

Exhibit No.: 32
Issue(s): Revenue Requirement
Witness: Laura M. Moore
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: ER-2014-0258
Date Testimony Prepared: February 6, 2015

Filed
March 20, 2015
Data Center
Missouri Public
Service Commission

MISSOURI PUBLIC SERVICE COMMISSION

FILE No. ER-2014-0258

SURREBUTTAL TESTIMONY

OF

LAURA M. MOORE

ON

BEHALF OF

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

St. Louis, Missouri
February 2015

UE Exhibit No. 32
Date 2-25-15 Reporter XF
File No. ER-2014-0258

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	LOBBYING EXPENSES	2
III.	SOLAR REBATE AMORTIZATIONS	3
IV.	RATE CASE EXPENSES	6
V.	DEPARTMENT OF ENERGY ("DOE") SETTLEMENT	7
VI.	CORPORATE FRANCHISE TAXES.....	8
VII.	DUES AND DONATIONS	8
VIII.	VEGETATION MANAGEMENT AND INFRASTRUCTURE INSPECTIONS BASE EXPENSES.....	9
IX.	CALLAWAY LICENSE EXTENSION.....	9

1 witness Jason Kunst); and (7) vegetation management and infrastructure inspections base
2 amounts (Staff witness Lisa Hanneken, OPC witness Robertson and MIEC witness Greg
3 Meyer). I also address a true-up item, that the Company believes should be raised at this
4 time rather than waiting until the true-up testimony phase of the case, involving the
5 extension of the license to operate the Callaway Energy Center (“Callaway”).

6 **II. LOBBYING EXPENSES**

7 **Q. OPC witness Robertson discusses an adjustment Staff made in its**
8 **Cost of Service Report to remove lobbying expenses. He also discusses employee**
9 **time for lobbying. Are these the same issue?**

10 A. No. Staff made two adjustments related to this topic. First, they adjusted
11 payroll expense to account for time spent by certain employees on lobbying. I have
12 already addressed this issue in detail in my rebuttal testimony.

13 Separately, Staff made an adjustment for lobbying expenses that is unrelated to
14 payroll expense.

15 **Q. Do you agree with the adjustments Staff made to payroll expense in its**
16 **Cost of Service Report?**

17 A. No, I do not. As I stated in my rebuttal testimony, the Company charges
18 time related to lobbying expenses below-the-line, so these amounts are already excluded
19 from the Company’s revenue requirement. The adjustment that was proposed by Staff
20 calculated a percentage of time for some executives that Staff believed was related to
21 lobbying and made an adjustment for this amount. When developing their proposed
22 disallowance, Staff did not take into consideration that time spent by these executives on
23 lobbying is already excluded from the Company's revenue requirement.

1 Standards ("RES") law. The effect of his position, like Mr. Meyer's, would be to deny
2 the Company amortization of these sums over a three-year period, as was provided for in
3 the Commission-approved Stipulation and Agreement in File No. ET-2014-0085. If that
4 Stipulation and the Order approving it were ignored, the Company would be forced to
5 write-off (i.e., take a charge to its income in 2015) the entire \$101.6 million that is
6 anticipated to ultimately be deferred to the regulatory asset authorized by the Stipulation
7 and the Order approving it.

8 **Q. Does the Company agree with Mr. Dittmer's proposed disallowance?**

9 A. No, for the same reasons as indicated in my rebuttal testimony in response
10 to Mr. Meyer's testimony. These are prudently incurred costs that the Company should
11 recover.

12 **Q. Mr. Dittmer discusses three points related to his argument that the**
13 **solar rebates should not be allowed. Please explain.**

14 A. Mr. Dittmer states three reasons why he believes it is appropriate to reject
15 the Company's proposed three-year amortization of deferred solar rebate payments.
16 First, he states that customers should only be required to provide for recovery of these
17 costs once. Secondly, he states that the Commission's granting of deferral accounting
18 does not constitute rate-making authorization. Lastly, Mr. Dittmer states that there was
19 never a guarantee of recovery. I will discuss these points below.

