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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2011-0028

REBUTTAL TESTIMONY

OF

GARY S. WEISS

ON

BEHALF OF

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

**St. Louis, Missouri
March, 2011**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **GARY S. WEISS**

4
5 **CASE NO. ER-2011-0028**

6
7 **I. INTRODUCTION**

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

9 A. My name is Gary S. Weiss. My business address is One Ameren Plaza,
10 1901 Chouteau Avenue, St. Louis, MO 63103.

11 **Q. Are you the same Gary S. Weiss who filed direct testimony in this case?**

12 A. Yes, I am.

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

14 A. The purpose of my rebuttal testimony is to address various issues contained in
15 the Staff Revenue Requirement Cost of Service Report (“Staff Report”) and to address other
16 issues raised in the testimony of Missouri Industrial Energy Consumers (“MIEC”) witnesses
17 Maurice Brubaker, Michael Brosch and Greg Meyer.

18 **Q. On what specific issues are you providing rebuttal testimony?**

19 A. Specifically, my rebuttal testimony addresses the following issues raised by
20 the Staff and MIEC: (1) the additional property taxes related to the Sioux scrubbers and
21 Taum Sauk enhancements (MIEC witness Greg Meyer); (2) the amortization of the removal
22 costs incurred at the Company’s Venice Plant (Staff witness Guy Gilbert); (3) the Staff’s
23 proposed disallowance of the Edison Electric Institute (“EEI”) dues (Staff witness Lisa
24 Ferguson); (4) the calculation of the pension and OPEB tracker base (Staff witness Kofi

1 Boateng); (5) the manufacturing (production) deduction in the income tax calculation (Staff
2 witness John Cassidy and MIEC witness Michael Brosch); (6) the St. Louis City Earnings
3 Tax (Staff witness John Cassidy and MIEC witness Michael Brosch); (7) the amortization of
4 the Solar Rebates and the Company’s request for an Accounting Authority Order (“AAO”)
5 (Staff witness Stephen Rackers and MIEC witnesses Maurice Brubaker and Michael Brosch);
6 (8) the Company’s request for Construction Accounting for the government relocation
7 projects and the Company’s request for Construction Accounting for all other projects that
8 are in construction at the end of the true-up period but are placed in service by July 31, 2011
9 (Staff witness Stephen Rackers and MIEC witness Michael Brosch); (9) the calculation of the
10 amortizations related to the vegetation management and infrastructure inspections trackers
11 (Staff witness Stephen Rackers); (10) the continued jurisdictional allocation to the municipal
12 contracts (Staff witnesses Stephen Rackers and Alan Bax); and (11) the pricing of the
13 municipal contract revenues if the Commission accepts the Company’s recommendation to
14 eliminate the jurisdictional allocation and treat the municipal contracts as off-system sales.

15 **II. PROPERTY TAX**

16 **Q. Why is Mr. Meyer proposing to eliminate the additional property taxes**
17 **on the Sioux scrubbers and the Taum Sauk enhancements?**

18 A. In Mr. Meyer’s direct testimony, on page 16 starting at line 8, he points out
19 the Sioux scrubbers and Taum Sauk enhancements were placed in service during the year
20 2010, which means that they will be subject to the state of Missouri’s property tax
21 assessment in 2011. As is the case with the property taxes we all pay on our cars and homes,
22 the property taxes we pay on property owned on January 1 of a year is due by December 31
23 of that same year – December 31, 2011 here. For example, if I had bought a new car in 2010,

1 the new car will be assessed in January 2011, and when I pay my property taxes in December
2 2011 my taxes will be substantially higher because of the new car. Nevertheless, because the
3 actual payment is not made until after the end of the true-up period in this case (February 28,
4 2011), Mr. Meyer is proposing to entirely disallow the approximately \$10 million in
5 additional property taxes related to the Sioux scrubbers and the Taum Sauk enhancements.

6 **Q. Do you agree with Mr. Meyer's position on the Sioux scrubber and Taum**
7 **Sauk enhancements property taxes?**

8 A. No. These rate base additions were assessed in January of this year – within
9 the true-up period in this case. That assessment is, today, generating additional property tax
10 expenses on Ameren Missouri's books as accounting rules require that property tax expense
11 be accrued throughout the year. In other words, one-twelfth of the additional property taxes
12 are being recorded to operating expenses each month of the year 2011. Consequently, by the
13 end of the true-up period two months of the additional property taxes will have been recorded
14 to operating expense.

