 When it became clear that no permanent storage was going to be available for spent nuclear
21 fuel, Ameren Missouri began construction of a dry cask storage facility.

1 Q. How did Ameren Missouri seek to recover costs for the storage of spent
2 nuclear fuel once it was clear that the spent fuel would not be removed by DOE as
3 originally planned?

4 A. Ameren Missouri, as well as other nuclear energy center owners, sued DOE to
5 recover costs incurred for re-racking spent wet fuel pools, as well as for dry cask storage and
6 other ongoing costs associated with the storage of spent nuclear fuel. Ameren Missouri
7 settled with the U.S. Department of Justice (who represents DOE in spent-fuel litigation) and
8 that settlement covered both past and future damages incurred by the Company. The past
9 costs were paid by the government when the settlement agreement was signed, and the
10 agreement established an administrative claims process to which the utility may submit claims
11 for ongoing damages annually. The settlement provided for the recovery of the re-racking
12 expenses and recovery of spent-fuel storage and related costs incurred from 2010-2013 with
13 the ability to extend the recovery period. The parties have previously agreed in principle to
14 extend the recovery period through 2016.

15 Q. What amount of refunds has Ameren Missouri received for spent nuclear fuel
16 related costs that it previously incurred through the settlement, and how did the Company
17 book these funds?

18 A. Ameren Missouri has received the following reimbursements:

19	July 2011	\$ 10,551,468
20	October 2012	\$ 818,692
21	November 2013	\$ 6,227,978

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1 The following summarizes how the Company has already recorded these transactions on
2 their books:

3	Debit (DR)	Credit (CR)		
4	July 2011			
5	DR	Acct 131	Cash	\$9,117,418
6	CR	Acct 322	Reactor Plant in Service	(\$9,117,418)
7			(Retirement of Asset)	
8	DR	Acct 322	Reactor Plant (Reserve)	\$2,522,188
9	CR	Acct 403	Depreciation Expense	\$(2,522,188)
10			(Reverse Depreciation Previously Recorded)	
11	DR	Acct 131	Cash	\$1,360,156
12	CR	Acct 421	Miscellaneous Non-Operating Revenue	(\$1,360,156)
13			(Reimbursement of O&M)	
14	DR	Acct 131	Cash	\$73,894
15	CR		CWIP	(\$73,894)
16			(Reimbursement of Dry Cask Storage Project)	
17	October 2012			
18	DR	Acct 131	Cash	\$818,692
19	CR		CWIP	(\$818,692)
20			(Reimbursement of Dry Cask Storage Project)	
21	November 2013			
22	DR	Acct 131	Cash	\$6,227,978
23	CR		CWIP	(\$6,227,978)
24			(Reimbursement of Dry Cask Storage Project)	

25 The Company also has submitted costs to DOE for reimbursement under the settlement
26 agreement in 2014 for the reimbursement of approximately \$14.9 million of costs related to
27 the dry cask storage facility it is constructing at the Callaway Energy Center. Staff has been
28 notified that the Company received the 4th quarter 2014 reimbursement of approximately
29 \$14.9 million in December 2014 and that the reimbursement was booked as a \$14.9 million
30 reduction to CWIP for the Dry Cask Storage Project.

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1 Q. Does Staff agree with the booking methodology that has been used by the
2 Company for refunds received from DOE?

3 A. Staff believes the refunds from DOE are being treated correctly with the
4 exception of expense item reimbursements that occurred during the twelve months ending
5 September 30, 2011, which was the test year that was established by the Commission in
6 Ameren Missouri's previous rate case, Case No. ER-2012-0166. Staff differs with the
7 Company on how to treat the booking of refunds for expense items (refer to journal entry 3
8 under July 2011 above for \$1,360,156). Staff believes that all refunds received from DOE to
9 date for investment-related items that have an associated plant, reserve, or CWIP adjustment
10 have been booked correctly.