20 **Q. Do you agree with Mr. Dittmer's first point that customers have**
21 **already paid for these costs?**

22 A. No. Customers pay a rate for electric service. They do not pay the costs
23 the Company incurs to provide the service. Ameren Missouri witness John Reed

1 discusses this issue in more detail in his surrebuttal testimony. It is simply not true that
2 the Company has "recovered" the solar rebate payments from customers because of per-
3 book earnings in excess of the targeted return on equity used to set rates in our last rate
4 case. In fact, Mr. Dittmer has made this same argument in the past and the Commission
5 has rejected it. Mr. Reed also discusses this in his surrebuttal testimony.

6 **Q. Please explain.**

7 A. In Kansas City Power & Light Company's ("KCP&L") 2006 rate case,
8 KCP&L included an amortization of deferred costs arising from a prior ice storm that the
9 Commission had approved for deferral pursuant to an Accounting Authority Order
10 ("AAO"). Similarly, the Commission's Order approving the Stipulation relating to
11 Ameren Missouri's solar rebates constitutes an AAO for the solar rebate costs. The ice
12 storm occurred in 2002 and the rate case, as noted, occurred in 2006. Mr. Dittmer urged
13 the Commission to disallow the deferred sums claiming that KCP&L had recovered them
14 already because of, as the Commission described it, KCP&L's "robust, if not excessive
15 return on equity during the ice storm period."¹ The Commission rejected Mr. Dittmer's
16 argument, noting first that Mr. Dittmer was unaware that Staff or the Commission had
17 taken any action to reduce KCP&L's rates and that, regardless, the Commission had given
18 KCP&L authority to amortize the costs. Finding that the costs were prudent, the
19 Commission allowed the amortization.²

20 **Q. Do you agree that because for some period of time the Company's**
21 **per-book earnings were above the targeted return used to set rates that the**
22 **Company has "over-earned" or has "already recovered" solar rebates?**

¹ *Report and Order*, Case No. ER-2006-0314 (Dec. 21, 2006).

1 **Q. Would it be appropriate for Mr. Robertson to "address the issue**
2 **further" in surrebuttal testimony?**

3 A. I am not an attorney, but I can say that there is no reason that Mr.
4 Robertson should not already have "addressed the issue" either when direct testimony
5 was filed on December 5, 2014, or certainly no later than January 16, 2015, when rebuttal
6 testimony was filed. By then, OPC had more than six months to ask data requests and, in
7 fact, the Company had already answered several data requests from Staff detailing our
8 rate case expenses. OPC has full access to all of our data request responses when they
9 are provided to Staff. OPC also knew of Ms. Sharpe's position on December 5.

10 **V. DEPARTMENT OF ENERGY ("DOE") SETTLEMENT**

11 **Q. Staff requested that the Company notify Staff's Chief Counsel by e-**
12 **mail within 30 calendar days after each expense reimbursement received from DOE.**
13 **Does the Company agree with this request?**

14 A. Yes, we do. While we have no objection to providing the requested
15 notice, to be clear, doing so should not be taken as an agreement with any suggestion that
16 Staff has made or might make about how future expense reimbursements should be
17 treated for rate-making purposes.

18 **Q. Please comment on Mr. Robertson's recommendation regarding**
19 **future reimbursements.**

20 A. Mr. Robertson also asks the Commission to enter an Order now that would
21 mandate a credit to customers for future reimbursements. I have already explained in my
22 rebuttal testimony why this is inappropriate.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

VI. CORPORATE FRANCHISE TAXES

Q. What does OPC witness Robertson propose with regard to corporate franchise taxes?

A. Mr. Robertson states that he is still reviewing the topic and will discuss it further in his surrebuttal testimony. Again, there is no reason for Mr. Robertson to further discuss the issue in surrebuttal testimony.

Q. What is the Company's position on this issue?

A. The Company recognizes that corporate franchise taxes will be decreasing in the future. However, rates in Missouri are (with very limited exceptions) set using historical information. Nonetheless, because of the uniqueness of this issue (a known change in the statutory tax rate for 2015), Ameren Missouri is willing to use the 2015 franchise tax liability in its revenue requirement.³ This amount is calculated based on asset values as of December 31, 2014, and, as noted, using a tax rate effective January 1, 2015, results in a 2015 obligation of \$334,000.

VII. DUES AND DONATIONS

Q. In your rebuttal testimony, you discuss some annualization adjustments proposed by Staff. Do you have a change related to this adjustment?