15 **Q. Does the Staff agree with the Company's adjustment for the additional**
16 **property taxes for the Sioux scrubbers and the Taum Sauk enhancements?**

17 A. Yes they do. Staff witness Lisa Ferguson states on page 91, lines 7-9 of the
18 Staff Report: “[t]he Staff used the most recent property tax payments made in December
19 2010, plus increases for the additions of the scrubbers at the Sioux generating plant and
20 enhancements at the Taum Sauk pumped-storage hydro plant.” In other words, the Staff
21 applied the known tax rates from 2010 to the known updated plant-in-service balances for the
22 Sioux and Taum Sauk Plants.

1 **Q. What is the Company’s recommendation on the additional property taxes**
2 **related to the Sioux scrubbers and the Taum Sauk enhancements?**

3 A. The Commission should reject MIEC’s proposed adjustment to eliminate the
4 additional property taxes on the Sioux scrubbers and Taum Sauk enhancements and accept
5 the Staff’s and Company’s proposals to include the additional property taxes. The additional
6 property taxes are being accrued on the books of the Company before the end of the true-up
7 period. For the Company to have the opportunity to earn its allowed return authorized in this
8 rate case, known and measurable increases in operating expenses must be reflected.

9 **III. AMORTIZATION OF VENICE PLANT REMOVAL COSTS**

10 **Q. Can you provide a brief explanation of the circumstances and facts**
11 **related to the amortization of the Venice Plant terminal removal costs?**

12 **IV. Yes.** The Venice Plant was a steam power plant owned and operated by
13 Ameren Missouri in Venice, Illinois, which provided service to the Company’s customers
14 (including all of its Missouri customers) for approximately sixty years. There was a major
15 fire at the plant in 2000 and the decision was made to retire the plant in 2002. The plant was
16 retired from the books of the Company in December 2002. At November 30, 2002, the
17 Venice Plant in service investment was \$87,356,871 and the accumulated depreciation
18 reserve balance was \$76,766,181. Thus, the Venice Plant was under-depreciated by
19 \$10,590,690 (i.e., the Company had not recovered \$10,590,690 of its investment in the plant
20 through depreciation rates). The book balance for the Venice Plant was reduced to zero and
21 no additional depreciation expense was thereafter accrued since the plant was no longer in
22 service. The Venice Plant had been depreciated over its estimated remaining life, at a rate of
23 2.08%, from at least 1983 until its retirement in 2002, as indicated on the Company’s 1983

1 and 2001 FERC Annual Reports (Form 1). Since its retirement, removal costs offset by
2 some minor salvage have been incurred. Under applicable accounting rules, those removal
3 costs are booked to the accumulated depreciation reserve. At the end of the test year in this
4 case, March 31, 2010, the accumulated depreciation reserve for the Venice Plant had a
5 positive balance of \$4,905,221, meaning that the removal costs have exceeded any salvage
6 received to date. Because the Commission has never allowed the inclusion of terminal
7 removal costs (sometimes called “terminal net salvage”) in the calculation of power plant
8 depreciation rates, the costs of removing the Venice Plant at the end of its life were never
9 collected from ratepayers. However, basic depreciation accounting principles recognize that
10 terminal removal costs are part of the service value of a power plant because ratepayers
11 received the benefit of the capacity and energy provided by the Venice Plant for 50 to 60
12 years. It is now appropriate that ratepayers pay for the cost to remove the Venice Plant.

13 **Q. How is the Staff proposing to treat the Venice Plant removal costs?**

14 A. On page 103 of the Staff Report, Staff witness Guy Gilbert indicates that the
15 Venice Plant, along with all of the other Ameren Missouri steam production plants, were
16 treated as mass property with no separate depreciation rates for individual plants. Mr. Gilbert
17 believes the depreciation reserves for the steam production accounts are over-accrued. He
18 also believes the Commission has never ordered depreciation rates specific to the Venice
19 Plant. Therefore, on page 104 of the Staff’s Report Mr. Gilbert recommends “that Ameren
20 Missouri be ordered to allocate dollars from the remainder of the steam generation fleet’s
21 reserves to cover any costs associated with the Venice retirements.”

