MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2016-0179

REBUTTAL TESTIMONY

OF

BRENDA I. WEBER

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
January 2017

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1 ## I.   INTRODUCTION

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.

8 ## II.   PURPOSE OF TESTIMONY

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

10 A.   The purpose of my rebuttal testimony is to: (1) respond to the cash working

11 capital portion of the Missouri Public Service Commission Staff Report Revenue Requirement

12 Cost of Service ("Staff Report"), which was sponsored by Missouri Public Service

13 Commission Staff ("Staff") witness Kofi A. Boateng, and cash working capital-related direct

14 testimony filed by Office of the Public Counsel ("OPC") witness Charles R. Hyneman; and (2)

15 to update the lead/lag study prepared for Ameren Missouri's ("Ameren Missouri" or

16 "Company") electric business that I used to develop cash working capital factors ("CWC

17 factors").

18 **Q.   What are the specific contentions made by Mr. Boateng and**

19 **Mr. Hyneman regarding the lead/lag study used to develop CWC factors?**

1   A.   With regard to the collection lag used in the lead/lag study, Mr. Boateng

2   acknowledged that while the customer due date changes may have an impact on future

3   collections lag, there was no available data to complete an analysis. Mr. Hyneman contends

4   that the Company did not provide enough evidence to substantiate the increase in the

5   collection lag recommended in direct testimony.

6   With regard to the expense lead used in the lead/lag study, both Mr. Boateng and

7   Mr. Hyneman recommend removing income taxes as an expense lead. Mr. Boateng further

8   reduced the expense lead for differences in pension and benefits as well as sales tax. I will

9   address each of these issues separately.

10   **III.   COLLECTIONS LAG**

11   **Q.   Mr. Hyneman stated the collections lag increased from 25.79 days (in**

12   **File No. ER-2014-0258) to 28.00 days (in this case) and the Company did not**

13   **provide an explanation of this increase. Do you agree with this comment?**

14   A.   I agree that the collections lag increased from 25.79 to 28.00 days, but I do

15   not agree that the Company did not provide an explanation. On page 5 of my direct

16   testimony, I explain the reasoning for only updating the collections lag piece of the

17   lead/lag study. The collections lag depends on customer payment behaviors and those

18   behaviors fluctuate from time to time. A review of the past four Ameren Missouri electric

19   rate cases illustrates my point about the fluctuation of the collections lag days.

File Number	Test Year	Collections Lag
ER-2016-0179	April 2015 - March 2016	28.00
ER-2014-0258	January 2013 - December 2013	25.79
ER-2012-0166	October 2010 - September 2011	28.75
ER-2011-0028	April 2009 - March 2010	27.44

20

1 **Q.   Does the actual accounts receivable balance data support an increase**

2 **in the collections lag days from the previous rate case?**

3 A.   Yes. Comparing the twelve monthly totals to the individual buckets of

4 accounts receivable balance data for each electric rate case, the data supports a shift in the

5 aging of the accounts receivable balances. The shifting in the aging of accounts

6 receivable balances would increase the collections lag days. The Residential Current

7 (0-30 days) bucket went down while the other buckets of accounts receivable balances

8 increased.

9 **Q.   Is there an explanation for the shift in the aging of the accounts**

10 **receivable balances?**

11 A.   Yes. In discussing this with Ameren Missouri's Credit and Collection's

12 Group, the shift in aging of the accounts receivable balances can largely be attributed to

13 initiatives taken by the Company and the fluctuation of the customers' payment behavior

14 as mentioned above. These initiatives include the extension of the collection timeline

15 from 20-44 business days to 90 calendar days, a reduction in the energy assistance

16 receivables balances, and minimization of the number of deferred payment agreements.

17 While these initiatives have contributed to higher accounts receivable balances, they have

18 also lowered the uncollectible percentage that is incorporated in the collections lag

19 calculation. Given this explanation, it is inappropriate to average this year's result with

20 the result from our previous rate case. It is better to use the actual results from the current

21 study because it is more representative of current practices and customer behavior.

1   **IV.   INCOME TAX QUESTIONS**

2   **Q.   Both Mr. Boateng and Mr. Hyneman recommend removing income**

3   **tax expense as a "non-cash expense element" from your cash working capital study.**

4   **Do you agree with this adjustment?**

5   A.   I do not, primarily because I disagree that income taxes were a non-cash

6   expense for Ameren Missouri in the test year.

