

*Exhibit No.:*  
*Issue:* Pension Tracker  
*Witness:* Kofi A. Boateng  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*File No.:* ER-2011-0028  
*Date Testimony Prepared:* April 15, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**KOFI A. BOATENG**

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

**FILE NO. ER-2011-0028**

*Jefferson City, Missouri  
April 2011*



1 Q. Please summarize the areas of Company witness Lynn's rebuttal testimony  
2 concerning Ameren Missouri's pension and OPEB tracker mechanism that you will address in  
3 this testimony.

4 A. Company witness Lynn discusses a proposed change to the pension and OPEB  
5 tracker, to include an additional provision that will allow the Company the ability to seek rate  
6 recovery for contributions it makes to its pension trust that exceed its ASC 715-30 cost to  
7 avoid and/or lessen benefit restriction as defined by Section 436 of the Internal Revenue Code  
8 (IRC). A copy of the proposed changes to the tracker is attached to his rebuttal testimony as  
9 Schedule RKL-ER2. Additionally, Mr. Lynn takes the position that since non-qualified  
10 pension expense is part of the overall Ameren Missouri's pension expense, non-qualified  
11 pension expense should also be given tracker treatment together with qualified pension  
12 expense. The Staff agrees that qualified pension expense should be tracked, however  
13 disagrees with Company witness Lynn's proposal to track non-qualified pension expense.

14 Q. How would you respond to Mr. Lynn's first concern relating to changes to the  
15 Pension and OPEB tracker?

16 A. At this time, Staff does not oppose this new provision being sought by Ameren  
17 Missouri, as it seeks to account for federal changes to pension plans since the tracker was  
18 originally established. However, Staff recommends that the tracker also include specific  
19 language that allows Staff to examine and propose adjustments to the tracker balance and  
20 expense levels resulting from the increased contribution levels during future rate cases. This  
21 language simply preserves the Staff's ability to fulfill its obligation to examine  
22 the Company's costs to determine whether the cost is appropriate for inclusion in the  
23 cost of service.

1 Q. Turning to the issue of including non-qualified pension expense in the Pension  
2 and OPEB Tracker, why does Staff oppose this treatment?

3 A. Staff rejects tracker treatment for the non-qualified portion of  
4 Ameren Missouri's pension expense for a number of reasons that will be discussed later in  
5 this testimony.

6 Q. Please briefly describe the two components of the pension plans.

7 A. There are two parts of Ameren Missouri's pension plans, namely, qualified and  
8 non-qualified pension plans. A qualified pension (retirement) plan is an employer sponsored  
9 plan that meets the requirements established by the Internal Revenue Service (IRS), and as a  
10 result receives certain specified tax benefits. Among other strict requirements, a qualified  
11 plan must provide for all eligible employees equivalently, which means that the employer  
12 under this plan cannot treat highly paid employees more favorably than it does the less-well  
13 paid employees. In contrast, a non-qualified plan is any retirement, savings or deferred  
14 compensation plan for employees that does not meet all of the tax and labor law requirements  
15 that are applicable to qualified pension plans. Non-qualified pension plans are usually used to  
16 provide benefits to a selected group of executives or highly compensated employees of a  
17 company, which means the plan may be available to some, but not every employee. Most  
18 non-qualified plans are unfunded, but they can either be funded or unfunded. An unfunded  
19 arrangement is one where the employer is not setting funds aside in a secure account.

20 Q. Does Ameren Missouri provide both of these pension plans and how are  
21 they funded?

22 A. Yes. Ameren Missouri offers the qualified retirement plan to the general body  
23 of its employees, and at the same time provides selected executives additional retirement

1 | benefits, over and above the benefits provided under the regular plan, through the  
2 | non-qualified plan called Ameren Supplemental Retirement Plan (ASRP). While the  
3 | qualified pension plan is funded through a trust, thus assets are set aside from the claims of  
4 | the Company's creditors for the sole purpose of paying employees' benefits, the non-qualified  
5 | plan is unfunded, and payments are made to participants on a monthly basis from general  
6 | operating funds (i.e. "pay-as-you-go"). A plan is generally considered funded if assets are  
7 | segregated or set aside so that they are identified as a source to which participants can look for  
8 | the payment of their benefits. In the case of non-qualified plans, it does not matter whether or  
9 | not assets have been segregated for employees' benefits. Rather, what is important is that the  
10 | employees have a beneficial interest in the assets of the Company.

11 | Q. Why does Staff believe it is reasonable to distinguish the rate treatment of  
12 | qualified and non-qualified pension expenses?

