

Exhibit No.:
Issue(s): *Coal-In-Transit; Error
Corrections to Coal
Inventory & Low Level
Radioactive Waste*

Witness: *Brian Wells*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *ER-2016-0179*
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

BRIAN WELLS

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

CASE NO. ER-2016-0179

*Jefferson City, Missouri
January 2017*

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **BRIAN WELLS**

4 **UNION ELECTRIC COMPANY,**
5 **D/B/A AMEREN MISSOURI**

6 **CASE NO. ER-2016-0179**

7 Q. Please state your name and business address.

8 A. Brian Wells; 111 N 7th St., Suite 105, St. Louis, Missouri 63101.

9 Q. By whom are you employed and in what capacity?

10 A. I am employed by the Missouri Public Service Commission as a Utility
11 Regulatory Auditor III.

12 Q. Are you the same Brian Wells who filed direct testimony in this case, as part of
13 the Staff's Revenue Requirement Cost of Service Report ("Report"), on December 9, 2016?

14 A. Yes, I am.

15 **COAL IN TRANSIT**

16 Q. What is Ameren Missouri's position regarding coal-in-transit?

17 A. In Ameren Missouri witness Laura Moore's direct testimony, on page 11,
18 lines 6 and 7, Ms. Moore makes no reference to coal-in-transit being removed from
19 Ameren Missouri's normalized coal inventory level included in rate base. This inclusion of
20 coal-in-transit was confirmed by Staff during its audit. Ameren Missouri's position is that
21 coal-in-transit should be included in rate base.

22 Q. What is Staff's position regarding coal-in-transit?

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1 A. Staff recommends that Ameren Missouri’s coal-in-transit not be included in
2 rate base.

3 Q. In your direct testimony filed as part of Staff’s Report, you referred to
4 coal-in-transit as “not usable to Ameren Missouri.” Why does Staff consider coal-in-transit to
5 be not usable to Ameren Missouri?

6 A. Coal inventory which is on-site at an Ameren Missouri coal plant is usable
7 because it can, at any given time, be removed from the coal pile and used in generation. For
8 this reason, Staff regards on-site coal to be usable, meeting the standard of “used and useful,”
9 and is therefore, includable in rate base. Coal-in-transit, however, is not present at an
10 Ameren Missouri coal plant and therefore cannot be immediately used for generation of
11 electricity. For this reason, Staff regards coal-in-transit to be unusable, failing to meet the
12 “used and useful” standard, and therefore excludable from rate base. The susceptibility of
13 coal-in-transit to transportation disruptions further illustrates its lack of usability, as explained
14 later in this testimony.

15 Q. Does Staff utilize the “used and useful” standard when making
16 recommendations as to whether other items should be included in rate base?

17 A. Yes, it does. Plant items that are not in service are typically excluded from rate
18 base. For example, if Ameren Missouri were in the process of constructing a new electric
19 generation facility, and if Staff agreed that the facility would be useful and cost-effective for
20 Ameren Missouri’s provision of service, and if the facility were in service as of the true-up
21 cutoff date of a rate case, Staff would recommend that the facility be included in rate base in
22 that rate case. However, if the facility were not in service by the true-up cutoff date, even
23 though it will ultimately be useful for Ameren Missouri operations, Staff would not

1 recommend that it be included in rate base because doing so would be a violation of the “used
2 and useful” standard. This standard also applies to coal inventory: coal inventory which is
3 on-site at an Ameren Missouri coal-generation facility is usable for the provision of adequate
4 service; on the other hand, coal which is not on-site is not usable and should therefore, be
5 excluded from rate base.

6 Q. You mentioned above that coal-in-transit’s susceptibility to disruptions is
7 illustrative of coal-in-transit’s lack of usability. Please explain that statement.