1 **and regulatory lobbying and that the Company has failed to provide quantification of**
2 **benefits to the ratepayers. On what does Ms. Ferguson base her disallowance?**

3 A. Ms. Ferguson basically relies on Commission rate orders (Case No. ER-83-49
4 and Case No. EO-85-185) for Kansas City Power & Light Co. that are more than 25 years
5 old. The role of EEI and the benefits from EEI membership have evolved greatly since those
6 orders were issued in the mid-1980s.

7 **Q. Do Ameren Missouri's customers benefit from Ameren Missouri's**
8 **membership in EEI?**

9 A. Absolutely they do. Some of the recent EEI activities that benefit Ameren
10 Missouri ratepayers include EEI's efforts in getting Congress to extend bonus depreciation
11 another year. The benefit of this extension of bonus depreciation will reduce rate base with
12 the true-up of this case. In fact, based upon preliminary true-up data the revenue requirement
13 in this case will be lower by at least \$10 million because of the extension of bonus
14 depreciation. EEI was also a leader in the fight to preserve the ability to use over-the-counter
15 ("OTC") derivatives without the requirement to "clear" such trades over an exchange, thus
16 saving EEI members and their customers hundreds of millions of dollars in collateral
17 requirements annually. The OTC fight continues through the implementation phase at the
18 Commodity Futures Trading Commission ("CFTC") and EEI is actively engaged in that
19 process as well. EEI also led the effort that defeated the recommendation to end the FAS 71
20 regulatory assets project at the International Accounting Standards Board ("IASB"), paving
21 the way for regulatory assets under FAS 71 to be recognized in the International Financial
22 Reporting Standard ("IFRS").

1 Other recent EEI activities that benefit Ameren Missouri ratepayers include EEI's
2 leadership role in developing climate change points of agreement within its membership and
3 in communicating industry views to policymakers. EEI has organized activities with key
4 stakeholders to support climate change legislation that protects the environment and
5 electricity consumers. In this regard, EEI is working with NARUC, the National Governors
6 Association, the National Conference of State Legislators, the National Association of
7 Counties and others. EEI has a website (www.SmartClimatePolicy.org) to educate
8 stakeholders and stimulate thoughtful interaction. In addition, EEI has supported the industry
9 on key environmental issues, including HAPs; ozone standards; EPA transport rule; federal
10 jurisdiction of the Clean Water Act; and siting and natural resources issues. It is obvious that
11 a more thoughtful approach to climate change that avoids essentially eliminating the viability
12 of coal-fired generation benefits Ameren Missouri's customers by many, many multiples
13 beyond the small amount of dues paid to EEI that is reflected in the revenue requirement.

14 EEI initiated effort to urge EPA to regulate coal ash and other coal combustion
15 byproducts as non-hazardous waste. The regulation of coal ash and other coal combustion
16 byproducts as hazardous waste would greatly increase the operating costs of Ameren
17 Missouri and could result in higher rates for customers.

18 Likewise, EEI initiated a campaign to avoid a one-size-fits-all cooling tower
19 requirement. Such a one-size-fits-all approach could also result in higher capital investment
20 and operating expenses for Ameren Missouri and ultimately higher rates for its customers.

21 EEI worked to ensure Renewable Electricity Standards proposals are reasonable, with
22 credit for energy efficiency and adequate consumer protections.

1 EEI is also working to keep members informed and involved in the American
2 Recovery and Reinvestment Act (“ARRA”) implementation, including notifying members of
3 ARRA-related funding opportunities such as smart grid, energy efficiency, conservation and
4 renewable programs. To that end, EEI has created a Stimulus Implementation Internet
5 Workroom with 500 member company participants and is working with stakeholders to
6 respond to numerous initiatives from FERC and DOE in implementing ARRA provisions.
7 EEI secured IRS guidance to assure that smart grid and other stimulus grants will not be
8 taxed.

9 EEI is currently working with member companies and various congressional
10 committees in crafting legislation to address cyber attacks against the electric power grid and
11 to identify vulnerabilities that could be exploited.

