

Exhibit No.:
Issues: Storm Costs; Discontinuance
of Storm Costs Tracker;
True-up adjustment: Revenues,
Uncollectibles; Pensions: OPEBS;
Solar Facility; CWC
Witness: Kofi A. Boateng
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2014-0258
Date Testimony Prepared: February 6, 2015

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

SURREBUTTAL TESTIMONY

OF

KOFI A. BOATENG

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

CASE NO. ER-2014-0258

*Jefferson City, Missouri
February 2015*

~~STAFF~~ Exhibit No. 206
Date 2-23-15 Reporter XF
File No. ER-2014-0258

TABLE OF CONTENTS

SURREBUTTAL TESTIMONY OF

KOFI A. BOATENG

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

CASE NO. ER-2014-0258

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16

STORM COSTS NORMALIZATION..... 2

DISCONTINUANCE OF STORM COST TRACKER 3

STAFF'S TRUE-UP AUDIT..... 9

O'FALLON SOLAR ENERGY CENTER..... 10

CASH WORKING CAPITAL..... 10

PENSION AND OPEBS TRACKER..... 10

REVENUES..... 11

EXPENSES..... 11

STORM COST TRACKER AMORTIZATION 12

1 **STORM COSTS NORMALIZATION**

2 Q. At page 30, lines 2 and 3, of Ms. Moore's rebuttal testimony, Ameren Missouri
3 proposes to include approximately \$4.6 million of O&M storm restoration cost based on a
4 60-month normalization period through December 31, 2014, for its true-up filing. Does Staff
5 agree with Ameren Missouri's proposed normalization of storm normalization costs?

6 A. Yes. Staff has received additional cost data from Ameren Missouri related to
7 major storm costs and recommends that a normalized level of approximately \$4.6 million based
8 upon a 5-year average from January 1, 2010, through December 31, 2014, be included in
9 customer rates.

10 Q. Do you have any changes to make to the amount of the Staff's storm cost test year
11 adjustment?

12 A. Yes. In the Staff's direct cost of service calculation, Staff adjusted Ameren
13 Missouri's normalized storm restoration costs based upon an erroneous test year actual cost of
14 \$4.3 million based upon representations made by Company personnel to Staff. This same
15 adjustment amount was assumed in my rebuttal testimony concerning this issue.

16 However, upon further review of additional storm cost data and discussion with
17 Ameren Missouri's personnel, Staff has determined that the actual test year non-labor O&M
18 major storm cost is \$6.8 million, instead of \$4.3 million that was previously included in Staff's
19 direct filing and rebuttal testimony. Accordingly, Staff has now adjusted its recommended
20 normalized level of approximately \$4.6 million against the true test year storm cost of
21 \$6.8 million in this true-up filing.

1 DISCONTINUANCE OF STORM COST TRACKER

2 Q. What is Ameren Missouri's rationale for proposing to continue the storm
3 restoration cost tracker?

4 A. As the main rationale for justifying the proposed continuation of the storm
5 tracker, Ameren Missouri witness David N. Wakeman stated that "major storm costs are
6 uncontrollable expenses that vary dramatically year-to-year," and that "the number, type,
7 severity, and impact of storms varies widely and is completely outside the Company's control."
8 Mr. Wakeman also adds at page 10, line 21 through page 11, line 5 of his rebuttal testimony that
9 the existing ratemaking provisions and perceived disagreements regarding treatment of these
10 costs in prior Ameren Missouri rate cases have had the effect of not allowing the Company the
11 ability to fully recover the amounts expended in prior storm restorations. As such, Ameren
12 Missouri believes the storm tracker provides a sure way for the Company to recover all amounts
13 expended for storm-related recoveries.

