EXHIBIT

Exhibit No.:
Issue(s): Lobbying Expense/
Board of Directors Costs/
Ameren Services Company Allocations/
DOE Breach of Contract Settlements/
Rate Case Expense/
Corporate Franchise Tax/
Meramec Energy Center
Plant Retirement
Witness/Type of Exhibit: Robertson/Rebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2014-0258

REBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

UNION ELECTRIC
D/B/A
AMEREN MISSOURI

CASE NO. ER-2014-0258

** **

Denotes Highly Confidential Information that has been Redacted

January 16, 2015

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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 TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am the Chief Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Ted Robertson

Ted Robertson, C.P.A.
Chief Public Utility Accountant

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

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037

Jerene A. Buckman

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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OF
TED ROBERTSON

UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI
CASE NO. ER-2014-0258

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, P. O. Box 2230, Jefferson City, Missouri 65102.

Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of this rebuttal testimony is to address the direct testimonies of Ameren Missouri ("Ameren" or "Company") witnesses, Mr. Michael J. Adams, Ms. Laura M. Moore, Mr. Larry W. Loos, and Mr. John J. Spanos; Missouri Public Service Commission ("MPSC") Staff witnesses, Mr. Jason Kunst, Ms. Lisa K. Hanneken, Ms. Lisa M. Ferguson, and Ms. Sarah Sharpe; and Missouri Industrial Energy Consumers ("MIEC") witness, Mr. Steven C. Carver, regarding their positions on the ratemaking treatment of lobbying expense, board of directors costs, Ameren Services Company ("AMS" or "Services Company") allocations, U.S. Department of Energy ("DOE") breach of contract settlements, rate case expense, corporate franchise tax and the Company's Meramec Plant retirement proposal.

III. LOBBYING EXPENSE

Q. IS THE COMPANY RECORDING LOBBYING COSTS ABOVE THE LINE AND SHOULD THEY BE REMOVED?

A. Yes. In response to MPSC Staff DR No. 488, the Company stated that lobbying costs are charged below the line, meaning they are not included in the revenue requirement. The response stated:

> The Ameren Missouri Government Affairs staff is accounted for 100% below the line. In addition, Warren Wood charges 40% of his time and Michael Moehn 8% of his time to lobbying, which is also accounted for below the line. There is a Staff of three AMS employees in Washington, D.C. that work on Federal issues lead by Joseph Power. These AMS employees charge time to lobbying that is allocated to Ameren Missouri, and charged below the line. Finally, other Ameren Missouri and AMS executives and employees charge minor amounts of time to lobbying when they engage in such activities, which is also charged below the line. Below the line costs are not included in the revenue requirement.

However, the MPSC Staff witness, Mr. Jason Kunst, was able to, via a detailed review of various expense accounts, locate lobbying costs not identified as such by the Company that were recorded in several above the line accounts. The Staff made an appropriate adjustment to remove those costs (Source: *Staff Report Revenue Requirement Cost Of Service*, page 107 and Kunst Direct Dues and Donations WP).

Q. DOES PUBLIC COUNSEL BELIEVE THAT ALL ABOVE THE LINE LOBBYING COSTS HAVE BEEN IDENTIFIED AND REMOVED FROM THE PROPOSED REVENUE REQUIREMENT?

A. Public Counsel has outstanding data requests seeking information that may help to confirm whether or not lobbying costs have been removed as stated, and will further address this issue, as appropriate, in surrebuttal testimony.

IV. BOARD OF DIRECTORS COSTS

Q. DOES PUBLIC COUNSEL BELIEVE THAT THE ADUSTMENT THE MPSC STAFF PROPOSES FOR THE AMEREN CORPORATION BOARD OF DIRECTORS COSTS IS APPROPRIATE?

A. Yes. MPSC Staff witness, Mr. Jason Kunst, recommends an adjustment to disallow approximately $1,600,839 related to Ameren Corporation

Board of Directors costs (Source: *Staff Report Revenue Requirement Cost of Service*, page 136 and Kunst Direct Misc. Expenses WP).