13 | A. First, the primary purpose of the tracker mechanism Staff uses for all major  
14 | utilities in this state is to account for the difference between actual pension expense, which is  
15 | required to be pre-funded, and the pension expense included in rates. The pension expense  
16 | included in rates represents the cash provided by ratepayers, which is then tracked against the  
17 | actual cash outlays of the Company. However, as Ameren Missouri's non-qualified pension  
18 | plans are not pre-funded in this manner, it does not meet the requirements for the inclusion in  
19 | the pension tracker mechanism. Secondly, another reason for the tracker mechanism is the  
20 | possibility of significant volatility in annual pension expense levels, due primarily to varying  
21 | expected investment return on plan assets. Since the dollar amount for the non-qualified  
22 | expenses are typically much smaller in magnitude than qualified expenses, and that payments  
23 | are made on a monthly disbursement basis from general operating funds, the volatility

1 consideration do not seem to be a significant concern for non-qualified type expenses.  
2 Thirdly, one of the assumptions in calculating the pension cost under Financial Accounting  
3 Standard Board's (FASB) Accounting Standards Codification (ASC) Subtopic 715-30  
4 (formerly FAS 87) is the expected rate of return assumption. The expected rate of return  
5 represents the annual income expected from investing the existing pension funds in debt and  
6 equity securities. Since the non-qualified pension plan is not included in the pension fund, no  
7 invested monies are earning a return, which is used to reduce pension (ASC 715-30) expense.

8 Q. What did Ameren Missouri state as the purpose of setting up the tracking  
9 mechanism for pension and OPEB?

10 A. In Ameren Missouri's rate case File No. ER-2007-0002, C. Kenneth Vogl  
11 on behalf of Ameren Missouri summarized the purpose of the tracking mechanism in his  
12 pre-filed direct testimony as:

13 AmerenUE is proposing to establish a procedure that will ensure the  
14 amounts collected from ratepayers for pension and OPEBs are the same  
15 as the costs it recognizes for shareholder reporting purposes and funds  
16 to the plan. The proposed procedure will accomplish this, and  
17 ratepayers will neither be undercharged nor overcharged for these  
18 costs. Without such a procedure, these largely uncontrollable and  
19 volatile increases or decreases in AmerenUE's costs that occur between  
20 rate cases will never be reflected in the rates paid by its customer.

21 Q. How would you comment on witness Vogl's testimony?

22 A. It is an undeniable fact from Mr. Vogl's testimony that the intent for the  
23 establishment of the pension and OPEB tracker was to help mitigate the extreme volatility in  
24 the market, particularly in relation to expected investment returns and interest rates that  
25 invariably result in a mismatch between actual cost and the cost collected in rates. Continuing  
26 on, Mr. Vogl stated as follows in that same case that originally established the tracker:

27 This mismatch between actual cost and the cost collected in rates can  
28 be very large, as shown in sections III and IV, and is primarily driven

1 by factors outside the company's control, such as changes in interest  
2 rates and volatile investment experience.

3 Q. How does Staff intend to treat non-qualified pension expense for rate making  
4 purposes in this rate filing and beyond?

5 A. The Staff has proposed inclusion in Ameren Missouri's cost of service the  
6 actual cash payments made during the test year for rate purposes rather than accruals and  
7 tracker treatment for the non-qualified pension plans.

8 Q. Is Staff treating Ameren Missouri's non-qualified pension costs any different  
9 than how it has treated non-qualified pension costs for other Missouri utilities?

10 A. No. Unlike funded qualified pension costs, Staff does not recommend tracker  
11 treatment for non-qualified pension costs for rate making purposes.

12 Q. Mr. Vogl forcefully talked about volatility in the market relating to expected  
13 returns on plan assets and changes to interest rates that affect qualified pension expense as  
14 some of the considerations for the recommendation of the introduction of the pension and  
15 OPEB tracker. In your view, does the Company's unfunded, non-qualified expense similarly  
16 face volatile market changes compared to funded qualified pension expense?

17 A. No. Since the Company makes payments through its general corporate assets  
18 to non-qualified plan participants on a pay-as-you-go basis, I am sure to a limited degree, it  
19 faces that challenge. However, these changes, if any, have not had any significant impact on  
20 the level of actual payments made to plan beneficiaries for 2007 through 2010, as compared  
21 to fluctuations in qualified pension expense for the same period. In his rebuttal testimony at  
22 page 4, Mr. Lynn provides a table showing Ameren Missouri's non-qualified payments  
23 history from 2007 to 2010. This data shows that Ameren Missouri's and Ameren Services'  
24 non-qualified payments did not face a major shift in the level of non-qualified payments from

1 year to year for the past 4 years. Clearly, the level of non-qualified pension expense that  
2 needs to be included in the cost of service for rate purposes could easily be calculated at any  
3 time without having any “mismatch” effect on rates. Therefore, a tracker is not appropriate  
4 for this cost.