12 On the federal regulatory front, EEI has worked with its member companies to shape
13 the national smart grid debate and expand member company involvement and leadership on
14 critical National Institute of Standards and Technology (“NIST”) committees overseeing the
15 development of smart grid interoperability standards.

16 EEI has developed an online compliance training module to assist companies in
17 developing a culture of compliance with FERC’s mandatory reliability standards (the
18 Reliability Training Tool). Additional compliance training tools are also available and being
19 used at Ameren Missouri, to help ensure compliance with the standards of conduct and anti-
20 market manipulation rules.

21 EEI worked with its member companies and joined NARUC, the National Rural
22 Electric Cooperatives Association (“NRECA”) and American Public Power Association
23 (“APPA”) to submit comments on an EPA proposal to develop a waste heat recovery

1 registry, urging greater accuracy in estimating economic feasibility and state rate treatment of
2 combined heat and power.

3 EEI assists Ameren Missouri, and its other member companies, in meetings with
4 senior federal regulatory officials on a number of issues including air quality regulations and
5 industry reliability and financial issues.

6 EEI also coordinates its member utilities' responses to issues related to railroad
7 transportation. EEI maintains a Rail Transport Internet Workroom where documents of
8 interest on coal transportation are posted. Recently EEI filed an industry response to the coal
9 dust inquiry at the Surface Transportation Board.

10 An industry-wide Spare Transformer Equipment Program ("STEP") was developed
11 through EEI leadership to help address the increased risk of the loss of major transmission-
12 level transformers, while minimizing the need for individual participants to buy spare
13 transformers. The forty-nine member utilities in STEP (including Ameren Missouri) own
14 over seventy percent of the transmission transformers in the United States.

15 From an Information Security perspective, Ameren Missouri receives updates on
16 federal and state actions as they happen, which allows us to take action or start discussions
17 early on. In addition, attending the committee meetings allows us to meet with others from
18 the industry. This allows us to discuss similar issues and try to come up with common
19 solutions. We can also learn from each other from the problems we've encountered in the
20 past and can take-away the lessons learned. In this regard, EEI often has expert speakers that
21 discuss the future of regulations, which helps us remain proactive in compliance with the
22 regulations by planning early and before regulations are mandatory. Working with EEI and
23 member utilities also allows us to pool resources to gain insight on pending governmental

1 policies and regulations. The ability to collaborate on current issues affecting the industry
2 include: pandemic planning, NERC CIP compliance, smartgrid, deployment of IT systems,
3 phasor measurement units/synchrophasor (NASPI), and cyber security working group
4 discussing emerging cyber security issues. All of the above helps us contain/lower our costs,
5 which ultimately results in lower rates for customers. Through best practice discussions we
6 avoid reinventing the wheel.

7 Early notice of federal/state regulations helps us be more proactive in response, and
8 we avoid penalties for noncompliance.

9 EEI membership also provides the following value to the Ameren Controller's
10 department, including educational forums that allow for the maintenance of utility-specific
11 skills for accounting staff. Those skills are important because accurate financial statements
12 allow the Commission to properly set rates and are necessary to procure the capital necessary
13 to invest and operate Ameren Missouri. EEI members also receive discounts at these
14 sponsored forums.

15 EEI membership also allows the Company to coordinate responses to accounting
16 standard authorities when comments are requested on potential new accounting standards.
17 Use of EEI reduces Company staff that would be necessary to respond and thus reduces
18 costs. EEI provides other benefits as well, including a news clipping services that helps our
19 staff stay up to date on industry issues; the coordination of forums for interaction with
20 investors that provide capital to utilities, which provides an efficient method of meeting
21 investors and potential investors versus multiple trips and other targeting methods;
22 sponsoring regular meetings with the FASB and SEC to discuss industry accounting issues,

1 helping these bodies better understand the utility industry's issues and helping the utility
2 industry understand their viewpoints resulting in higher quality financial reporting.

3 It is not possible to assign precise dollars of benefit to all of the above items.
4 However, it is obvious, given the relatively small sum of EEI membership fees Ameren
5 Missouri seeks to include in the revenue requirement (\$384,385) that Ameren Missouri and
6 its customers receive benefits from the EEI membership that greatly exceed the membership
7 fees.