Q. IS IT LIKELY THAT MR. KUNST'S ADJUSTMENT WILL BE FURTHER MODIFIED BY PUBLIC COUNSEL OR THE MPSC STAFF IN LATER TESTIMONY?

A. Yes. The MPSC Staff has several outstanding data requests seeking additional information regarding these costs. Depending on the Company's responses to these data requests, modifications to the adjustment and testimony may be further addressed by either the MPSC Staff or Public Counsel in surrebuttal testimony.

V. AMEREN SERVICES COMPANY ALLOCATIONS

Q. DOES PUBLIC COUNSEL AGREE WITH THE ALLOCATION ADJUSTMENTS RECOMMENDED BY THE MPSC STAFF AND MIEC WITNESSES?

A. Yes. However, Public Counsel believes that additional issues regarding the services provided and costs allocated by AMS to the Company need to be addressed in the current case.

Q. PLEASE EXPLAIN.

A. The MPSC Staff witness, Ms. Lisa K. Hanneken and MIEC witness, Mr. Steven C. Carver, have identified difficulties in obtaining relevant information on which to base an analysis of the AMS costs. Both witnesses state that a primary cause of these difficulties is the Ameren Corporation divestment of several non-regulated entities which were previously allocated costs from AMS along with structural employee changes that resulted. The MPSC and MEIC both recommend an adjustment to disallow a Company proposed $6,288,000 increase in annual allocation charges.

In addition, the MPSC Staff states in its direct testimony (i.e., *Staff Report Revenue Requirement Cost Of Service*, page 61) that it has requested, but not received, cost information needed to analyze the AMS allocations. The MPSC Staff has concerns as to whether the data that will be made available will be able to answer all of the Staff's questions. Staff also recommends further review of this issue through a Cost Allocation Manual ("CAM") review.

Q. WHAT IS THE DIVESTITURE PROBLEM?

A. In the direct testimony of MPSC Staff witness, Ms. Hanneken (i.e., *Staff Report Revenue Requirement Cost Of Service*, page 60, lines 4-12), she states:

> In December 2013, during the test year, Ameren Corporation divested itself of Ameren Energy Resources (AER) and its subsidiaries Ameren Energy Generating Company ("Genco"), Ameren Energy Resources Generating Company ("AERG") and Ameren Energy Marketing Company ("AEM"). Each of these entities was also being assigned allocated costs from AMS and, as a result of the divestiture, a higher percentage of costs are being allocated to the remaining entities, including Ameren Missouri. Another result of the divestiture was that several employees were displaced and ultimately offered positions at various Ameren entities, including AMS and Ameren Missouri, which in turn increased both Ameren Missouri's direct and allocated labor costs.

The MIEC witness, Mr. Carver, also addresses the divesture issue in his direct testimony. To summarize, since the total group of affiliates now receiving AMS cost allocations is smaller, the piece of the total AMS costs that the Company will be responsible for supporting is now larger. Furthermore, several former employees of the divested companies have now been retained as employees of either the Company, AMS, or other affiliates of Ameren Corporation. The Company's response to MIEC DR No. 20.5 states:

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>
> **

Q. WHAT IS PUBLIC COUNSEL'S VIEW OF THE SITUATION?

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A. The divestiture raises an interesting question: Since AMS and its operations were apparently sized to meet the needs of the group of Ameren Corporation affiliates that existed prior to the divestiture, would it not be reasonable to question whether AMS's current costs are over-sized or bloated and out of line with the needs of the remaining entities it now serves? Public Counsel believes that question needs to be answered but, according to the testimony of MPSC Staff and MIEC witnesses, it cannot be answered due to the inability of the parties to obtain current and relevant information which is needed to determine the appropriateness of the charges being allocated to Missouri ratepayers.

Furthermore, a corollary issue to the new AMS cost structure and allocations that resulted is whether the retained employees of the divested non-regulated entities were truly necessary or just added to the employee roster to inflate the Company and AMS costs in the short term with the goal of subsequently increasing the Company's earned rate of return.