7   **Q.   Did Ameren Missouri make material income tax payments in the test**

8   **year?**

9   A.   Yes, Ameren Missouri made both federal and state income tax payments

10   in the test year. Since Ameren Missouri is part of the Ameren Consolidated Group filing

11   for both federal and Missouri income tax purposes, these payments were made to Ameren

12   Corporation, as required by the Ameren Tax Allocation Agreement. Ameren Missouri

13   calculates and pays income taxes based on its stand-alone tax calculation. Consequently,

14   it is clear that Ameren Missouri did, in fact, make a cash tax payment – to claim

15   otherwise is simply inaccurate.

16   **Q.   Mr. Hyneman stated that Ameren Missouri does not pay current**

17   **income taxes, based on an excerpt from the Ameren Corporation 2015 10-K. Is this**

18   **correct?**

19   A.   No, this statement is not correct. The Ameren Corporation 2015 10-K

20   discusses the federal and state net operating losses of both Ameren Corporation and

21   Ameren Missouri, and states that:

22   Consistent with the tax allocation agreement between Ameren and
23   its subsidiaries, these carryforwards are expected to <u>partially</u> offset
24   income tax liabilities for Ameren Missouri until 2019 and Ameren
25   Illinois until 2021. Ameren does not expect to make material
26   federal income tax payments until 2021. [Emphasis added].

1   The key word that Mr. Hyneman appears to have overlooked is "partially."

2 Ameren Missouri was in a taxable income position in 2015. This taxable income was

3 partially offset by the usage of net operating loss carryforwards, which reduced - but did

4 not eliminate - the income tax payments Ameren Missouri is required to make. Page 70

5 of the Ameren Corporation 2015 10-K, the last line in the Statement of Cash Flows,

6 verifies that Ameren Missouri did, in fact, make income tax payments.

7   **V.   SALES TAXES**

8   **Q.   In reviewing Mr. Boateng's workpapers, it appears the Sales Tax lead**

9 **is missing the Service Lag from the Revenue Lag component. Do you agree with this**

10 **change?**

11   A.   No, I do not. The Sales Tax process the Company uses has not changed

12 over the past several rate cases. Historically, the Company has calculated the cash

13 working capital requirements for Sales Taxes with the service lag component included in

14 the Revenue Lag. Nothing has materially changed in the Sales Tax process that supports

15 a change in the calculation of the cash working capital requirement for Sales Taxes.

16   **VI.   PENSION & OPEB BENEFITS**

17   **Q.   Have you had a chance to review Staff's Pension and OPEB**

18 **calculations shown in the submitted recommendation and testimony?**

19   A.   Yes, I have reviewed Staff's Pension and OPEB calculations and I

20 accept the updated employee benefits expense lead calculation.

1   **VII.   UPDATED COLLECTIONS LAG**

2   **Q.   In your direct testimony, you discussed that the change Ameren**

3   **Missouri made to the customer billing due date would impact the collections lag, but**

4   **that the change only took place in July, so you did not have actual impacts. Do you**

5   **now have sufficient data to determine how this change impacts the collections lag?**

6   A.   Yes. It has been several months since the change was implemented.

7   **Q.   Did the Company have an update to the collections lag calculation,**

8   **which captures customer payment behavior changes related to the bill due date**

9   **change?**

10   A.   Yes. As I indicated in my direct testimony,[1] the Company updated the

11   collections lag calculation to incorporate the impact of the bill due date change from 10

12   to 21 days. A new report ("Bill Payment Report") was created to help determine the

13   impact of the bill due date change.

14   **Q.   Was the accounts receivable data used in your direct testimony**

15   **updated through the end of the true-up period?**

16   A.   The Accounts Receivable Breakdown Report data was updated through

17   the end of November to align with the data available from the Bill Payment Report. The

18   Bill Payment Report compares the customer bill date to the date a customer payment is

19   received. Because the Bill Payment Report looks at customer payments received, the

20   complete payment data for the bills paid at the end of the bill cycle period would not be

21   available for at least 30 days after month end.

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[1] Brenda I. Weber Direct, p. 6, l.22 – p. 7, l.3.