5 Q. What is your understanding respecting Section 3 of the Tracker?

6 A. It is my understanding that the intent of the tracker mechanism was to give  
7 Ameren Missouri the ability to fund its qualified ASC 715-30 expenses and track same so that  
8 the Company will have the chance to seek future rate recovery for the qualified expense in the  
9 event ASC 715-30 expense exceeds the amount upon which rates were set.

10 Q. What did Mr. Lynn state as the justification for his recommendation that  
11 non-qualified pension expense should also be given the same tracker treatment as qualified  
12 pension expense?

13 A. First, Mr. Lynn wrongly assumes that since the tracker did not discuss  
14 explicitly the exclusion of non-qualified pension expense from the pension tracker  
15 mechanism, maybe the Company can give both the qualified expense and the non-qualified  
16 expense the same tracker treatment. Secondly, he asserts that since some unidentified  
17 accounting rules consider benefit payments to participants under the non-qualified pension  
18 plans as “contributions”, such as when Ameren Missouri makes contributions to fund its  
19 qualified plans through a trust, that both can be treated same way for ratemaking purposes.  
20 But, both of these arguments are flawed for the reasons already stated above for why non-  
21 qualified pension expense should not be given a tracker treatment in the same manner as  
22 qualified pension expense.



1 Q. Is it not reasonable enough to include non-qualified pension expense in the  
2 tracker because a certain and unidentified accounting rule recognizes non-qualified payments  
3 to participants as “contribution”?

4 A. No. I do not believe merely calling a payment a contribution provides a  
5 reasonable justification for the benefit being sought by the Company, in light of the fact that  
6 qualified and non-qualified pensions have very distinctive characteristics. At the very least,  
7 they are defined and treated differently by the IRC.

8 Q. Has the Staff eliminated the tracker balances related to non-qualified  
9 pension plans?

10 A. Yes, these amounts were not being pre-funded and therefore should not have  
11 been tracked.

12 Q. How did Staff calculate the non-qualified pension expense adjustment to  
13 the tracker?

14 A. Staff was able to calculate the amount of non-qualified pension expenses that  
15 have been allowed or included in rates through the Company’s workpapers in its rate case  
16 filings, namely, ER-2007-0002, ER-2008-0318, and ER-2010-0036. Staff determined from  
17 these records that from June 2007 through December 2010 Ameren Missouri collected  
18 approximately \$3,961,072 from its ratepayers through the pension and OPEB tracker  
19 mechanism. Then based on the Company’s response to Staff Data Request No. 0354  
20 (DR 354), I calculated Ameren Missouri’s non-qualified pension expense payments to  
21 participants to be approximately \$861,077 from 2007-2010. At this point, I deducted the  
22 non-qualified pension payments of \$861,077 from the amount collected through rates of  
23 \$3,961,072 to arrive at a total adjustment of \$3,099,975 to the pension tracker.

1 Q. At page 2 of his rebuttal testimony, Mr Lynn expressed his frustration when he  
2 stated that “Mr. Boateng’s Schedule KAB 4 does not seem to include payments made directly  
3 to participants even though that is the method Ameren Missouri has chosen to fund its non-  
4 qualified plan”. He went on further and asked at page 4: **“How do the \$3,674,190 of non-  
5 qualified benefit payments at Ameren Missouri compare to Staff witness Boateng’s  
6 suggested adjustment to the pension tracker for non-qualified pension plan costs  
7 allowed in rates”**. How would you describe Mr. Lynn’s understanding of how Staff  
8 calculated the non-qualified pension adjustment to the tracker?

9 A. In the first place, I think Mr. Lynn was making reference to Schedule KAB-3,  
10 instead of Schedule KAB 4. The non-qualified pension adjustment to the pension tracker was  
11 shown on Schedule KAB-3. On a more substantive note, I showed \$861,077 on Schedule  
12 KAB-3 as Ameren Missouri’s actual payment for non-qualified plan based on the DR 354  
13 response. I suspect that Company witness Lynn did not see this amount on the schedule and  
14 probably was not made aware of the Company’s response to DR 354.