Q. DOES PUBLIC COUNSEL AGREE WITH THE MPSC STAFF'S RECOMMENDATION FOR A FURTHER REVIEW OF AMS OPERATIONS THROUGH A CAM REVIEW?

A. No, but only because Public Counsel does not believe a CAM review would not go far enough in helping to determine what the reasonable and prudent cost structure of AMS is and what portion of those reasonable and prudent costs should be allocated to Missouri ratepayers. A CAM review certainly would be helpful, but a CAM review would not answer the fundamental question of whether the actual costs being incurred and allocated by AMS are reasonable and prudent? The only way to answer those questions is for AMS to submit to a regulatory audit in the same way that Ameren Missouri is being audited in the current general rate increase case.

Q. HAS AMS RECENTLY BEEN SUBJECTED TO AN AFFILIATE TRANSACTION AUDIT BY A REGULATORY BODY?

A. Yes. Beginning on page 19, line 1, of the direct testimony, of Company witness, Mr. Michael J. Adams, he states:

> Q. Have there been external audits of the affiliated transactions between Ameren Services and Ameren's regulated companies?
>
> A. Yes. The FERC conducted an audit of Ameren Corporation's affiliate transactions in Docket No. FA10-3-000 filed on October 21, 2010. The audit included a review of Ameren Services' cost allocation methodologies and costs billed by Ameren Services to its affiliated franchised public utilities. The audit included selective tests of Ameren

> Services' cost allocation methodologies and billings by the service company to the associated operating utilities and evaluated whether the associated operating utilities' accounting for these costs complied with the Uniform System of Accounts requirements. The audit covered the period January 1, 2008, through December 31, 2009. The final audit report contained 18 recommendations for corrective actions. Many of the recommendations called for Ameren Services to strengthen or revise its procedures, correct entries or refile pages of the FERC Forms 1 or 60. The Company has (or will) addressed each of the recommendations made by FERC Staff and has reported quarterly to FERC Staff the Company's progress on the implementation of corrective actions. The FERC's Staff is currently conducting an audit of Ameren Missouri in Docket No. FA13-2-000. While the scope of the audit does not implicitly include the services provided by Ameren Services to Ameren Missouri, FERC Staff has asked for backup for utility transactions that began at Ameren Services. The exact timing of the audit is not known at the time this testimony was prepared.

Furthermore, in the direct testimony of MPSC Staff witness, Ms. Hanneken (i.e., *Staff Report Revenue Requirement Cost of Service*, beginning page 59, line 27), she states:

> In addition, the Company's Internal Auditing Department performs an audit each year of AMS' Service Request System and Service Request policies, operating procedures, and controls as ordered by the Illinois Commerce Commission (ICC) in Order #06-0070 on May 16, 2007. The Company provided Staff with data regarding its allocations through September 2014 for review, as well as copies of the internal audit reports required by the ICC.

Clearly, a review of the AMS allocation processes, procedures and controls is important and has in the past, and should into the future, continue to occur on a regular basis. However, missing in all the reviews is a detailed audit of the actual costs incurred by the AMS operations.

Q. HOW LARGE OF A COMPANY IS AMS?

A. AMS is a very large company. Page 101 of its *2013 FERC Financial Report FERC Form No. 60: Annual Report Of Centralized Service Companies* identifies AMS total assets of $473,315,598, while on page 301, total AMS operating expenses are identified as $338,882,410.

Q. SHOULD THE COST OF A SERVICES COMPANY AS LARGE AS AMS BE SUBJECTED TO AN OCCASIONAL, IF NOT REGULAR, COST AUDIT FOR PRUDENCE AND REASONABLENESS?

A. Yes, I believe that it should. It is reasonable and in the public interest for a financial and operational audit of AMS to occur periodically. AMS is a large services company whose operations perform activities for Ameren Missouri that it once performed for itself. Relying solely on the mantra that AMS now provides those same services at a lower cost simply because its total costs are allocated among several entities does nothing to verify whether the costs should have been incurred in the first place or whether they were prudent and reasonable. If those same activities necessary for the operation of Ameren Missouri were still performed by Ameren Missouri they would be subjected to financial and operational audits on a regular basis with AMS they are not.