14 Q. Does Staff agree with Ameren Missouri witness Wakeman's rebuttal testimony on
15 these points?

16 A. No. First, prior to the implementation of the storm cost tracker in Case No.
17 ER-2012-0166, Ameren Missouri was able to recover all non-labor storm restoration costs that
18 were incurred from April 1, 2007, through the effective date of rates in the last rate proceeding,
19 January 2, 2013, using Staff's traditional ratemaking methods. Second, Staff does not believe
20 that guaranteed recovery of every single dollar spent on non-labor storm restoration costs
21 through a tracker is the appropriate ratemaking approach with regard to this issue, or to recovery
22 of expenses in general. The existing ratemaking methods are sufficient to allow Ameren
23 Missouri and other utilities the opportunity to recover their storm-related recovery costs.

Surrebuttal Testimony of
Kofi A. Boateng

1 As I previously stated in my rebuttal testimony, Ameren Missouri has two available
2 methods to address its storm costs. The first method allows Ameren Missouri to address
3 “normal” storm costs by including in the cost-of-service calculation in a rate case a multi-year
4 average level. A certain number of storm events will occur each year in any electric utility’s
5 service territory and the repair and restoration costs associated with these events should be
6 considered as part of normal and ongoing expense for an electric utility and, therefore, should be
7 included in the utility’s rates at a reasonable and ongoing level. Normal storms that occur during
8 a rate case test year can be dealt with using standard ratemaking practices.

9 A second method is available to Ameren Missouri to address extraordinary storm events.
10 Extraordinary storm events feature large numbers of customers being out of service and
11 massive repair and restoration efforts. Ameren Missouri can seek permission to defer the
12 non-labor related storm restoration costs to the utility’s balance sheet through an accounting
13 authority order (AAO). The AAO process requires the utility to justify the storm event as being
14 extraordinary before the costs can be granted deferral treatment. If given deferral treatment, the
15 costs are not charged to expense as incurred by the Company, but are preserved on its balance
16 sheet so that the Company can seek recovery of the costs in a later rate case, even if the storm
17 event in questions occurred outside of the ordered test year for that case. The appropriate
18 recovery of the deferral, if any, is addressed in the Company’s next rate proceeding following the
19 storm event. These two methods have successfully addressed all major storm events recently
20 experienced by Ameren Missouri.

21 As I indicated in my rebuttal testimony on page 9, lines 1 through 14, the level of normal
22 storm costs currently do not rise to a level significant enough to warrant the continuation of the

Surrebuttal Testimony of
Kofi A. Boateng

1 storm restoration cost tracking mechanism. Storm restoration costs represent a very small
2 percentage of Ameren Missouri's total operating expense.

3 Q. Does Staff agree with Ameren Missouri witness Wakeman's rationale, found on
4 page 4, line 21 through page 5, line 3, of his testimony, and in several other places, that Ameren
5 Missouri has no control over the storm restoration costs?

6 A. No. Mr. Wakeman's statement is not entirely accurate. The Staff believes that
7 the timing of and the severity of storm events and resulting non-labor storm restoration costs are
8 unpredictable; however, Ameren Missouri is able to exert some measure of control over its storm
9 restoration costs. Storm recovery outages can be shortened and the severity of damage to the
10 electric power infrastructure and the resulting non-labor restoration costs can be minimized, if
11 good distribution maintenance and tree-trimming measures are followed on an ongoing basis.
12 Clearly, this is something well within Ameren Missouri's control that has a direct impact on the
13 severity of storm damage and the resulting storm recovery costs.

14 Q. Are there other precautionary measures that Ameren Missouri could take to
15 mitigate the severe impact from storm-related events and also improve the Company's
16 restoration efforts?

17 A. Yes. Among the specific things Ameren Missouri can do to reduce the impacts
18 from weather-related outages and hasten recovery, Ameren Missouri's management may
19 consider placing certain distribution and transmission lines underground when cost-effective, and
20 implementing Smart Grid improvements to enhance power system operations and control.
21 Improving the overall condition and efficiency of the power delivery system can serve to
22 improve the resiliency of the system and help hasten recovery from weather-related outages.
23 Additionally, taking some of these precautionary measures would also help reduce vulnerabilities

Surrebuttal Testimony of
Kofi A. Boateng

1 of the power and related infrastructure to storm-related events. Ameren Missouri has various
2 programs, such as the ones mentioned above, designed to address storm-related impacts, but the
3 Staff does not have full details of the programs and the extent to which they are able to mitigate
4 storm-related power outages.