8 **Q. Has Ameren Missouri already excluded from its revenue requirement**
9 **that portion of EEI dues attributable to lobbying activity?**

10 A. Yes, we have. EEI's billings to Ameren Missouri are segregated such that
11 lobbying costs are specifically identified. For the 2010 EEI dues, twenty percent was
12 allocated to lobbying cost. This amount was excluded from the Company's revenue
13 requirement prepared for this case.

14 **V. PENSION AND OPEB TRACKER REBASE**

15 **Q. Why is it important to rebase the level of pension and OPEB expense**
16 **included in the revenue requirement?**

17 A The Company's tracker for pension and OPEB expenses compares the
18 difference between the level of Accounting Standards Codification ("ASC") 715-30 and ASC
19 715-60 costs Ameren Missouri incurs during the period between general electric rate cases
20 and the level of ASC 715-30 and ASC 715-60 costs built into rates for that period. This
21 difference is recorded as a regulatory asset or liability. It is important to have the level of
22 ASC 715-30 and ASC 715-60 costs built into rates as close as possible to the level of ASC

1 715-30 and ASC 715-60 costs Ameren Missouri is going to incur when the new rates are
2 effective to insure that the regulatory asset or liability is not unusually large.

3 **Q. Did Staff witness Kofi Boateng make an adjustment to rebase the amount**
4 **of pension and OPEB expense to be included in rates?**

5 A. Yes. Mr. Boateng calculated the level of ASC 715-30 and ASC 715-60 costs
6 to be paid by the Company based on the latest actuarial report for the Year 2010. The
7 difference between the test year level of these costs and the latest actuarial amounts are
8 reflected as the rebase amount. The Company is in agreement with this calculation of the
9 rebase amount. However, Mr. Boateng did remove the non-qualified pension contributions
10 from his calculation of ASC 715-30. Company witness Randall Lynn, in his rebuttal
11 testimony, will address why it is inappropriate to remove the non-qualified pension from
12 ASC 715-30. If the Commission rules that the non-qualified pension contributions should
13 continue to be reflected in the pension and OPEBs tracker, then Staff's rebase calculation
14 would also have to be increased by approximately \$1 million to reflect the inclusion of the
15 non-qualified pension. If the Commission rules that the non-qualified pension contributions
16 are not to be reflected in the pension and OPEB tracker, the Company would be in agreement
17 with Mr. Boateng's calculation of the rebase amount.

18 **VI. MANUFACTURING (PRODUCTION) DEDUCTION**

19 **Q. Please provide a brief description of the manufacturing deduction.**

20 A. The manufacturing deduction is an income tax deduction for qualifying
21 domestic production activities, as described in Internal Revenue Code Section 199. The
22 manufacturing deduction was created as a tax incentive to create jobs. For the consolidated
23 Ameren Corporation income tax return, the manufacturing deduction is calculated based on

1 consolidated operations. For the Ameren Missouri electric rate increase filings the
2 manufacturing deduction is calculated on stand-alone Ameren Missouri operations.

3 **Q. Does the revenue requirement in the Staff's accounting schedules reflect**
4 **the manufacturing (production) deduction?**

5 A. Yes. However, the Staff's calculation of the manufacturing deduction reflects
6 a revised and improved method of calculating this deduction. The Staff and the Company's
7 Tax Department worked together to revise the Ameren Missouri stand-alone manufacturing
8 (production) deduction to more closely mirror the actual Ameren consolidated manufacturing
9 deduction calculation. It is my understanding that the Company and Staff are in agreement
10 on the method used to calculate the manufacturing (production) deduction.

11 **VII. CITY EARNINGS TAX**

12 **Q. What is the City earnings tax?**

13 A. The City of St. Louis imposes an earnings tax of one percent upon individuals
14 and businesses based upon the amount of taxable income that is earned within the City.
15 Ameren Missouri files an annual tax return to report the net profit or loss within the City and
16 to determine any amount owed for City earnings tax.