11 Q. How does Staff recommend that the Company book expense item refunds that
12 the Company receives from DOE on a going-forward basis?

13 A. The following entry summarizes how the Staff believes that the July 2011
14 reimbursement for expenses for \$1,360,156 should have been recorded:

15	DR	Acct 131	Cash	\$1,360,156
16	CR	Acct 517	Operation Supervision & Engineering	(\$37,718)
17	CR	Acct 524	Misc. Nuclear Power Expense	(\$102,629)
18	CR	Acct 530	Maintenance of Reactor Plant Equipment	(\$930,535)
19	CR	Acct 532	Maintenance of Misc. Plant	(\$762)
20	CR	Acct 408	Property Tax	(\$288,514)
21			(All Reimbursement of O&M Expense)	

22 This is in contrast to how the Company recorded the \$1.36 million reimbursement as a credit
23 to Account 421, which is a below-the-line miscellaneous non-operating revenue account.

24 Q. Why does the Staff recommend its proposed accounting treatment for DOE
25 reimbursements of expense?

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1 A. Because of Ameren Missouri's below-the-line accounting treatment for this
2 DOE expense reimbursement transaction and also because Ameren Missouri did not reveal to
3 Staff how it recorded this transaction, this transaction was overlooked and was not
4 addressed by Staff in the last rate case. This means that if any reimbursed expense was
5 initially funded by the ratepayer through rates in prior cases, the booking of the
6 reimbursement to a below-the-line account may have unfairly resulted in that amount not
7 being returned to ratepayers as a reduction in future cost of service. Therefore, Staff
8 recommends that any refunds the Company receives in place of expenses incurred for spent
9 nuclear fuel storage should be booked above-the-line as a contra-expense item within each
10 account the original expense was booked. This allows for an offset to the expense incurred.
11 Staff recommends this type of booking methodology to ensure transparency of exactly what
12 expenses were refunded to Ameren Missouri and also to allow the Staff, and other parties, to
13 investigate if any of the refunded expense had been previously paid for by ratepayers in order
14 to determine if the reimbursed amounts of expense should be flowed back to ratepayers.
15 Therefore, Staff recommends that the Commission order Ameren to record DOE-related
16 expense reimbursements under Staff's proposed accounting treatment, which requires all such
17 refunds to be recorded as a contra-expense. Staff further recommends that the Commission
18 order the Company to notify Staff's Chief Counsel by email, within 30 calendar days after
19 each expense reimbursement is received from DOE. This notification is needed to increase
20 transparency of such transactions and to alert the Staff during and in between rate cases of
21 such refunds of expense in order to provide the Staff ample time to review whether or not the
22 expenses that were refunded had previously been included in rates and therefore should be
23 returned to ratepayers. Specifically, Staff requests that the email notification include how

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1 much the reimbursement was for, the amount of the original expense, when the
2 reimbursement was received and what expense account(s) the original expense and the
3 refunds were recorded.

4 Q. Does this conclude your rebuttal testimony?

5 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

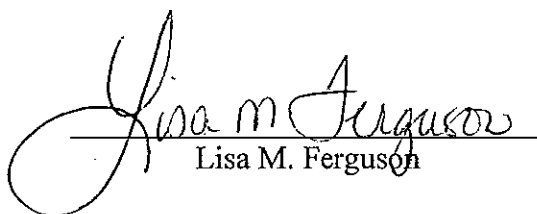
In the Matter of Union Electric Company d/b/a)
Ameren Missouri's Tariff to Increase Its)
Revenues for Electric Service)

Case No. ER-2014-0258

AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

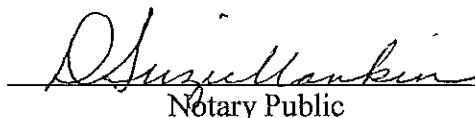
Lisa M. Ferguson, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Lisa M. Ferguson

Subscribed and sworn to before me this 16th day of January, 2015.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2016 Commission Number: 12412070
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Notary Public