5 Q. Does Staff have any concerns with regard to Ameren Missouri's recent reduction
6 to the level of distribution maintenance expense since the time of Ameren Missouri's last
7 rate case?

8 A. Yes. Staff is concerned that Ameren Missouri's decision to reduce distribution
9 maintenance may be, in part, a result of the guaranteed storm cost recovery tracking mechanism
10 that was implemented on the effective date of rates as part of Ameren Missouri's most recent rate
11 case. The fact that storm recovery costs are automatically guaranteed for recovery as part of the
12 existing tracking mechanism may cause Ameren Missouri to reduce spending on preventative
13 maintenance. Elimination of the storm cost tracker in this rate case would alleviate this
14 dilemma. Staff is concerned that Ameren Missouri's recent decision to reduce distribution
15 maintenance expenditure could result in negative consequences to the Company's storm
16 restoration efforts as well as the resulting storm restoration costs.

17 Q. Are major storm costs the only expenses experienced by Ameren Missouri that
18 vary from year-to-year?

19 A. No. Nor do they represent the only expenses that "the Company has no choice
20 but to incur," As indicated earlier, Ameren Missouri has some level of control over its
21 storm restoration costs in the same manner it has control over some of its other operation
22 and maintenance expenses such as payroll, uncollectible accounts, distribution maintenance
23 expense, etc.

Surrebuttal Testimony of
Kofi A. Boateng

1 Q. At page 5, lines 1 through 9, of his rebuttal testimony, witness Wakeman
2 discussed, among other things, how important it is for the Company to respond promptly and
3 professionally to restore power outages related to storm, stating that: "These expectations are not
4 mitigated if a faster response requires the expenditure of significantly more funds than would be
5 necessary if we were less aggressive in responding to storm damage." Is the Staff proposing that
6 Ameren Missouri adopts a "less aggressive" approach in responding to storm-related outages?

7 A. No. Staff makes no such recommendation as part of this case. Staff expects
8 Ameren Missouri to be very proactive in responding to storm events by taking certain
9 precautionary actions as enumerated above. Such measures help to properly position the
10 Company to mitigate the severity of storm damages on its electric system and also enhance the
11 Company's ability to restore service as quickly as possible to customers.

12 Q. At page 10 continuing on page 11 of his rebuttal testimony, witness Wakeman
13 stated as follows:

14 Mr. Boateng seems to ignore the fact the remaking principles he
15 references (except for an AAO) can only be used as part of the rate setting
16 process for rates going forward. Accordingly, they do not assist the
17 Company in recovering amounts previously expended on storm recovery.
18 AAOs can be used to capture some of those storm recovery costs, but
19 there is always a disagreement on what constitutes a high enough
20 expenditure level to justify the issuance of an AAO. The storm tracker
21 removes all of those disagreements and is fair to both the Company and
22 our customers.

23 How does the Staff respond to Mr. Wakeman's claim?

24 A. First of all, Mr. Wakeman should understand that a normalized level of storm
25 costs is already included in rates. In fact, past ratemaking treatment has been adequate to allow
26 the Company to be made whole for past storm costs. Secondly, the claim that the existing
27 ratemaking principles have not allowed Ameren Missouri to recover its storm recovery costs is

1 entirely incorrect. As referenced in my rebuttal testimony, the Commission at page 94 of its
2 *Report and Order* in Case No. ER-2012-0166 agreed that:

3 The current system has allowed Ameren Missouri to recover all of its
4 major storm recovery costs in recent years. For the period from March 1,
5 2009, when rates from Case No. ER-2008-0318 went into effect, until the
6 July 31, 2012 true-up cut-off date for this case, Ameren Missouri has, or
7 will, collect in rates approximately \$8.2 million more than the actual costs
8 it incurred to restore service.