1   **Q.   Please describe the Bill Payment Report used in the updated**

2   **collections lag calculation.**

3   A.   The Company developed a Bill Payment Report to aggregate actual

4   customer payments. This allows us to better understand customer payment behavior and

5   how it was impacted by the due date change. The Bill Payment Report compares the date

6   a customer is billed to the date the bill was paid to arrive at the lag days. The Bill

7   Payment Report summarizes the dollar amounts collected per lag day. To incorporate the

8   data into the updated collections lag, each month's report is segregated into the same

9   buckets as the accounts receivable balance data [Current (0-30 days), 31-60 days, 61-90

10   days, 91-120 days, and 121+ days] used in the collections lag calculation in my direct

11   testimony. Each line item is then weighted to calculate the weighted lag days and then

12   summarized per the buckets. The Bill Payment Report was run monthly for the bill period

13   April 2015 to November 2016. The results are reflected in Schedule BIW-R1.

14   **Q.   Please provide a summary of the data used from the Bill Payment**

15   **Report.**

16   A.   The Bill Payment Report includes customer payments received through

17   year-end. Obtaining complete payment data for each billed month creates a lag for each

18   of the buckets used in the study. This is illustrated in Schedule BIW-R1 and summarized

19   in the table below.

Bucket	Days Data Complete After Month End	Last Billed Month with Complete Data
Current (0-30) Days	30	November 2016
31-60 Days	60	October 2016
61–90 Days	90	September 2016
91–120 Days	120	August 2016
121+ Days	150	July 2016

7

1   For example, if a customer was billed on September 15, 2016, and the payment was

2   received on November 15, 2016 (61 Days), it would be reflected in the bill month of

3   September 2016 in the 61–90 day bucket. If the same customer's payment was received

4   on December 15, 2016 (91 Days), it would not be reflected on this schedule since the

5   91-120 day bucket would not be complete for the bill month of September. Complete

6   data for the 91–120 day bucket would not be available until 121 days after the original

7   bill month of September (January 2017).

8   **Q.   How does the Company plan to use the data from the Bill Payment**

9   **Report?**

10   A.   The Company plans to replace the mid-point used in my direct testimony

11   for the various buckets (0-30 days, 31-60 days, 61-90 days and 91-120 days) with data

12   from the Bill Payment Report. The 121+ days bucket will continue to be conservatively

13   capped at 135 days.

14   **Q.   What data does the Company plan to use for the current 0-30 days**

15   **bucket?**

16   A.   The change in the Company's bill due date from 10 to 21 days went into

17   effect in July 2016. The first month data from the Bill Payment Report that would reflect

18   this change is August 2016. The bill due date change would likely only impact the current

19   0-30 days bucket. The average for the bill months of August 2016 through November

20   2016 - 17.41 days - was used for the current 0-30 days bucket.

21   **Q.   Was the customers' payment behavior due to the bill due date change**

22   **observable in the data provided by the Bill Payment Report?**

1   A.   Yes, the data from the Bill Payment Report clearly demonstrates a change

2   in customer payment behavior. The table below shows the monthly lag days for the four

3   months prior to the change and the four months after the change went into effect for

4   payments received within 30 days.

Months Before Change		Months After Change	
April 2016	14.06	August 2016	17.47
May 2016	14.65	September 2016	17.57
June 2016	14.62	October 2016	17.03
July 2016	14.97	November 2016	17.58
Average	14.58	Average	17.41

5   The table above highlights that customer payment behavior did, in fact, change.

6   On average, customers who pay within 30 days are paying 2.83 days later since the

7   change was implemented in July 2016.

8   **Q.   What data does the Company plan to use for the 31-60, 61-90, and**

9   **91-120 day buckets?**

10   A.   From the Bill Payment Report, the Company has similarly utilized the

11   actual monthly averages calculated for the various buckets for the billing period of April

12   2015 through November 2016.

13   **Q.   Did you compare the data from the Bill Payment Report that replaces**

14   **the mid-point used in your direct testimony?**

15   A.   Yes. The table below provides a summary of the monthly averages

16   calculated using the Bill Payment Report as compared to the midpoints used in my direct

17   testimony.

