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Lead-Lag Study
Witness: Brenda I. Weber
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO.

ER-2019-0335

REBUTTAL TESTIMONY

OF

BRENDA I. WEBER

ON

BEHALF OF

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

**St. Louis, Missouri
January, 2020**

TABLE OF CONTENTS

I. INTRODUCTION1

II. PURPOSE OF TESTIMONY.....1

III. SALES TAXES3

IV. PAYROLL AND PAYROLL TAXES4

V. COAL LAG ADJSUTMENT.....5

REBUTTAL TESTIMONY

OF

BRENDA I. WEBER

FILE NO. ER-2019-0335

I. INTRODUCTION

1

2 **Q. Please state your name and business address.**

3 A. My name is Brenda I. Weber. My business address is One Ameren Plaza,
4 1901 Chouteau Avenue, St. Louis, MO 63103.

5 **Q. Are you the same Brenda I. Weber who filed direct testimony in this**
6 **case?**

7 A. Yes, I am.

II. PURPOSE OF TESTIMONY

8

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my rebuttal testimony is twofold. First, I provide my responses
11 to the following:

- 12 • The cash working capital ("CWC") portion of the Missouri Public Service
13 Commission Staff Report Revenue Requirement Cost of Service ("Staff
14 Report"), which was sponsored by Missouri Public Service Commission
15 Staff ("Staff") witness Jeremy Juliette; and

- 1 • The CWC related direct testimony filed by Missouri Industrial Energy
2 Consumer witness Greg R. Meyer.

3 Second, I update the lead-lag study prepared for Ameren Missouri's ("Ameren
4 Missouri" or "Company") electric business that I used to develop cash working capital factors
5 ("CWC factors").

6 **Q. What specific contentions did Mr. Juliette and Mr. Meyer make regarding**
7 **the lead lag study used to develop CWC factors?**

8 A. In summary, they made the following contentions:

- 9 • With regard to the expense lead used in the lead-lag study, Mr. Juliette
10 recommended a shortened revenue and expense lag for sales taxes;
11 • Both Mr. Juliette and Mr. Meyer reduced the expense lead for
12 differences in payroll and payroll taxes; and
13 • Mr. Juliette stated Staff is still reviewing the coal lag and will address it
14 in the true-up phase of this case.

15 I address each of these issues separately below. I should also note that Office of the
16 Public Counsel ("OPC") witness John Riley proposes a treatment of income tax payments
17 that, if adopted, would have a significant impact on the Company's CWC requirement.
18 Company witness Brad Seltzer explains why Mr. Riley's adjustment is inappropriate in his
19 rebuttal testimony.

1 offsetting revenue for the sales tax. Sales taxes are calculated on the customer's electric
2 usage and the service lag should therefore be included in the revenue lag component.

3 **IV. PAYROLL AND PAYROLL TAXES**

4 **Q. In reviewing Mr. Juliette's direct testimony, it appears that Staff wants to**
5 **adjust the payroll and payroll tax payment lead-time for the management employees to**
6 **zero. What is Staff's rationale for this change?**

7 A. In my direct testimony, I explained an adjustment made to the payroll and
8 payroll taxes expense lag regarding the change in management employees' pay dates shifting
9 from the 15th and last day of the month to the 13th and 28th of each month. Staff's
10 recommendation is to change the payroll and payroll lead time to zero as it was prior to the pay
11 date change in November 2018.

12 **Q. In reviewing Mr. Meyer's direct testimony, he proposes that the**
13 **Company's management employees be paid on the closest workday to the 15th and the last**
14 **day of the month. What is Mr. Meyer's rationale for this change?**

15 A. At page 12 of his testimony, Mr. Meyer states that "Paying Ameren Missouri
16 management employees five days in advance creates a CWC requirement for Ameren Missouri
17 customers, which increases the revenue requirement."

18 **Q. Do you agree with these proposed changes?**

19 A. No, I do not.

20 **Q. Why not?**

21 A. Because I do not agree with Mr. Meyer's rationale and it is at odds with
22 longstanding practice. Historically, the Company has calculated the payment lead-time
23 based on the period from the end of the service period date to the payment date. If a

1 payment is made prior to when services are fully rendered, then the payment lead-time is
2 calculated as a negative payment lead-time. In the past, this methodology has been accepted
3 in calculating the payment lead-time.

4 **Q. You say that the Commission has accepted a negative payment lead-time**
5 **in the past for the calculation of the payroll and payroll taxes. Please explain.**

6 A. From time to time, the Company has used negative payment lead-time for
7 management employees in rate cases that have been approved by the Commission. For
8 example, when a management payroll period fell on a weekend or holiday, the payment
9 date was the preceding business day, which resulted in the calculation of a negative payroll
10 lead-time. This methodology has not changed with the adjustment in management pay
11 dates; it is simply being used on a larger scale. Furthermore, a negative payment lead-time
12 can occur in other categories of payments to meet contractual obligations, such as pre-
13 payment of services. Negative lead times are typically accepted in these other
14 circumstances. Therefore, they should be accepted in addressing the payroll and payroll
15 tax payment lead-time.

16 **V. COAL LAG ADJSUTMENT**

17 **Q. In your direct testimony, you presented a lead-time of 17.41 days for coal**
18 **and related services. Does the Company have any updates to the coal and related services**
19 **lead-time?**

20 A. Yes, as indicated in supplemental response to data request MPSC 0320s1
21 (attached as Schedule BIW-R1), an adjustment was required due to the original data not
22 being complete and some payment dates not being accurate. An updated weighted average
23 expense lead-time of 15.85 days was calculated.

1 **Q. Are you sponsoring any other schedules?**

2 A. Yes, I am also sponsoring an updated Direct Testimony Schedule BIW-2
3 which I am labeling as Schedule BIW-R2. This new Schedule BIW-R2 provides updated
4 Cash Working Capital requirements based on the discussion included in this testimony.

5 **Q. Does this conclude your rebuttal testimony?**

6 A. Yes, it does.

Ameren Missouri's
Response to MPSC Supplemental - MPSC
ER-2019-0335

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

No.: MPSC 0320s1

1) Please provide all details of any significant impacts to the operations of the company that affect the revenue and/or expense lags. Requested by: Jeremy Juliette (Jeremy.juliette@psc.mo.gov).

RESPONSE

Prepared By: Larry O. Davis
Title: Banking Supervisor
Date: 11/15/2019

As indicated in the supplemental response to DR 329 (329s1), certain payment dates were corrected in the data used for the lead-lag study relating to coal and coal-related commodities which required an update to the lead-lag study to use the corrected information. Attached to this supplemental response are the following:

- Attachment 1 MPSC 0320s1 Schedule BIW2 110619
- Attachment 2 MPSC 0320s1 Lead Lag Study Fuel Coal (Used as backup work papers)

The attachments to this supplemental response will be utilized as part of the Company's true-up.

Ameren Missouri Electric Rate Case
Cash Working Capital Requirement

Line No.	Description (A)	Revenue Lag (B)	Expense Lead (C)	Net Lag (D)	CWC Factor (E)
1	Pensions & Benefits	37.33	(13.45)	23.87	0.0654
2	Payroll and Withholdings	37.33	(10.31)	27.02	0.0740
3	Payroll Taxes	37.33	(9.53)	27.80	0.0762
4	Other Operations and Maintenance Expenses	37.33	(37.15)	0.18	0.0005
5	Property/Real Estate Taxes	37.33	(182.50)	(145.17)	(0.3977)
6	Missouri Sales Tax	37.33	(10.50)	26.83	0.0735
7	Missouri and Iowa Use Tax	37.33	(76.14)	(38.81)	(0.1063)
8	Illinois Use Tax	37.33	(35.76)	1.57	0.0043
9	Gross Receipts Taxes	23.59	(26.92)	(3.33)	(0.0091)
10	Federal Income Tax	37.33	(37.88)	(0.55)	(0.0015)
11	State Income Tax	37.33	(37.88)	(0.55)	(0.0015)
12	St Louis Corporate Earnings Tax	37.33	(273.50)	(236.17)	(0.6470)
13	Fuel - Nuclear	37.33	(15.21)	22.12	0.0606
14	Fuel - Coal	37.33	(15.85)	21.48	0.0589
15	Fuel - Oil	37.33	(12.74)	24.59	0.0674
16	Fuel - Gas	37.33	(38.92)	(1.60)	(0.0044)
17	Interest Expense	37.33	(89.48)	(52.15)	(0.1429)
18	Uncollectible Expense	37.33	(37.33)	-	-
19	Purchased Power	37.33	(24.93)	12.40	0.0340
20	Decommissioning Fees	37.33	(70.63)	(33.30)	(0.0912)
21	Incentive Compensation	37.33	(251.69)	(214.36)	(0.5873)
22	Fed Excise Heavy Use Tax	37.33	114.19	151.52	0.4151
23	Self Procured Insurance Tax	37.33	(273.50)	(236.17)	(0.6470)
24	Ohio Commercial Activity Tax	37.33	(83.00)	(45.67)	(0.1251)
25	Corporate Franchise Tax	37.33	181.50	218.83	0.5995