Q. WHAT ADDITIONAL RECOMMENDATION DOES PUBLIC COUNSEL PROPOSE FOR THE CORPORATE ALLOCATIONS ISSUE?

A. Public Counsel recommends that the Commission consider opening a docket with the goal of performing a detailed financial and operational audit of the AMS cost structure in addition to its allocation processes, procedures and controls.

VI. DOE BREACH OF CONTRACT SETTLEMENTS

Q. IS IT EXPECTED THAT THE COMPANY WILL RECEIVE ADDITIONAL U. S. DEPARTMENT OF ENERGY BREACH OF CONTRACT REIMBURSEMENTS RELATED TO THE SETTLEMENT?

A. Yes. MPSC Staff witness, Ms. Lisa M. Ferguson, presented direct testimony that additional refunds were forthcoming (i.e., *Staff Report Revenue Requirement Cost of Service,* page 86). Her testimony is corroborated by the Company's response to MPSC Staff DR No. 353 which states that the Company anticipates an additional fourth quarter 2014 reimbursement of $14,933,364 that it will record as a reduction of construction work in process ("CWIP) similar to the 2012 and 2013 reimbursements it received. The same response included an *Addendum to Settlement Agreement* between the parties which extended the termination date of the current settlement agreement to December 31, 2016; provided allocations for evaluations of claims; and provided that the parties may extend the termination date for the agreement by mutual written agreement.

Q. WHAT IS THE POSITION OF PUBLIC COUNSEL ON THIS ISSUE?

A. Public Counsel agrees with the MPSC Staff and the Company that the reimbursements should flow back directly to ratepayers via a reduction of the costs which the Company incurred because of the contract breach. Further, I have issued an outstanding data request to the Company seeking information on the receipt and booking of the expected 4th Qtr. 2014 reimbursement. If necessary, I will address that reimbursement in later testimony. Lastly, Public Counsel recommends that the Commission order that all future refunds associated with this issue be returned to ratepayers in full regardless of the date that they are received.

VII. RATE CASE EXPENSE

Q. DOES PUBLIC COUNSEL BELIEVE THAT THE NORMALIZED RATE CASE EXPENSE IDENTIFIED AND RECOMMENDED BY THE COMPANY AND THE MPSC STAFF ARE APPROPRIATE?

A. The MPSC Staff and Public Counsel both have outstanding data requests seeking additional information on rate case costs other than those of the current case that may be included in the Company's test year revenue requirement. If necessary, I will address this issue further in surrebuttal testimony.

Q. WILL THE COSTS USED IN THE DEVELOPMENT OF A NORMALIZED RATE CASE EXPENSE CONTINUE TO BE UPDATED AS THE CASE PROGRESSES?

A. Yes.

VIII. CORPORATE FRANCHISE TAX

Q. DOES PUBLIC COUNSEL AGREE WITH THE COMPANY OR THE MPSC STAFF RECOMMENDATION FOR ANNUALIZED CORPORATE FRANCHISE TAX?

A. No. Company witness, Ms. Laura M. Moore, recommends recovery of the test year amounts of $654,000 and $86,000 (total $740,000) for Missouri and Illinois corporate franchise tax, respectively (source: Laura M. Moore direct testimony, Schedules LMM-5 and LMM-13-1). Whereas, the MPSC Staff witness, Ms. Sarah Sharpe, presented direct testimony (i.e., *Staff Report Revenue Requirement Cost of Service*, beginning on page 134, line 23 and Sharpe Direct Corporate Franchise Tax WP) recommending $685,466 as the total Missouri and Illinois annualized amount. Staff's recommendation is based on actual paid corporate franchise taxes for tax year 2014, as filed per Form MO-FT with the state of Missouri and Form CDBCAB with the state of Illinois, which included all applicable tax credits.

Public Counsel believes that the Staff's adjustment and methodology would be appropriate and reasonable if it were not for a change in the law pertaining to the tax liability of the Missouri portion of the corporate franchise tax going forward.