	Current (0-30 Days)	31-60 Days	61-90 Days	91-120 Days	121+ Days
Mid-Point (Direct Testimony)	15.00	45.00	75.00	105.00	135.00
Monthly Averages (Rebuttal Testimony)	17.41	42.28	73.51	104.85	135.00

1

2   **Q.   Without any further adjustments, what collections lag would you**

3   **propose?**

4   A.   Including data from the Bill Payment Report, the average collections lag I

5   would propose is 28.49 days. However, it is necessary to also make an adjustment for

6   Noranda Aluminum, Inc. ("Noranda"), discussed below.

7   **Q.   Please discuss the adjustment you suggest should be made to the**

8   **updated collections lag due to the loss of the Noranda revenue.**

9   A.   The collections lag requires further adjustment due to the loss of the

10   Noranda revenue. Data was obtained from the Customer Service System ("CSS") for the

11   buckets where the Noranda accounts receivable data was reflected on the monthly

12   CURCT617 Accounts Receivable Breakdown Report, as discussed in my direct

13   testimony. The payment data for Noranda was also obtained for the Bill Payment Report.

14   The Noranda data from both reports were removed from the appropriate bucket.

15   Adjusting for the loss of Noranda resulted in a decrease in the collections lag of 0.13

16   days.

17   **Q.   What is the updated collections lag being proposed after the Noranda**

18   **adjustment?**

1   A.   Taking the Noranda adjustment discussed above into consideration, the

2 average collections lag being proposed in this electric filing is 28.36 days (28.49 – 0.13).

3 The collections lag of 28.36 days was included in the base revenue lag shown below.

4   **Q.   Please summarize the updated calculation of base revenue lag days.**

5   A.   The calculation of the overall base revenue lag, by lag component, is

6 summarized in the following table. Please note that the base revenue lag pertains to the

7 revenue lag for items other than off-system sales, which I will address below.

Base Revenue Lag Component	Lag Days
Service	15.21
Billing	0.99
Collections	28.36
Total Revenue Lag	44.56

8   **Q.   You mentioned that the above figures do not include the revenue lag**

9 **for off-system sales. What is the overall revenue lag once off-system sales are**

10 **accounted for?**

11   A.   The proposed total retail revenues and off-system sales revenues were

12 used to arrive at a weighted average revenue lag for tariffed revenues and off-system

13 sales. The resulting weighted revenue lag to be used in this filing was determined to be

14 42.57 days, as shown in the following table:

	Revenue Lag (days)	Revenues ($)	Dollar Days ($)
Service Lag	15.21		
Billing Lag	.99		
Collections Lag	28.36		
Base Revenue (Retail)	44.56	2,648,969,355.00	118,040,499,280.40
Off-System Sales	25.83	315,408,191.00	8,145,829,643.86
Total Revenues	42.57	2,964,377,546.00	126,186,328,924.26

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

2   A.   Yes, in addition to the Bill Payment Report data mentioned above as

3   Schedule BIW–R1, I am sponsoring an updated Direct Testimony Schedule BIW–2,

4   which I am labelling as Schedule BIW-R2. This new Schedule BIW-R2 provides

5   updated Cash Working Capital requirements based on the discussion included in

6   this testimony.

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

8   A.   Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a)
Ameren Missouri's Tariffs to Increase Its Revenues) **File No. ER-2016-0179**
for Electric Service.)

AFFIDAVIT OF BRENDA I. WEBER

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

Brenda I. Weber, being first duly sworn on her oath, states:

1.   My name is Brenda I. Weber. I work in the City of St. Louis, Missouri,

and I am employed by Ameren Services Company as Manager, Corporate Finance.

2.   Attached hereto and made a part hereof for all purposes is my Rebuttal

Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of

 14 pages and Schedule(s) BJW-R1 & R2 , 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.

_____
Brenda I. Weber

Subscribed and sworn to before me this _17th_ day of _January_, 2017.

_____
Notary Public

My commission expires:

AMEREN MISSOURI LEAD LAG STUDY
COLLECTIONS LAG
BILL PAYMENT REPORT SUMMARY
Lag Days Only

Month of	Current - (0 - 30 Days) Lag Days	31 - 60 Days Lag Days	61 - 90 Days Lag Days	91 - 120 Days Lag Days	121+ Days Lag Days
April 2015	14.12073	42.95829	74.64794	105.35402	174.92370
May 2015	14.50406	41.81930	74.50387	105.16656	177.12323
June 2015	14.42582	42.34429	73.78761	104.81470	177.51112
July 2015	14.47308	42.51785	73.21764	104.78076	182.29593
August 2015	14.66724	42.77682	73.79106	104.98694	190.22846
September 2015	14.64252	42.76177	73.67511	105.84300	189.09966
October 2015	14.36489	42.33303	72.57023	106.45832	187.30108
November 2015	14.72253	42.74604	74.84431	105.62204	189.80577
December 2015	15.41834	42.82645	73.47131	103.81245	188.35148
January 2016	14.40371	42.07678	72.35597	104.19444	179.76160
February 2016	14.33253	42.07909	72.99881	104.81042	167.21259
March 2016	13.91236	42.15376	73.02989	104.39416	158.96032
April 2016	14.06076	41.69258	74.14077	104.75265	150.25071
May 2016	14.65343	41.48929	74.04647	104.57304	143.60749
June 2016	14.62180	42.10751	73.22881	104.47872	128.93597
July 2016	14.96709	42.43597	73.06927	104.10165	141.41259
August 2016	17.47485	42.90764	72.74732	104.31284	
September 2016	17.56595	41.90689	73.09944		
October 2016	17.03235	41.32118			
November 2016	17.57970				
Average (All Periods)	15.09719	42.27655	73.51255	104.85039	170.42386
Average (August 2016 - November 2016)	17.41321				

NOTE: Noranda data removed from report.

1

Schedule BIW-R1

AMEREN MISSOURI LEAD LAG STUDY
COLLECTIONS LAG
Lag Days Only

No.	Description
1	Data from the Bill Payment Report provided by IT in November 2016.
2	Bill Payment Report is based on bill date and track the number of days between the bill date and payment date.
3	The Bill Payment Report provides the number of customers and the dollar amounts by lag days from the bill date.
4	Data provided based on calendar month.
5	The data from the Bill Payment Report was grouped in the same buckets as used in the direct testimony (i.e. 0-30, 31-60, etc.).
6	The average number of lag days per bucket was determined for each month.
7	The average per bucket would replace the monthly mid-point used in the collections lag for each bucket except the 121 + bucket.
8	For the 121+ bucket, the value was capped at 135 to match what was used in the direct testimony.
9	Need to wait one month in order to get the complete data for a month.

Schedule BIW-R1

Ameren Missouri
Cash Working Capital Requirement

Line No.	Description	Revenue Lag	Expense Lead	Net Lag	CWC Factor
	(A)	(B)	(C)	(D)	(E)
1	Pensions & Benefits	42.57	(26.58)	15.98	0.0438
2	Payroll and Withholdings	42.57	(12.12)	30.45	0.0834
3	Employer FICA Contribution	42.57	(12.73)	29.84	0.0818
4	Other Operations and Maintenance Expenses	42.57	(36.41)	6.15	0.0169
5	Federal Unemployment Taxes	42.57	(76.38)	(33.81)	(0.0926)
6	State Unemployment Taxes	42.57	(76.38)	(33.81)	(0.0926)
7	Corporation Franchise Taxes	42.57	77.50	120.07	0.3290
8	Property/Real Estate Taxes	42.57	(182.50)	(139.93)	(0.3834)
9	Sales Tax	42.57	(38.79)	3.78	0.0103
10	Use Tax	42.57	(76.38)	(33.81)	(0.0926)
11	Gross Receipts Taxes	29.35	(27.54)	1.81	0.0050
12	Federal Income Tax	42.57	(37.88)	4.69	0.0129
13	State Income Tax	42.57	(37.88)	4.69	0.0129
14	St Louis Corporate Earnings Tax	42.57	(273.50)	(230.93)	(0.6327)
15	St Louis Payroll Expense Tax	42.57	(76.38)	(33.81)	(0.0926)
16	Fuel - Nuclear	42.57	(15.21)	27.36	0.0750
17	Fuel - Coal	42.57	(13.70)	28.86	0.0791
18	Fuel - Oil	42.57	(16.24)	26.33	0.0721
19	Fuel - Gas	42.57	(41.58)	0.99	0.0027
20	Interest Expense	42.57	(90.76)	(48.19)	(0.1320)
21	Uncollectible Expense	42.57	(42.57)	-	-
22	Purchased Power	42.57	(25.83)	16.74	0.0459
23	Decommissioning Fees	42.57	(70.63)	(28.06)	(0.0769)
24	Incentive Compensation	42.57	(253.77)	(211.21)	(0.5786)

Schedule BIW-R2