A. Yes, I do. I mentioned three annualization adjustments proposed by Staff in my rebuttal testimony. After further review, the Company agrees with the annualization adjustment of approximately \$59,000 for membership in the National

³ Illinois is not phasing out its corporate franchise tax and it is anticipated that the 2015 taxes applicable to Ameren Missouri from facilities in Illinois will be similar to amounts paid in 2014.

1 Electric Energy Testing Research & Applications Center. My position on other dues and
2 donations issues remains unchanged.

3 **VIII. VEGETATION MANAGEMENT AND**
4 **INFRASTRUCTURE INSPECTIONS BASE EXPENSES**

5 **Q. The Company proposed to use the actual incurred amounts through**
6 **the true-up period for the base levels of expense for the vegetation management and**
7 **infrastructure inspections trackers. Is this correct?**

8 **A. Yes.** The actual incurred amount through the true-up period for vegetation
9 management expenses is approximately \$56,000,000, and for infrastructure inspections is
10 approximately \$6,400,000. The Company proposes that these true-up amounts be used
11 for the base levels of expense for these trackers.

12 **IX. CALLAWAY LICENSE EXTENSION**

13 **Q. What is the issue with the Callaway license extension?**

14 **A.** Over approximately the past five years, the Company has been in the
15 process of obtaining a 20-year extension of its Nuclear Regulatory Commission ("NRC")
16 license to operate the Callaway Energy Center. The process is extensive and under
17 applicable accounting standards, the costs are capitalized much like a major construction
18 project. During construction, the costs are recorded as construction work in progress.
19 When the license extension is issued by the NRC, the accounting rules require that the
20 Company put the license "in-service," that the allowance for funds used during
21 construction ("AFUDC") that had been accruing to cover the carrying costs of the
22 advanced expenses stops, and that the Company also start amortizing the license. When
23 this case was filed, the Company expected that the license extension would be issued by
24 the end of the true-up period, but the issuance has been delayed.

1 **Q. If the license was not issued by the end of the true-up period, then**
2 **why does it remain an issue for this case?**

3 A. The Company believes that an exception to the usual cut-off should be
4 made for the license, provided that it is received before rates in this case take effect. The
5 reason an exception should be made is that for several years now, as a result of the
6 Commission's decision in File No. ER-2007-0002, the depreciation rates for Callaway
7 were set assuming that the NRC license had already been extended for 20 years when, in
8 fact, the extension had not yet been granted or, at that time, even applied for. It is only
9 fair that if the plant as a whole is going to be depreciated as if the license had been issued
10 (as it has been), that the re-licensing costs be included in rate base as soon as they can be,
11 consistent with Proposition 1. It would be obviously unfair to have depreciated the
12 Callaway plant assuming the license extension had been in place since 2007 (and to
13 continue to do so), but deny including the license-extension costs in rate base if the
14 license is issued before rates take effect in this case.⁴

15 **Q. When does the Company expect to receive the approved license**
16 **extension?**

17 A. The Company expects to receive the license extension in the first quarter
18 of 2015. In discussions with the personnel at Callaway, I have learned that the approval
19 of the license is in the hands of the NRC Commissioners. All technical issues have been

⁴Ameren Missouri would propose that if it has the license and can provide evidence of the same by the time the reply brief is filed in this case then it should be included in rate base. The amount that should be included would be the investment in the license extension on the Company's books as of December 31, 2014. That sum was provided in the true-up data given to the parties on January 27, 2015. Any additional sums spent on the extension after December 31, 2014 (which will be relatively minor) can be included in rate base in a future rate case.

1 resolved with NRC Staff and the Safety Report has been issued. Ameren
2 Missouri is first in line pending resolution of a petition affecting multiple plants. If the
3 license extension is not received, the costs will not be included in rate base.

4 **Q. Why is the Company bringing up the license-extension costs now?**

5 A. While it could have simply waited to address this in true-up testimony, the
6 Company believed it was important to apprise the Commission and the parties of its
7 position on this issue now so that it could be addressed in the normal course of the
8 upcoming evidentiary hearings, if necessary.

9 **Q. Does this conclude your surrebuttal testimony?**

10 A. Yes, it does.