Q. PLEASE CONTINUE.

A. On April 26, 2011, Governor Nixon signed Senate Bill 19, which requires a gradual phase out Missouri's corporate franchise tax over five years. The corporate franchise tax is based on the amount of assets a business has located in Missouri. In 2009, Gov. Nixon signed House Bill 191, which eliminated the corporate franchise tax for approximately 16,000 small businesses across Missouri. The newer legislation, Senate Bill 19, gradually phased out the corporate franchise tax for the remaining Missouri businesses, that is, those with assets of more than $10 million located in the state. Under Senate Bill 19, the corporate franchise tax liability for companies is capped at the level they paid in Tax Year 2010, and gradually reduced each year until tax year 2016, when the Missouri corporate franchise tax rate is reduced to zero and eliminated.

Q. PLEASE EXPLAIN HOW THE PHASING OUT OF MISSOURI CORPORATE FRANCHISE HAS OCCURRED.

A. According to Chapter 147 RSMO, Corporations pay franchise tax for doing business within the state. Franchise tax is based on the "par value of the corporation's outstanding shares and surplus." This is defined as the "total assets or the par value of issued and outstanding capital stock, whichever is greater." For capital stock with no par value, the value is $5.00 per share or actual value, whichever is higher. The franchise tax basis (Schedule MO-FT, Line 6) is the basis of the assets as of the first day of the taxable year. For taxable years beginning on or after January 1, 2000, all domestic and foreign corporations engaged in business must file the franchise tax return. However, only those corporations whose assets in or apportioned to Missouri that exceed one million dollars for taxable years 2000 through 2009 or $10 million for taxable years 2010 through 2015, are liable to pay the tax. The due date of the franchise tax return is the 15th day of the fourth month from the beginning of the taxable period. The franchise tax rate is 1/30 of 1% (.000333) for tax years 2011 and prior; 1/37 of 1% (.000270) for tax year 2012; 1/50 of 1% (.000200) for tax year 2013; 1/75 of 1% (.000133) for tax year 2014; 1/150 of 1% (.000067) for tax year 2015; and 0% for tax year 2016 and thereafter.

Q. ARE THE ANNUALIZED AMOUNTS RECOMMENDED BY BOTH COMPANY AND THE MPSC STAFF BASED ON THE TAX YEAR 2014 RATE OF 1/75 OF 1%?

A. Yes.

Q. WILL THE COMPANY'S TAX YEAR 2015 TAX LIABILITY BE BASED ON A DIFFERENT RATE?

A. Yes. As I described above, the Company's tax year 2015 tax liability will be based on a tax rate of 1/150 of 1% which is 50% less than the tax year 2014 tax rate. Furthermore, the Company's Missouri corporate franchise tax liability in tax year 2016 will be zero because in 2016 the corporate franchise tax will be completely phased out.

Q. WHAT IS PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

A. Public Counsel continues to analyze the Company's corporate franchise tax liability and will further address this issue in surrebuttal testimony and during the evidentiary hearing. While it is clear that the Company's going-forward Missouri tax liability for tax year 2015 corporate franchise tax will drop by approximately 50%, and for tax year 2016 the corporate franchise tax liability will be eliminated completely, there are a number of variables (e.g. par value of stock, assets as of the end of the true-up period, credits, etc.) that will determine what the exact Missouri corporate franchise tax liability will be for tax year 2015. Public Counsel has several outstanding data requests seeking information that may help in determining what the tax year 2015 corporate franchise tax liability will be. However, it appears the Company's tax year 2015 Missouri corporate franchise tax liability will be approximately $300,000 less than what the Company and the MPSC Staff have recommended. Public Counsel intends to address this issue further, as appropriate, in surrebuttal testimony, and/or during the evidentiary hearing.

IX. MERAMEC ENERGY CENTER PLANT RETIREMENT

Q. WHAT IS THE BACKGROUND REGARDING THE DEPRECIATION RATE ADJUSTMENTS REQUESTED BY THE COMPANY TO REFLECT A RETIREMENT DATE OF 2022 FOR THE MERAMEC PLANT?