9 In Staff's estimation, Ameren Missouri has recovered all of its storm recovery costs for the last
10 eight (8) years. In addition, Ameren Missouri is unable to cite any instance where it has been
11 denied the opportunity to defer extraordinary storm costs through an AAO for subsequent
12 recovery. Staff is not aware of a time the Commission has rejected any of Ameren Missouri's
13 AAO applications to defer extraordinary storm restoration costs.

14 Q. Since Staff maintains that a storm cost tracker is unnecessary, does Staff also
15 contend that the IEEE Standard 1366 methodology for including storm costs in the Company's
16 proposed storm cost tracker be rejected by this Commission?

17 A. Yes. Since the traditional ratemaking approaches are adequate and appropriate to
18 allow recovery of Ameren Missouri's non-labor-related O&M storm costs, there is no need to
19 change the types of storm events that are addressed by these methodologies.

20 Q. Please summarize Staff's position regarding the Company's request for the
21 continuation of the two-way storm tracker.

22 A. There are already adequate established ratemaking procedures in place to handle
23 all types of storm events that Ameren Missouri may experience. Storm restoration costs
24 represent only 0.0016% of Ameren Missouri's total operating expense. The costs do not rise to a
25 level meriting a storm cost tracking mechanism. Staff maintains that traditional ratemaking
26 approaches continue to be adequate and appropriate to allow recovery of Ameren Missouri's

Surrebuttal Testimony of
Kofi A. Boateng

1 non-labor related O&M storm costs. If the Company's storm restoration costs meet the
2 Commission's criteria for AAO treatment, Ameren Missouri has the option to seek an AAO for
3 deferral of extraordinary storm restoration costs. In fact, these ratemaking procedures have been
4 successful in making Ameren Missouri whole for the non-labor-related O&M storm costs that it
5 has previously incurred in the past. The Commission previously denied Ameren Missouri's
6 request for a storm restoration cost tracker in Case No. ER-2010-0036 and no other utility in
7 Missouri has been authorized to use a storm restoration cost tracker. Furthermore, Ameren
8 Missouri's proposal to track storm costs would, if granted again as part of this case, provide
9 incentive for Ameren Missouri to reduce preventative maintenance spending because storms
10 costs would have a guaranteed recovery. In addition, the tracker relieves the Company of the
11 financial risk associated with storm damage and would unreasonably place this entire burden
12 upon the ratepayers. Therefore, Staff does not believe that the Commission should continue
13 Ameren Missouri's storm restoration cost tracker.

14 **STAFF'S TRUE-UP AUDIT**

15 Q. Please identify the rate base items and income statement adjustments that you are
16 sponsoring as part of Staff's true-up filing?

17 A. For the rate base portion of the revenue requirement calculation, I am sponsoring
18 Ameren Missouri's new solar generation facility in O'Fallon, cash working capital (CWC) and
19 the regulatory assets / (liabilities) balances resulting from Ameren Missouri's pension and
20 OPEBs trackers. In the income statement section, I am sponsoring adjustments to electric retail
21 revenue customer growth and other miscellaneous revenues; as well as certain income statement
22 expense adjustments; namely, removal of offset to storm cost tracker, uncollectible accounts,
23 pension and Other Post Employment Benefit Costs ("OPEBs").

1 **O'FALLON SOLAR ENERGY CENTER**

2 Q. Has Staff reviewed for inclusion in rate base Ameren Missouri's photovoltaic
3 solar generation facility that was recently constructed in O'Fallon, Missouri?

4 A. Yes. Staff has reviewed the project costs related to the construction of the
5 Company's O'Fallon Renewable Energy Center that became operational in December 2014.
6 Staff has determined that those costs were prudently and reasonably incurred and recommends
7 their inclusion in Ameren Missouri's revenue requirement calculation for this rate case. Staff
8 witness Claire M. Eubanks will discuss the aspects relating to Staff's review of the in-service
9 criteria for this solar generating facility.

10 **CASH WORKING CAPITAL**

11 Q. Has the Staff updated any element of the cash working capital components as part
12 of this true-up filing?

13 A. Yes. While Staff has not made any changes to the lead / lag calculations used in
14 its direct filing, Staff has reviewed and updated the adjusted test year levels for certain CWC line
15 item components such as pension and OPEBs, payroll, purchase power, fuel and few other items
16 through December 31, 2014.