8 A. Numerous circumstances could temporarily delay or indefinitely prevent the
9 arrival of the coal at its destination. Some such circumstances are mentioned in Ameren
10 Missouri’s coal inventory policy approved on January 1, 2014, and provided in its response to
11 Staff Data Request No. 0077. The three types of disruptions identified in that document are
12 natural disruptions (e.g. flooding), railroad slowdowns (e.g. railroad congestion), and
13 pandemic/catastrophic disruptions (e.g. disease, oil shortage, earthquake). With this coal
14 being susceptible to such a wide range of complications, any characterization of it as
15 practically usable, and, therefore, includable in rate base is flawed.

16 Q. Has a load of coal bound for one of Ameren Missouri’s coal plants ever been
17 delayed indefinitely and/or entirely lost?

18 A. Staff is unaware of any specific event of that nature. However, on page 1409,
19 lines 18 through 23 of the transcript for the hearing which took place on October 9, 2012, as
20 part of Ameren Missouri rate case ER-2012-0166, the following exchange took place
21 between Mr. Robert Neff (an expert witness testifying on behalf of Ameren Missouri) and
22 Judge Morris L. Woodruff (who made an inquiry on behalf of then-Chairman Kevin Gunn):

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1 Judge Woodruff: “His [the Chairman’s] hypothetical was imagine a
2 coal train on its way from Wyoming derails, dumps the coal in to the
3 Missouri River.”

4 Mr. Neff: “Well actually that happens, it’s not a hypothetical.”

5 This answer from Mr. Neff indicates that there have been instances in Ameren Missouri’s
6 history where shipments of coal have been entirely lost and never delivered to their
7 destinations.

8 Q. Based on the above information, what is Staff’s recommendation as to the rate
9 base treatment of coal-in-transit?

10 A. Ameren Missouri is requesting that assets be included in rate base when there
11 is a possibility that they may never arrive at their destinations, and may never be used in the
12 generation of electricity. Ameren Missouri asserts that it should earn a return on these assets
13 despite the possibility that Ameren Missouri customers will never receive any benefit from
14 them. Staff’s recommendation excludes these assets from rate base until such time that the
15 coal is present at the generation site and available to be burned.

16 Q. Does Ameren Missouri bear legal title and risk-of-loss of the coal while it is in
17 transit?

18 A. Yes, it does. However, Staff does not believe that these facts are dispositive
19 for purposes of determining whether an asset should be included in rate base.
20 Ameren Missouri has legal title and bears the risk-of-loss for construction work-in-progress
21 (CWIP) (capital investments in so-far-uncompleted capital projects) and assets held for future
22 use. However, these assets are not included in rate base because they are not used and useful.
23 Both CWIP and assets held for future use exist on Ameren Missouri’s books in this case, but
24 were excluded from rate base in both Ameren Missouri’s rate increase request and in Staff’s

1 cost of service calculation because of their failure to meet the “used and useful” standard.
2 Coal-in-transit also fails to meet the “used and useful” standard and should therefore, be
3 excluded from rate base.

4 **ERROR CORRECTION**

5 Q. Are there any errors in your calculations that were included in Staff’s cost of
6 service calculation?

7 A. Yes, there are three such errors. The first is an erroneous identification of the
8 unit price of coal for each plant. Staff recommends increasing the revenue requirement to
9 correct this error.

10 Ameren Missouri excluded refiner-owned coal inventory from rate base in its initial
11 filing; Staff does not disagree with this treatment of refiner-owned coal. Due to a
12 misunderstanding, Staff included refiner-owned coal in rate base as part of its cost of service
13 calculation. However, subsequent to its true-up filing, Staff will exclude refiner-owned coal
14 from rate base, matching Ameren Missouri’s methodology for this issue. Utilizing this
15 methodology is consistent with how Staff has addressed this issue in past Ameren Missouri
16 rate cases. Making this correction will decrease Staff’s recommended revenue requirement.

17 The third correction is to low-level radioactive waste expense. During the test year,
18 Ameren Missouri booked an adjustment to decrease an existing liability related to this
19 expense. To remain consistent with Staff’s prior treatment of this liability and to exclude the
20 accrual booked during the test year, Staff will make a positive adjustment in its cost of service
21 calculation to reflect the removal of Ameren Missouri’s adjustment to its accrued liability.

22 Q. Does this conclude your testimony?

23 A. Yes, it does.