A. The current retirement date for the plant (i.e., 2027) was authorized by the Commission, under similar circumstances, in Ameren Missouri Case No. ER-2010-0036. In Case No. ER-2010-0036, the Commission rejected Company's proposal for a 2022 retirement date.

Q. WHAT IS THE COMPANY AND MPSC STAFF RECOMMENDATION?

A. The Company and the MPSC Staff's positions are the same. Beginning on page 153, line 12, of the MPSC Staff's *Staff Report Revenue Requirement Cost of Service*, MPSC witness, Mr. Arthur W. Rice, states:

> c. Retirement of the Meramec Plant
>
> Depreciation Staff does not oppose Ameren Missouri's proposed retirement date of 2022 for the computation of depreciation rates for its Meramec steam plant accounts in this rate case. However, Staff recognizes that the actual retirement date of the Meramec steam plant is in no way defined by, or a function of, an estimated date used to compute depreciation rates, and future proposed plant retirement dates may change. Ameren Missouri's proposed 2022 retirement date for the Meramec steam production facility yields a life for depreciation rate computation that is five years shorter than the Commission ordered in Case No. ER-2010-0036 ("2010 rate case"). The 2010 rate case is Ameren Missouri's most recent prior rate case where a general depreciation review occurred that included a depreciation study. In the 2010 rate case, Ameren Missouri proposed a retirement date of 2022 for the Meramec steam production facility, and submitted a Black and Veatch study on steam plant life that supported the 2022 retirement date for Meramec. Staff did not oppose the 2022 retirement date in the 2010 case. However, interveners in the 2010 case did oppose the 2012 retirement date, and, ultimately, the Commission ordered a five-year extension to Ameren Missouri's proposed Meramec life span to a retirement date of 2027. In the current Ameren Missouri rate case, Ameren Missouri witness Larry Loos sponsors a Black and Veatch study that supports a 2022 retirement date for Meramec. The use of a 2022 date versus a 2027 date for the expected retirement of the Meramec steam plant increases depreciation expense, (computed on Dec 31, 2013, plant balances), by approximately $17 million per year for this rate case.

Q. HOW DID THE COMMISSIION DECIDE THE ISSUE IN CASE NO. ER-2010-0036?

A. The Commission denied the Company's life span request and extended the proposed retirement date five years from 2022 to 2027. In its Report and Order, page 36, the Commission stated:

> Decision:
> AmerenUE shall calculate depreciation for its steam production plant based on the assumption that the Meramec steam production plant will be retired in 2027.

Q. IS THE COMPANY'S PROPOSAL IN THE CURRENT CASE ESSENTIALLY THE SAME AS ITS PROPOSAL IN CASE NO. ER-2010-0036.

A. Yes.

Q. DID THE COMPANY UPDATE THE <u>REPORT ON LIFE EXPECTANCY OF COAL-FIRED POWER PLANTS</u> IT PRESENTED IN CASE NO. ER-2010-0036?

A. Company witness, Mr. Larry W. Loos, represents that the "Study" was updated, but it appears that the underlying analysis upon which his recommendations result was not. Beginning on page 4, line 1, of Mr. Loos's direct testimony, he states:

> Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?
>
> A. The purpose of my direct testimony is to sponsor the May 2014 Black & Veatch report titled *Report on Life Expectancy of Coal-Fired Power Plants.* A copy of this report is included as Schedule LWL-1 in this case. This 2014 report represents an update to the informed estimates set forth in Black & Veatch's July 2009 report of the same name.

However, beginning on page 9, line 17, he adds:

> Q. HAVE YOU UPDATED THE ANALYSIS CONDUCTED IN 2009 TO REFLECT MORE RECENT DATA?
>
> A. No, I didn't believe it was necessary to do so. Instead, I have relied on the actuarial analysis conducted by Mr. Wiedmayer in 2009 based on retirements through December 31, 2008. Since Ameren Missouri has not retired any coal-fired generating units since the time of the prior study, I do not believe that the results of an updated study would be particularly meaningful beyond the results of the earlier analysis conducted in 2009.