17 **Q. Do you agree with Staff witness John Cassidy's recommendation, on page**
18 **105 of the Staff Report, and MIEC witness Michael Brosch's recommendation, on page**
19 **8 of his direct testimony, not to include any City earnings tax in the Company's revenue**
20 **requirement?**

21 A. No. The City earnings tax should be included in the Company's revenue
22 requirement. The City earnings tax is just like the federal income tax and the state income
23 tax, which are calculated in the revenue requirement using the taxable income developed in

1 the revenue requirement based upon the application of the statutory tax rates. As is the case
2 with virtually every component (revenue and expense) used to determine the revenue
3 requirement, the Company's actual earned taxable income will not be the same as the earned
4 taxable income assumed in setting the revenue requirement. The actual income taxes paid on
5 the Company's actual earned income will also be different. The revenue requirement is
6 normalized to reflect a normal level of revenues and expenses. Elimination of one element of
7 the revenue requirement because the actual expense is different than the normalized level of
8 expense is inappropriate. This is because most if not all of the individual revenue
9 requirement normalized revenues and expenses will turn out to be different than the actual.
10 However, the total normalized revenue requirement should be representative of the
11 Company's normal costs.

12 **Q. Has the City earnings tax always been calculated and included in the final**
13 **approved revenue requirement of the Company?**

14 A. Yes. I have been involved in every Ameren Missouri rate case for
15 approximately the past 30 years. A normalized calculation of the City earnings tax has
16 always been included in the Company's approved revenue requirement.

17 **Q. How should the Commission treat the City earnings tax in this case?**

18 A. The Commission should reject the Staff's and MIEC's adjustments to
19 eliminate all City earnings tax and include the normalized calculated amount of City earnings
20 tax based on the allowed taxable income and the tax rate for the City earnings tax in the
21 revenue requirement

1 **VIII. SOLAR REBATES ACCOUNTING REGULATORY ASSET**

2 **Q. What treatment did other parties propose for costs incurred because of**
3 **Missouri’s Renewable Energy Standard (“RES”)?**

4 A. The Staff included the solar rebate costs, the only costs incurred at that time,
5 as part of the Company’s on-going operations and maintenance (“O&M”) costs while MIEC
6 recommended these costs be amortized over 10 years.

7 **Q. Do you agree with this treatment?**

8 A. In part. I now agree with the Staff that the solar rebates paid through the
9 true-up period February 28, 2011 should be included in as operating expenses. This will be
10 an ongoing operating expense as the Company’s obligation to pay the solar rebates to its
11 customers will continue. In addition, the Company is still requesting the use of an
12 Accounting Authority Order (“AAO”) to accumulate any solar rebates paid from the
13 beginning of the program until the new rates become effective in this case. This is
14 appropriate because the Company was required to begin paying the solar rebates per the RES
15 standard before rates could be set to reflect these costs. This is similar to the treatment the
16 Commission has allowed for other new costs caused by new legal requirements. The
17 Company was allowed this treatment of vegetation management and infrastructure
18 inspections expenses that were incurred to comply with the Commission’s new vegetation
19 management and infrastructure inspections rules before these additional costs were reflected
20 in rates. Also any other expenses incurred to comply with the RES standard would also be
21 accumulated in the AAO. These other expenses required to comply with the RES standard
22 have not been incurred and thus will not be reflected in the rates set in this rate proceeding.
23 The recovery of the cost deferred in the AAO will be decided in the next rate case.

1 **Q. Is MIEC witness Brubaker’s proposal to amortize these costs over 10**
2 **years reasonable?**

3 A. No. In my opinion, Mr. Brubaker’s recommendation on page 20 line 9 of his
4 direct testimony that the costs be amortized over 10 years does not make sense.
5 Mr. Brubaker’s theory appears to be that solar rebate costs are analogous to a rate base
6 investment. The problem with this analogy is that the Company does not own or operate the
7 solar panels which receive the rebates. To the contrary, to the Company the rebate costs are
8 merely an expense. The Commission should follow Staff’s recommendation and treat these
9 costs as part of the Company’s ongoing O&M expense and, as noted, should also allow the
10 deferral of the costs incurred after the February 28, 2011 true-up and prior to the effective
11 date of new rates established in this case.