15 Q. What information did Staff Data Request 0354 ask for?

16 A. Since Staff determined that non-qualified pension expense should not be  
17 tracked together with the qualified pension expense, it was important at that time to know  
18 how much money Ameren Missouri has accumulated through charges to ratepayers and  
19 disbursements to plan participants. Staff Data Request 0354 was submitted to  
20 Ameren Missouri on January 6, 2011, with a first response received on January 19, 2011, and  
21 a supplementary response received January 25, 2011. A copy of Ameren Missouri’s response  
22 to the data request in question is attached as Schedule KAB-5. In this data request, Staff  
23 specifically asked Ameren Missouri to provide pension plan payments and/or contribution for

1 2007 through 2011, and also indicate whether the payments or contributions relate to  
2 the qualified pension plan or non-qualified pension plan. So, even if Staff had not asked for  
3 non-qualified pension payments, but only asked for pension contributions, why didn't  
4 Ameren Missouri provide all pension plan contributions over the years since Mr. Lynn asserts  
5 that "benefits payments made from corporate assets" to non-qualified participants are also  
6 considered "contributions" under certain accounting rules?

7 Q. Have you submitted any data requests to Ameren Missouri to get more  
8 information on the Company's \$3,674,190 in non-qualified pension payments?

9 A. Yes, I have. Actually, I have submitted a number of data requests to  
10 Ameren Missouri on pension and OPEBs that are still outstanding. Staff will update its  
11 calculations when responses are received.

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company d/b/a )  
AmerenUE's (n/k/a Ameren Missouri) Tariff to ) File No. ER-2011-0028  
Increase Its Annual Revenues for Electric )  
Service )


**AFFIDAVIT OF KOFI AGYENIM BOATENG, CPA, CIA**

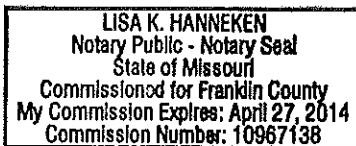
STATE OF MISSOURI )  
 ) ss.  
COUNTY OF SAINT LOUIS )

Kofi Agyenim Boateng, 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 10 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 Agyenim Boateng, CPA, CIA

Subscribed and sworn to before me this 11<sup>th</sup> day of April, 2011.

  
Notary Public



**Ameren Missouri**  
**Response to MPSC Staff Data Request**  
**MPSC Case No. ER-2011-0028**  
**In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File**  
**Tariffs Increasing Rates for Electric Service Provided to Customers in the**  
**Company's Missouri Service Area**

Data Request No.: MPSC 0354S1 – Kofi Boateng

Please provide the amount of pension plan payments/contributions made for 1) AmerenUE and 2) AmerenUE's portion of AMS for the following periods: June 2007 to September 2008, October 2008 to January 2010, and February 2010 to February 2011. For each payment provide the date, amount, and account(s) charged. Also, please show whether the payments/contributions relate to Qualified pension plan or Non-Qualified pension plan.

**RESPONSE**

**Prepared By: Leonard A. Mans**  
**Title: Managing Supervisor General Ledger**  
**Date: 01/25/2011**

See the attached revised schedules that contain the AMS information requested.

Union Electric Company d/b/a Ameren Missouri  
 File No. ER-2011-0028  
 Ameren Missouri's Response to Staff Data Request No. MPSC 0354S1

**CONTRIBUTIONS TO THE PENSION FUND  
 MADE BY AMERENUE**

2007

Date	Amount	Accounts Charged	Pension Plan
December 17, 2007	19,136,000	253-072	Qualified
<b>Total</b>	<b>\$ 19,136,000</b>		

2008

Date	Amount	Accounts Charged	Pension Plan
July 15, 2008	14,282,000	253-072	Qualified
December 15, 2008	14,282,000	253-072	Qualified
<b>Total</b>	<b>\$ 28,564,000</b>		

2009

Date	Amount	Accounts Charged	Pension Plan
April 15, 2009	\$ 10,165,000	253-072	Qualified
July 15, 2009	10,146,000	253-072	Qualified
October 15, 2009	10,146,000	253-072	Qualified
December 15, 2009	10,146,000	253-072	Qualified
<b>Total</b>	<b>\$ 40,603,000</b>		

2010

Date	Amount	Accounts Charged	Pension Plan
May 3, 2010	\$ 9,308,000	253-072	Qualified
August 2, 2010	8,162,000	253-072	Qualified
September 1, 2010	16,324,000	253-072	Qualified
December 1, 2010	800,000	253-072	Non-Qualified
<b>Total</b>	<b>\$ 34,594,000</b>		