Q. DOES MR. LOOS'S UPDATED STUDY STATE THAT AMEREN HAS NOT MADE ANY FINAL DEFINITIVE DECISIONS REGARDING THE RETIREMENT OF ANY OF THE PLANTS ADDRESSED IN HIS 2014 REPORT?

A. Yes. On page 1 of Schedule LWL-1 he disclaims any definitive retirement date by issuing a disclaimer that states:

> Disclaimer
> Black & Veatch Corporation (Black & Veatch) prepared this report for Ameren Missouri in May 2014 based on information available and conditions prevailing at that time. Any changes in that information or prevailing conditions may affect the conclusions, recommendations, assumptions, and forecasts set forth in this report. Black & Veatch makes no warranty, express or implied, regarding the reasonableness of any information, recommendation, or forecast set forth herein under any conditions other than those assumed in making such projections. Black & Veatch understands that Ameren Missouri has not made any <u>final definitive</u> decisions regarding the retirement of any of the plants addressed in this report. Black & Veatch's opinions are based on its professional engineering judgment of the estimated useful life of each plant for use in Ameren Missouri's depreciation analysis.

Q. SO WHAT DOES THIS MEAN?

A. It means that the Company could change its mind, at any time, on the retirement date of the Meramec Plant.

Q. DID THE COMPANY'S DEPRECIATION WITNESS, MR. JOHN J. SPANOS, RELY ON MR. LOOS'S ANALYSIS AND, THUS, THE 2009 STUDY TO DEVELOP HIS MERAMEC PLANT DEPRECIATION RATE RECOMMENDATIONS?

A. Yes. Beginning on page 4, line 11, of Mr. Loos's direct testimony, he states:

> I understand that Ameren Missouri witness John Spanos

> relies on the life spans resulting from my estimated retirement dates set forth in Schedule LWL-1 in developing his recommended depreciation rates.

Mr. Loos's testimony is corroborated by Mr. Spanos's direct testimony.

Beginning on page 9, line 13, of his direct testimony, he states:

> Q. WHAT ARE THE BASES FOR THE PROBABLE RETIREMENT YEARS THAT YOU HAVE ESTIMATED FOR EACH FACILITY?
>
> A. The bases for the probable retirement years are life spans for each facility that are based on judgment, the life assessment study and incorporate consideration of the age, use, size, nature of construction, management outlook and typical life spans experienced and used by other electric utilities for similar facilities. Most of the life spans result in probable retirement years that are many years in the future. As a result, the retirements of these facilities are not yet subject to specific management plans (with the exception of the Meramec Plant as will be addressed in other testimony filed by Ameren Missouri). Such plans would be premature because the specific date at which a given plant will actually be retired is generally not determined until the retirement date becomes much closer than the dates that have been estimated for Ameren Missouri's plants. <u>I would note that Ameren Missouri witness Larry W. Loos from Black & Veatch conducted a detailed study from which he developed informed estimates of the probable life spans of the Company's coal fired plants, which I then used in my depreciation study</u>. Retirement dates for other hydroelectric or nuclear facilities were based on license dates or on informed judgment using the factors I discuss above. (Emphasis added)

Q. WHY IS THIS ISSUE IMPORTANT?

A. The Company's proposal, if authorized by the Commission, will result in a $17,000,000 increase in the annual depreciation expense recovered from ratepayers each year going forward. However, authorization for the recovery of the $17,000,000 would be based solely on the Commission's acceptance of the Company's representation that it is "speeding up" the retirement date of the Meramec Plant. If the Company then, at a later date, simply changes its mind and decides to postpone the retirement date, ratepayers will have been forced to remit to the Company tens of millions of dollars sooner than required and that increased cash flow creates a large incentive for the Company's request.

Q. WHAT IS PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

A. Public Counsel believes that this issue is essentially the same issue as was presented in the Company's 2010 case wherein the Commission authorized the Company to use a life span retirement date of 2027 for the Meramec plant. Further, there appears to be no current change in circumstance on which the parties can reasonably rely to support changing this recent decision. Public Counsel intends to address this issue further, as necessary, in surrebuttal testimony.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.