17 **PENSION AND OPEBS TRACKER**

18 Q. Has Staff made any changes to pension and OPEBs tracker balances included in
19 the cost of service?

20 A. Yes. Staff has reflected the regulatory liability balances for both pension and
21 OPEBs in the current rate case through December 31, 2014. Both of these regulatory liability
22 balances reduce Ameren Missouri's rate base.

1 **REVENUES**

2 Q. Please explain Staff's adjustments to Ameren Missouri's total electric revenues.

3 A. The first, Staff adjustment to Ameren Missouri's revenues relates to customer
4 growth, and attempts to reflect the ongoing level of customers as of December 31, 2014, as
5 applied to normalized weather and usage for the test year. Secondly, Staff has updated its
6 adjustment to revenues for Lake of the Ozarks Shoreline Management, a component of the other
7 revenues category, through December 31, 2014. The third revenues adjustment relates to
8 miscellaneous other revenues. During the Staff's direct filing, Staff determined the test year
9 levels of miscellaneous other revenues to be reasonable after reviewing the historical data of a
10 four-and-one-half-year period (through July 31, 2014) of these revenue items which included,
11 forfeited discounts; change, connect and disconnection fees; customer installations and trouble
12 calls; rental of facilities, pole space, other leased land, and agricultural land; etc. Based upon a
13 review of five-year data of miscellaneous other revenue through December 31, 2014, Staff has
14 now reflected the twelve-month level of these miscellaneous revenues as of the cut-off period
15 (December 31, 2014) in the cost of service.

16 **EXPENSES**

17 Q. Please discuss the various expense adjustments that Staff has reflected in its
18 true-up filing.

19 A. For pension and OPEBs costs, Staff has reflected the 2014 actuarial estimates by
20 Ameren Missouri's actuaries and applied updated allocation factors to determine the ongoing
21 level of these costs for inclusion in the cost of service calculation. In respect to uncollectible
22 accounts, Staff has included a normalized level of Ameren Missouri's net write-off based upon a
23 four-year average through December 31, 2014. Additionally, Staff has removed test year offset

1 to storm cost tracker, and reflected the balances of Ameren Missouri's pension and OPEBs
2 tracker amortizations resulting from this current rate case, through December 31, 2014.

3 **STORM COST TRACKER AMORTIZATION**

4 Q. Does Staff have any corrections to make to the calculation that performed
5 with regard to the amortization of storm costs that were included in the Company's storm
6 cost tracker?

7 A. Yes. Based upon Ameren Missouri's response to Staff Data Request No. 0538,
8 the Staff has excluded all costs that were tracked for recovery under the storm cost tracker due to
9 the accounting method that Ameren Missouri utilized to record and track these amounts. Based
10 on this updated information the Staff has instead included an adjustment to increase the cost of
11 service calculation to include storm costs that were recorded in Uniform System of Accounts
12 account 593 by \$303,129.

13 Q. Does this conclude your surrebuttal testimony?

14 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

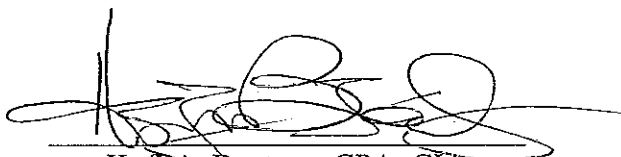
In the Matter of Union Electric Company d/b/a)
Ameren Missouri's Tariff to Increase Its)
Revenues for Electric Service)

Case No. ER-2014-0258

AFFIDAVIT OF KOFI A. BOATENG, CPA, CIA

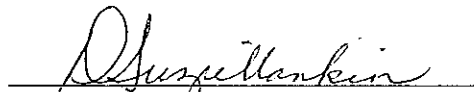
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Kofi A. Boateng, CPA, CIA, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 12 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Kofi A. Boateng, CPA, CIA

Subscribed and sworn to before me this 5th day of February, 2015.

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


Notary Public