12 **Q. Please comment on the position taken by MIEC witness Brosch regarding**
13 **the solar rebates.**

14 A. MIEC witness Mr. Brosch implies that the Commission’s RES rules only
15 allow for the utility to request a RESRAM, and thus would not allow use of a regulatory asset
16 in the manner requested by the Company in this case. In fact, the rules explicitly allow the
17 treatment the Company is requesting, as indicated by the following language in 4 CSR 240-
18 20.100(6)(D):

19 ...an electric utility may recover RES compliance costs...through rates
20 established in a general rate proceeding. In the interim between general rate
21 proceedings the electric utility may defer the costs in a regulatory asset
22 account, and monthly calculate a carrying charge on the balance in that
23 regulatory asset account equal to its short-term cost of borrowing.

24
25 This is precisely the treatment the Company is requesting in this case.

1 **IX. CONSTRUCTION ACCOUNTING FOR GOVERNMENT RELOCATIONS**
2 **AND OTHER PROJECTS**
3

4 **Q. Do you agree with Staff witness Rackers and MIEC witness Brosch that it**
5 **is inappropriate to allow construction accounting for all of the government relocation**
6 **projects and the other projects that are in construction at the February 28, 2011**
7 **true-up date and then go into service by July 31, 2011 before the new rates are effective**
8 **in this case?**

9 A. No. Both Mr. Rackers and Mr. Brosch talk about the principal of matching
10 revenues and expenses during the test year. However, the revenue and expense levels
11 developed in the test year are not impacted by the Company's proposed construction
12 accounting. The Company's proposed construction accounting allows the continuation of
13 AFUDC, not an expense item in the revenue requirement, and the deferral of the additional
14 depreciation expense, again not altering the revenue and expense matching of the test year.
15 The level of depreciation included in the revenues and expenses is not changed. These costs
16 are only being deferred for inclusion in a future revenue requirement where all revenues and
17 expenses will again be matched.

18 **Q. What is the result if construction accounting is not approved for these**
19 **plant additions as proposed by the Company?**

20 A. The financing cost (AFUDC or Return) and the additional depreciation
21 expense on these projects placed in service after the true-up date until they are eventually
22 included in rates is lost forever to the Company. This is not just a lag in recovering these
23 costs. There is no way to recover these costs.

24 **Q. Both Mr. Rackers and Mr. Brosch, in their direct testimonies, point out**
25 **that the actual construction dollars in the current rate case that would be eligible for**

1 **the requested construction accounting are small compared to the Company's total**
2 **annual plant additions. Does this fact eliminate the Company's need for the**
3 **construction accounting?**

4 A. No. The amount involved should not be the only fact that is considered in
5 determining the appropriateness of the Company's proposal. The Company has limited
6 resources available to finance its ever increasing infrastructure needs along with meeting ever
7 increasing environmental requirements. The Company must constantly make hard decisions
8 on which competing projects to proceed with based on its resources. The use of construction
9 accounting is a step forward in helping to fund additional projects.

10 **Q. Is the use of construction accounting one way to help with regulatory lag?**

11 A. Yes. Regulatory lag is a major issue the Commission and utilities are dealing
12 with. Due to this regulatory lag on plant additions utilities seldom have the ability to earn
13 their allowed returns even during the first year that new rates are in effect. The use of
14 construction accounting requested by the Company will not eliminate regulatory lag but will
15 help to reduce the impact of regulatory lag.

16 **X. VEGETATION MANAGEMENT AND INFRASTRUCTURE INSPECTIONS**
17 **AMORIZATIONS**
18

19 **Q. Please explain the vegetation management and infrastructure inspections**
20 **tracker operations and the amounts being amortized under the tracker.**

21 A. In Case No. ER-2008-0318 the Company requested, and the Commission
22 approved, a tracker for the Company's vegetation management and infrastructure inspections
23 expenditures. In addition, the Commission ruled that the Company could amortize over three
24 years the vegetation management and infrastructure inspections costs incurred from
25 January 1, 2008 through September 30, 2008 to comply with the Commission's rules. The

1 amount of \$6.34 million was to be amortized over three years at \$2.1 million per year. It was
2 later discovered that the \$6.34 million included some internal labor that should have been
3 excluded. The \$6.34 million was reduced to \$5.85 million in Case ER-2010-0036. Thus the
4 annual amortized amount is \$1.95 million, and this is the annualized amount of amortization
5 the Company included in its revenue requirement. But Staff, as shown on Accounting
6 Schedule 9 page 5 of 6, is only including an amortization of \$924,259. In Case No.
7 ER-2010-0036 the Commission ruled that the Company had a net over-collection of \$3.4
8 million that should be amortized back to the customers over three years. The Company, in its
9 revenue requirement, has reflected a reduction in expenses for one-third of the \$3.4 million
10 or \$1.13 million. Staff, as shown on Accounting Schedule 9 page 6 of 6, reflects a reduction
11 in expenses of \$1,829,179.

12 **Q. What is the Company's recommendation for the vegetation management**
13 **and infrastructure inspections amortizations that the Commission should approve in**
14 **this case?**

15 A. The Company's two vegetation management and infrastructure inspection
16 amortizations reflect the amounts from the Commission's Order in Case No. ER-2008-0318
17 and the Commission's Order in Case No. ER-2010-0036. Thus the Commission should
18 approve the Company's amounts of vegetation management and infrastructure inspections
19 amortizations.

20 **Q. Could there be additional amounts of vegetation management and**
21 **infrastructure inspection costs to be amortized?**

22 A. Yes. As part of the true-up filing the actual vegetation management and
23 infrastructure inspections expenditures will be provided and compared to the tracker amounts

Rebuttal Testimony of
Gary S. Weiss

- 1 approved in Case No. ER-2010-0036. There could be either an over-collection or under-
- 2 collection that should be amortized over three years.

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XI. JURISDICTIONAL ALLOCATIONS

Q. Does the Company agree with the Staff’s allocation of its revenue requirement between Missouri jurisdictional and the municipal contracts?

A. No. The rebuttal testimony of Company witness Jaime Haro provides the support for including the municipal contracts in off-system sales. In addition the rebuttal testimony of Company witness Steven Wills points out that if the Commission decides to continue the jurisdictional allocation that the allocation factors used in the Staff’s Accounting Schedules need to be updated to reflect the level of municipal contracts that will be in effect when the approved rates from this case become effective.

Q. Are there other issues related to the jurisdictional allocations that are incorrect in the Staff’s Accounting Schedules?

A. Yes. It is very important that revenues as well as the expenses are properly assigned or allocated between Missouri jurisdictional and the municipal contracts. Within the other revenue Account 456 there are Schedule 11 distribution facilities charges that reflect revenues received from the municipal contracts for the use of the Company’s distribution facilities. These distribution facilities should be assigned to the municipal contracts as well as these Schedule 11 revenues. For the test year the Schedule 11 revenues were \$4.9 million.

XII. PRICING OF MUNICIPAL CONTRACTS IN OFF-SYSTEM REVENUES

Q. How did the Company price the municipal contracts that it is proposing to include in the off-system sales?

1 A. In the Company's original filing the municipal contract megawatt-hour sales
2 were included by Company witness Timothy D. Finnell in his PROSYM production model
3 run with all of the other off-system sales and priced at the average market price.

4 **Q. How is the Company now proposing to treat the municipal contracts in**
5 **calculating the off-system sales revenues?**

6 A. The municipal contracts have set prices for energy sold under those contracts.
7 The Company is now proposing to price the municipal contract megawatt-hour sales at the
8 contract prices instead of the average market price. This will be how the actual municipal
9 contract revenues will be reflected in the off-system revenues for calculation of the FAC if
10 the Company's proposal to eliminate the jurisdictional allocation is approved. Making this
11 change will reflect in the net base fuel cost a value for the off-system sales revenues from the
12 municipal contracts equal to the actual revenues received by the Company under the terms of
13 these contracts. Reflecting the municipal contracts that will be in effect at the time the rates
14 from this case become effective results in an increase of \$4 million in the off-system sales
15 revenues.

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

17 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 for Authority to File)
Tariffs Increasing Rates for Electric) Case No. ER-2011-0028
Service Provided to Customers in the)
Company's Missouri Service Area.)

AFFIDAVIT OF GARY S. WEISS

STATE OF MISSOURI)
)**ss**
CITY OF ST. LOUIS)

Gary S. Weiss, being first duly sworn on his oath, states:

1. My name is Gary S. Weiss. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Manager, Regulatory Accounting.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Ameren Missouri consisting of 23 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.



Gary S. Weiss

Subscribed and sworn to before me this 25 day of March, 2011.



Notary Public

My commission expires:

