Exhibit No.:	
Issues:	Depreciation
Witness:	John F. Wiedmayer
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Union Electric Company
Case No.:	GR-2019-0077
Date Testimony Prepared:	July 10, 2019

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2019-0077

SURREBUTTAL TESTIMONY

OF

JOHN F. WIEDMAYER C.D.P.

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

Audubon, Pennsylvania
July 10, 2019

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SURREBUTTAL TESTIMONY OF JOHN F. WIEDMAYER

CASE NO. GR-2019-0077

I. INTRODUCTION

A. Witness Identification

Q. Please state your name and address.

A. John F. Wiedmayer. My business address is Valley Forge Corporate Center, 1010 Adams Avenue, Audubon, Pennsylvania 19403.

Q. Have you previously submitted testimony in this proceeding?

A. Yes. My direct testimony was submitted in December 2018.

Q. On whose behalf are you providing testimony?

A. I am providing this testimony on behalf of Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or the "Company").

B. Purpose and Scope

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my testimony is to respond to the rebuttal testimony of Mr. David Buttig of the Staff of the Missouri Public Service Commission ("Staff") and to John A. Robinett of the Office of Public Counsel ("OPC").

C. Identification of Schedules

Q. Will you be sponsoring any schedules with your surrebuttal testimony?

A. Yes, I am attaching and sponsoring the following schedules:

- Schedule JFW-S1 – Comparison of Company and Staff Proposed Depreciation Parameters, Annual Accrual Rates and Amounts as Applied to Original Cost at December 31, 2018.

- Schedule JFW-S2 – Comparison of Existing and Proposed Survivor Curves, Net Salvage Percents and Annual Accrual Rates and Amounts as Applied to Original Cost at December 31, 2018.

- Schedule JFW-S3 – Comparison of Company and OPC Proposed Depreciation Parameters, Annual Accrual Rates and Amounts as Applied to Original Cost at December 31, 2018.

- Schedule JFW-S4 – FERC Accounting Release Number 15 (AR-15) – Vintage Year Accounting for General Plant Accounts

II. SUMMARY OF TESTIMONY

A. Summary of Positions

Q. Please summarize the positions of the witnesses you are rebutting as compared to Ameren Missouri's position.

A. Mr. Buttig proposes to increase the Company's proposed level of annual depreciation expense by $856,730. The increase is due to the Staff's adherence to the whole life technique for calculating depreciation rates and amounts rather than the use of the remaining life technique that the Company has proposed. Portions of Mr. Buttig's rebuttal testimony dealing with a revised depreciation study, including revised service lives and net salvage estimates, have been withdrawn. Therefore, in Schedule JFW-S1, I have assumed Mr. Buttig's earlier position as set forth in his direct testimony in which he has agreed with the Company's proposed depreciation parameters (i.e., survivor curves and net salvage percents). The only difference remaining between our proposals being the use of whole life depreciation rates as proposed by Mr. Buttig in his rebuttal testimony and the use of remaining life depreciation rates as proposed by the Company.

Q. Briefly explain the difference between remaining life and whole life

depreciation rates.

A. Remaining life and whole life depreciation rates both require estimates regarding the average service life and net salvage. The difference between the two depreciation techniques is that remaining life rates adjust up or down based upon past levels of capital recovery. That is, if past depreciation levels were too high, remaining life rates will decrease, and correspondingly, remaining life rates will increase if past depreciation levels were too low. Whole life rates remain the same regardless of whether past depreciation levels were either too high or too low. Whole life rates are based solely on the estimated average service life and net salvage, and do not consider the adequacy of past levels of capital recovery while remaining life depreciation rates do. I have made calculations to test the adequacy of the Company's recorded accumulated provision for depreciation.[1] Such testing is intended to reveal whether the recorded accumulated provision for depreciation varies substantially from the calculated accrued depreciation, a.k.a., the theoretical reserve.

The existence of substantial differences is of concern from both capital recovery and fair allocation of costs points of view. The two principal reasons for recording annual depreciation expense are: (1) to provide a means for capital recovery; and (2) to provide equitable sharing of initial capital costs among the several generations of customers who are provided service through the use of capital assets.

With respect to the first reason, the realization of revenue adequate to cover capital recovery is dependent on claims in the ratemaking process of adequate annual depreciation expense. If the test of the accumulated provision for depreciation indicates

[1] The accumulated provision for depreciation is also referred to as the book depreciation reserve or book reserve in published literature. For purposes of this testimony, the two terms are synonymous.

it has fallen behind schedule, the probability of complete capital recovery has decreased without the type of adjustment used in setting remaining life accrual rates.

With respect to the second reason, timely remedies for depreciation reserve variances also are essential to equitable allocation of cost responsibility among users.[2] If a significant variance exists, an inequity also exists. Past users already have been allocated either more than or less than their currently indicated fair share of the initial capital costs.[3] Decisions as to the appropriate timing for reduction of variances should embrace the basic concepts of matching cost and service. Typically, in most states, the reserve variance is amortized over a period equal to the composite remaining life of the depreciable group. My calculations indicate that the Company's book reserve exceeds the theoretical reserve. Therefore, I have proposed an $856,730[4] reduction to depreciation as a result of using remaining life rates while Staff witness Buttig has chosen to continue use of whole life rates without making an adjustment to depreciation expense. The $856,730 is the difference between using remaining life depreciation rates and whole life depreciation rates, and is the difference between the Company's proposal and Staff's proposal. Whole life rates are rarely used in jurisdictions in North America. Most of the time when whole life rates are used, they are used in connection with a separate amortization to depreciation expense, which is designed to correct for

[2] The term reserve variance is used herein for differences between the book accumulated provision for depreciation and an accrued depreciation amount calculated through the use of a model. The variance may be in either direction. That is, the book amount may be more than or less than the calculated amount.

[3] Unless the depreciation professionals (past and present) had either perfect foresight or incredibly good luck in forecasting the service lives and net salvage of utility plant assets, it is inevitable that depreciation reserve variances will exist. Random variances are to be expected because the models used for forecasting service life characteristics and net salvage and for calculating accrued depreciation only approximate real-world events. However, even under closely monitored situations, the unfolding real-world experience departs sufficiently from earlier forecasts to cause variances that should be reduced. Alternatively, changes in circumstances lead to changes in forecasts. This also results in variances of sufficient size to require action toward their reduction.

[4] Based on plant balances as of December 31, 2018.

past over- or under- recoveries to depreciation. This separate "true-up" amount is frequently called the "reserve variance amortization" with the reserve variance being the difference between the actual book reserve and the calculated or theoretical reserve. Mr. Buttig makes no recommendation to use a separate reserve variance amortization in connection with whole life rates as Staff witnesses have done in previous Ameren Missouri cases that I have been involved with, such as File Nos. EC-2002-1 and ER-2010-0036.

Differences between remaining life and whole life rates become apparent upon examination of the equations used to calculate each type of depreciation rates. Remaining life rates are determined using the following equation:

Remaining Life Rate = [(1 – Book Reserve,% – Future Net Salvage,%) / ARL][5]

Whole life rates are determined using the following equation:

Whole Life Rate = [(1- Net Salvage,%) / Average Service Life

As one can see from the above equations, remaining life rates take into consideration the level of past capital recovery as measured by the book reserve while whole life rates do not. That is, as can be seen in the equation above, the remaining life rate equation includes the term "Book Reserve %" while the whole life rate equation does not. Remaining life rates are designed to recover the remaining *undepreciated* cost over the account's average remaining life, so remaining life rates already incorporate how much depreciation expense has already been recovered while whole life rates do not.

[5] The ARL term in the equation represents the average remaining life (ARL) of the asset or group of assets. In addition, the book reserve and future net salvage are expressed as a percent of the original cost of gas plant in service.

Q. How do the depreciation expense levels recommended by you and Mr. Buttig compare to current depreciation expense levels?

A. My depreciation study concludes that a $1,013,773 decrease to depreciation expense over currently approved levels is necessary to properly recover the service value of the Company's depreciable plant over its service life.

In comparison, Staff witness Buttig proposes the use of whole life rates which results in depreciation expense $856,730 higher than the Company proposal but a $157,043 decrease from currently approved levels of depreciation expense.[6]

Q. Please quantify the impact on depreciation expense based on your use of the remaining life technique?

A. The use of the remaining life technique reduces annual depreciation expense by $1,013,773 using the depreciation parameters proposed by the Company. A comparison of the proposed versus existing depreciation parameters and rates are set forth on Schedule JFW-S2.

Q. How do the depreciation expense levels calculated by you using remaining life rates compare with the depreciation expense levels calculated by Mr. Buttig?

A. The depreciation expense that I have calculated using remaining life rates is $12,225,469.[7] Staff witness Buttig using whole life rates has calculated depreciation expense of $13,082,198,[8] a difference of $856,730.

Q. Please summarize your testimony related to remaining life depreciation rates versus whole life depreciation rates.

[6] Based on plant balances as of December 31, 2018.
[7] Refer to Column 6, Schedule JFW-S2.
[8] Refer to Column 10, Schedule JFW-S2.

A. Gannett Fleming has performed depreciation studies for utility clients in all 50 states and all 10 Canadian provinces and remaining life depreciation rates are widely used in most jurisdictions while whole life depreciation rates are rarely used. Remaining life depreciation rates are used in Missouri and are used by Ameren Missouri's Electric Division based on the depreciation rates approved in the prior base rate case (File No. ER-2014-0258). Remaining life depreciation rates have a self-correcting adjustment mechanism built into the equation and whole life rates do not. The self-correcting adjustment mechanism is part of a closed feedback loop system, much like a thermostat in your house monitoring air temperature. That is, if past levels of depreciation have been too high, remaining life depreciation rates adjust downward (i.e., lower) and vice versa if past levels of depreciation have been too low. Whole life rates do not have a self-correcting adjustment mechanism. Whole life rates are the same regardless of whether the Company has received too much or too little in terms of capital recovery. Most times when whole life rates are used it is done so in connection with a separate "true-up" mechanism (a.k.a., "reserve variance amortization") that adjusts depreciation expense based on the standing of the Company's accumulated depreciation (a.k.a., "book reserve") in comparison with the calculated reserve (a.k.a., "theoretical reserve" or the "calculated accrued depreciation"). The period commonly used to amortize the reserve variance is the plant account's average remaining life. Mr. Buttig's recommendation is to use whole life depreciation rates only without a separate adjustment mechanism. This is a depreciation technique that is rarely used in ratemaking and one that the Commission should reject.

III. RESPONSE TO MR. ROBINETT'S RECOMMENDATION TO NOT USE AMORTIZATION ACCOUNTING FOR CERTAIN GENERAL PLANT ACCOUNTS

Q. Have you reviewed the rebuttal testimony of John A. Robinett submitted on behalf of the Office of the Public Counsel ("OPC")?

A. Yes, I have.

Q. Has Mr. Robinett conducted a comprehensive depreciation study that includes a recent service life and net salvage study?

A. No, unlike the Company's proposal, Mr. Robinett has not conducted a comprehensive depreciation study that addresses depreciation and amortization expense related to all gas plant accounts. His testimony addresses the seven General Plant accounts in which the Company has recommended the use of amortization accounting, a.k.a., vintage year accounting. The total plant balance related to these seven General Plant accounts in question is $6.353 million out of a total gas plant in service balance of $494.858 million, or 1.3 percent.[9]

Q. What is the major difference between the depreciation study prepared by you for Ameren Missouri and the proposal recommended by OPC witness John Robinett?

A. The Company's proposal includes a comprehensive depreciation study, with a recent service life and net salvage study. Mr. Robinett's recommendation only addresses seven General Plant accounts and his recommendation is for the Commission to not accept amortization accounting for certain General Plant accounts. The Company is proposing that amortization accounting be used for certain General

[9] Based on plant balances as of December 31, 2018.

Plant accounts instead of depreciation accounting which is used for all other Transmission, Distribution and General Plant accounts. The seven General Plant accounts subject to amortization accounting are set forth on Schedule JFW-S3.

Q. Please describe amortization accounting as it relates to certain general plant account.

A. *Amortization* as defined in the FERC Uniform System of Accounts prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

Normally, the distribution of the amount is in equal amounts to each year of the amortization period. The calculation of annual amortization related to the original cost of general plant assets subject to amortization accounting requires the selection of an amortization period.

Q. How did you determine an appropriate amortization period?

A. The amortization periods used for the seven General Plant accounts that comprised only 1.3% of the total gas plant in service balance were based on judgment incorporating a consideration of the period during which the assets will render most of their service based on the type of asset and its function, the amortization period and average service lives used by other utilities, and the service life estimates previously used for the asset under depreciation accounting.

Q. Why are utilities in North America, including Ameren Missouri Gas, choosing to use amortization accounting instead of remaining with depreciation

accounting?

A. Amortization accounting is proposed for certain general plant accounts that represent numerous units of property, but a very small portion of depreciable gas plant in service. The units of property included in these accounts are numerous, low unit cost items that frequently are moved around into different locations such as office chairs, desks, bookshelves, or are small tools or handheld radios that are located on work vehicles. The proper accounting under depreciation accounting would be to retire the asset when it no longer functioning and capable of serving gas customers. The problem with accounting for these property units is that, because they are typically small, mobile, and low unit cost assets, they often get lost, misplaced, broken, or otherwise cease to be used and useful and without the property accounting team receiving notification. Therefore, the assets remain on the books longer than they should, which distorts the service life analysis and typically leads to misleading results regarding average service lives for certain General Plant accounts.

Another reason for utilities to use amortization accounting for certain General Plant accounts is that the accounting effort to track, record, and maintain accurate property records for these numerous, low unit cost assets is substantial compared with the benefit derived from accounting for these assets in the traditional manner that comprise less than 2 percent of the total gas plant in service balance.

Q. Which General Plant accounts are you specifically recommending be subject to amortization accounting?

A. Amortization accounting is recommended for the following General Plant accounts: 391, Office Furniture and Equipment; 391.2, Office Furniture and Equipment

– Computers; 393, Stores Equipment; 394, Tools, Shop and Garage Equipment; 395, Laboratory Equipment; 397, Communication Equipment; and 398, Miscellaneous Equipment. The recommended amortization periods for each of the seven General Plant accounts are set forth on Schedule JFW-S3 attached to this testimony as well as in the Depreciation Study report (Schedule JFW-D1) submitted with my direct testimony.

Q. What is the key difference between depreciation accounting and amortization accounting?

A. Under the group depreciation plan (a.k.a., depreciation accounting) used nearly universally by utility companies, all assets in service are depreciated regardless of their age until they are retired from the books. The idea under group depreciation is that the capital recovery of assets that are retired prior to reaching the account's average service life are balanced by those assets that live beyond the account's average service life. There are no recorded gains or losses to the income statement under group depreciation.

Under amortization accounting, all assets are amortized over a fixed period of years equal to the amortization period. All assets in the account are amortized until the net book cost is $0 at which time the assets are fully amortized and are retired regardless of whether they are in service or not. There are no interim retirements under amortization accounting. That is, all assets within a plant account are assumed to have one life and they remain on the books for the duration of the amortization period. There are no early or premature retirements recognized under amortization accounting. For example, if an office chair breaks at age 13 and the amortization period is 15 years then the cost of the chair remains for 2 additional years until the asset is fully amortized and retired.

Q. Has FERC issued any guidance on the subject of amortization accounting to be used for certain General Plant accounts?

A. Yes, FERC issued, effective January 1, 1997, Accounting Release Number 15 ("AR-15") titled, “Vintage Year Accounting for General Plant Accounts.” In AR-15, FERC authorized amortization accounting for certain General plant accounts provided certain requirements were met. The assets that Ameren Missouri has proposed be subject to amortization accounting meet those requirements. I have attached FERC’s Accounting Release No. 15 in support of my testimony as Schedule JFW-S4.

Q. Has the Missouri Public Service Commission allowed depreciation rates to be set based on using amortization accounting for certain general plant accounts?

A. Yes. In the prior two Ameren Missouri electric rate cases (File Nos. ER-2010-0036 and ER-2014-0258), the depreciation rates were established using amortization accounting for certain Production Plant accounts as well as certain General Plant accounts.

Q. What is the difference in depreciation expense ($) between the Company’s proposal and OPC’s proposal?

A. The Company’s proposal results in lower depreciation expense than the OPC’s proposal by $6,262 based on gas plant in service as of December 31, 2018. Schedule JFW-S3 presents the difference by plant account between the Company’s proposal and OPC’s proposal related to the seven General Plant accounts.

Q. Please summarize your testimony related to amortization accounting

related to certain General Plant accounts.

A. FERC has recognized that certain General Plant accounts contain property units that are difficult and relatively expensive to account for in the traditional manner given their size, cost and nature (i.e., physical attributes and operational function). Typically, these property units make up a small percentage of the total utility plant in service and FERC has granted authority for utility companies to use amortization accounting for these General Plant accounts rather than depreciation accounting as a practical way to save costs and reduce the accounting burden for a group of accounts that do not require the same level of precision as other plant accounts under depreciation accounting given their relatively small plant balance. Often, the property units in these accounts are retired as a result of a periodic (i.e., 5 or 10-year) physical inventory, which is time consuming and costly, in order to determine which property units remain in service. The accounting lag between when a retirement is recorded versus when a retirement should have been recorded for these small, often mobile, low unit cost items can be substantial and it distorts the actuarial life study retirement data for these accounts since the property units appear to be in utility service longer than they actually are. Amortization accounting is appropriate for these relatively minor plant accounts since it reduces the accounting burden for these numerous low unit cost items without relinquishing a substantial benefit from using a more precise accounting method.

Q. Does this conclude your surrebuttal testimony?

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 for Natural Gas Service.	)))	File No. GR-2019-0077

AFFIDAVIT OF JOHN F. WIEDMAYER

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

John F. Wiedmayer, being first duly sworn on his oath, states:

1. My name is John F. Wiedmayer. I work in Audubon, Pennsylvania and I am employed by Gannett Fleming, Inc. as Project Manager of Depreciation Studies.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 14 pages and Schedule(s) JFW-S1 to JFW-S4, 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.

John F. Wiedmayer

Subscribed and sworn to before me this 3rd day of July, 2019.

Notary Public

My commission expires:

Commonwealth of Pennsylvania - Notary Seal
Susan F. Warner, Notary Public
Montgomery County
My commission expires July 5, 2020
Commission number 1051659
Member, Pennsylvania Association of Notaries

AMEREN MISSOURI
GAS DIVISION

COMPARISON OF COMPANY AND STAFF PROPOSED DEPRECIATION PARAMETERS,
ANNUAL ACCRUAL RATES AND AMOUNTS AS APPLIED TO ORIGINAL COST AT DECEMBER 31, 2018

			COMPANY PROPOSED				STAFF PROPOSED				
					CALCULATED ANNUAL ACCRUAL				CALCULATED ANNUAL ACCRUAL		
	DEPRECIABLE GROUP	ORIGINAL COST AT 12/31/2018	SURVIVOR CURVE	NET SALV, %	RL RATE	AMOUNT	SURVIVOR CURVE	NET SALV, %	WL RATE	AMOUNT	DIFFERENCE
	(1)	(2)	(3)	(4)	(5)	(6)=(2)*(5)	(7)	(8)	(9)	(10)=(2)*(9)	(11)=(10)-(6)
DEPRECIABLE PLANT											
	INTANGIBLE PLANT										
303	MISCELLANEOUS INTANGIBLE PLANT	3,062,160	5 - SQ	0	20.00	612,432	5 - SQ	0	20.00	612,432	-
	TOTAL INTANGIBLE PLANT	**3,062,160**			**20.00**	**612,432**			**20.00**	**612,432**	**-**
	TRANSMISSION PLANT										
367	MAINS	5,428,991	50 - R3	(5)	1.62	87,950	50 - R3	(5)	2.10	114,009	26,059
369	MEASURING AND REGULATING STATION EQUIPMENT	40,900	45 - R1.5	(5)	0.88	360	45 - R1.5	(5)	2.33	953	593
	TOTAL TRANSMISSION PLANT	**5,469,891**			**1.61**	**88,310**			**2.10**	**114,962**	**26,652**
	DISTRIBUTION PLANT										
375	STRUCTURES AND IMPROVEMENTS	184,148	40 - R2	(5)	4.50	8,287	40 - R2	(5)	2.63	4,843	(3,444)
376	GAS MAINS	274,336,626	50 - R3	(5)	2.03	5,569,034	50 - R3	(5)	2.10	5,761,069	192,036
378	MEASURING AND REGULATING STATION EQUIP. - GENERAL	5,905,720	40 - R1	(5)	2.49	147,052	40 - R1	(5)	2.63	155,320	8,268
379	MEASURING AND REGULATING STATION EQUIP. - CITY GATE	694,105	40 - R1	(5)	2.57	17,838	40 - R1	(5)	2.63	18,255	416
380	SERVICES	135,739,733	40 - R2	(5)	1.78	2,416,167	40 - R2	(5)	2.63	3,569,955	1,153,788
381	METERS	22,340,820	28 - S0.5	0	5.56	1,242,150	28 - S0.5	0	3.57	797,567	(444,582)
383	HOUSE REGULATORS	18,034,808	41 - S2.5	(25)	3.63	654,664	41 - S2.5	(25)	3.05	550,062	(104,602)
385	INDUSTRIAL MEASURING AND REGULATING EQUIPMENT	1,406,581	35 - R1	0	2.54	35,727	35 - R1	0	2.86	40,228	4,501
	TOTAL DISTRIBUTION PLANT	**458,642,543**			**2.20**	**10,090,919**			**2.38**	**10,897,300**	**806,381**
	GENERAL PLANT										
390	STRUCTURES AND IMPROVEMENTS	9,813,935	40 - R1	(5)	2.76	270,865	40 - R1	(5)	2.63	258,106	(12,758)
391	OFFICE FURNITURE AND EQUIPMENT										
	FULLY ACCRUED	19,424	FULLY ACCRUED	0	0.00	-	FULLY ACCRUED	0	0.00	-	-
	AMORTIZED	469,095	15 - SQ	0	6.67	31,289	15 - SQ	0	6.67	31,289	-
	TOTAL OFFICE FURNITURE AND EQUIPMENT	*488,519*			*6.40*	*31,289*			*6.40*	*31,289*	-
391.2	OFFICE FURNITURE AND EQUIPMENT - COMPUTERS										
	FULLY ACCRUED	-	FULLY ACCRUED	0	0.00	-	FULLY ACCRUED	0	0.00	-	-
	AMORTIZED	946,829	5 - SQ	0	20.00	189,366	5 - SQ	0	20.00	189,366	-
	TOTAL OFFICE FURNITURE AND EQUIPMENT - COMPUTERS	*946,829*			*20.00*	*189,366*			*20.00*	*189,366*	-
392	TRANSPORTATION EQUIPMENT	8,011,895	11.5 - L3	12	7.16	573,652	11.5 - L3	12	7.65	612,910	39,258
393	STORES EQUIPMENT	-	FULLY ACCRUED	0	0.00	-	FULLY ACCRUED	0	0.00	-	-
394	TOOLS, SHOP, AND GARAGE EQUIPMENT										
	FULLY ACCRUED	1,156,119	FULLY ACCRUED	0	0.00	-	FULLY ACCRUED	0	0.00	-	-
	AMORTIZED	2,373,470	20 - SQ	0	5.00	118,674	20 - SQ	0	5.00	118,674	-
	TOTAL TOOLS, SHOP, AND GARAGE EQUIPMENT	*3,529,589*			*3.36*	*118,674*			*3.36*	*118,674*	-
395	LABORATORY EQUIPMENT										
	FULLY ACCRUED	8,605	FULLY ACCRUED	0	0.00	-	FULLY ACCRUED	0	0.00	-	-
	AMORTIZED	91,173	20 - SQ	0	5.00	4,559	20 - SQ	0	5.00	4,559	-
	TOTAL LABORATORY EQUIPMENT	*99,778*			*4.57*	*4,559*			*4.57*	*4,559*	-

AMEREN MISSOURI
GAS DIVISION

COMPARISON OF COMPANY AND STAFF PROPOSED DEPRECIATION PARAMETERS,
ANNUAL ACCRUAL RATES AND AMOUNTS AS APPLIED TO ORIGINAL COST AT DECEMBER 31, 2018

			COMPANY PROPOSED				STAFF PROPOSED				
					CALCULATED ANNUAL ACCRUAL				CALCULATED ANNUAL ACCRUAL		
	DEPRECIABLE GROUP	ORIGINAL COST AT 12/31/2018	SURVIVOR CURVE	NET SALV, %	RL RATE	AMOUNT	SURVIVOR CURVE	NET SALV, %	WL RATE	AMOUNT	DIFFERENCE
	(1)	(2)	(3)	(4)	(5)	(6)=(2)*(5)	(7)	(8)	(9)	(10)=(2)*(9)	(11)=(10)-(6)
396	POWER OPERATED EQUIPMENT	3,504,948	16 - S2.5	16	5.33	186,814	16 - S2.5	16	5.25	184,010	(2,804)
397	COMMUNICATIONS EQUIPMENT										
	FULLY ACCRUED	409,414	FULLY ACCRUED	0	0.00	-	FULLY ACCRUED	0	0.00	-	-
	AMORTIZED	875,100	15 - SQ	0	6.67	58,369	15 - SQ	0	6.67	58,369	-
	TOTAL COMMUNICATIONS EQUIPMENT	*1,284,514*			*4.54*	*58,369*			*4.54*	*58,369*	-
398	MISCELLANEOUS EQUIPMENT	3,336	15 - SQ	0	6.67	223	15 - SQ	0	6.67	223	-
	TOTAL GENERAL PLANT	**27,683,344**			**5.18**	**1,433,808**			**5.26**	**1,457,505**	**23,696**
TOTAL DEPRECIABLE PLANT		**494,857,937**			**2.47**	**12,225,469**			**2.64**	**13,082,198**	**856,730**

AMEREN MISSOURI
GAS DIVISION

COMPARISON OF EXISTING AND PROPOSED SURVIVOR CURVES, NET SALVAGE PERCENTS AND ANNUAL ACCRUAL RATES AND AMOUNTS AS APPLIED TO ORIGINAL COST AT DECEMBER 31, 2018

			COMPANY EXISTING (PER GR-2010-0363)				COMPANY PROPOSED				
					CALCULATED ANNUAL ACCRUAL				CALCULATED ANNUAL ACCRUAL		
	DEPRECIABLE GROUP	ORIGINAL COST AT 12/31/2018	SURVIVOR CURVE	NET SALV, %	WL RATE	AMOUNT	SURVIVOR CURVE	NET SALV, %	RL RATE	AMOUNT	DIFFERENCE
	(1)	(2)	(3)	(4)	(5)	(6)=(2)*(5)	(7)	(8)	(9)	(10)=(2)*(9)	(11)=(10)-(6)
DEPRECIABLE PLANT											
	INTANGIBLE PLANT										
303	MISCELLANEOUS INTANGIBLE PLANT	3,062,160	5 - SQ	0	20.00	612,432	5 - SQ	0	20.00	612,432	-
	TOTAL INTANGIBLE PLANT	**3,062,160**			**20.00**	**612,432**			**20.00**	**612,432**	**-**
	TRANSMISSION PLANT										
367	MAINS	5,428,991	44 - R4	0	2.27	123,238	50 - R3	(5)	1.62	87,950	(35,288)
369	MEASURING AND REGULATING STATION EQUIPMENT	40,900	45 - S0.5	0	2.22	908	45 - R1.5	(5)	0.88	360	(548)
	TOTAL TRANSMISSION PLANT	**5,469,891**			**2.27**	**124,146**			**1.61**	**88,310**	**(35,837)**
	DISTRIBUTION PLANT										
375	STRUCTURES AND IMPROVEMENTS	184,148	49 - R2	0	2.04	3,757	40 - R2	(5)	4.50	8,287	4,530
376	GAS MAINS	274,336,626	44 - R4	1	2.25	6,172,574	50 - R3	(5)	2.03	5,569,034	(603,541)
378	MEASURING AND REGULATING STATION EQUIP. - GENERAL	5,905,720	45 - S0.5	(3)	2.29	135,241	40 - R1	(5)	2.49	147,052	11,811
379	MEASURING AND REGULATING STATION EQUIP. - CITY GATE	694,105	45 - S0	0	2.22	15,409	40 - R1	(5)	2.57	17,838	2,429
380	SERVICES	135,739,733	37 - R2.5	(1)	2.73	3,705,695	40 - R2	(5)	1.78	2,416,167	(1,289,527)
381	METERS	22,340,820	36 - R1.5	3	2.70	603,202	28 - S0.5	0	5.56	1,242,150	638,947
383	HOUSE REGULATORS	18,034,808	51 - L2.5	(18)	2.31	416,604	41 - S2.5	(25)	3.63	654,664	238,059
385	INDUSTRIAL MEASURING AND REGULATING EQUIPMENT	1,406,581	29 - R0.5	34	2.28	32,070	35 - R1	0	2.54	35,727	3,657
	TOTAL DISTRIBUTION PLANT	**458,642,543**			**2.42**	**11,084,552**			**2.20**	**10,090,919**	**(993,633)**
	GENERAL PLANT										
390	STRUCTURES AND IMPROVEMENTS	9,813,935	55 - S1	(21)	2.20	215,907	40 - R1	(5)	2.76	270,865	54,958
391	OFFICE FURNITURE AND EQUIPMENT										
	FULLY ACCRUED	19,424	21 - L0.5	0	4.76	925	FULLY ACCRUED	0	0.00	-	(925)
	AMORTIZED	469,095	21 - L0.5	0	4.76	22,329	15 - SQ	0	6.67	31,289	8,960
	TOTAL OFFICE FURNITURE AND EQUIPMENT	*488,519*			*4.76*	*23,254*			*6.40*	*31,289*	*8,035*
391.2	OFFICE FURNITURE AND EQUIPMENT - COMPUTERS										
	FULLY ACCRUED	-	5 - L3	0	20.00	-	FULLY ACCRUED	0	0.00	-	-
	AMORTIZED	946,829	5 - L3	0	20.00	189,366	5 - SQ	0	20.00	189,366	-
	TOTAL OFFICE FURNITURE AND EQUIPMENT - COMPUTERS	*946,829*			*20.00*	*189,366*			*20.00*	*189,366*	-
392	TRANSPORTATION EQUIPMENT	8,011,895	11 - R1	15	7.69	616,115	11.5 - L3	12	7.16	573,652	(42,463)
393	STORES EQUIPMENT	-	27 - S1.5	0	3.70	-	FULLY ACCRUED	0	0.00	-	-
394	TOOLS, SHOP, AND GARAGE EQUIPMENT										
	FULLY ACCRUED	1,156,119	27 - R1.5	0	3.70	42,776	FULLY ACCRUED	0	0.00	-	(42,776)
	AMORTIZED	2,373,470	27 - R1.5	0	3.70	87,818	20 - SQ	0	5.00	118,674	30,855
	TOTAL TOOLS, SHOP, AND GARAGE EQUIPMENT	*3,529,589*			*3.70*	*130,595*			*3.36*	*118,674*	*(11,921)*
395	LABORATORY EQUIPMENT										
	FULLY ACCRUED	8,605	24 - L0	0	4.17	359	FULLY ACCRUED	0	0.00	-	(359)
	AMORTIZED	91,173	24 - L0	0	4.17	3,802	20 - SQ	0	5.00	4,559	757
	TOTAL LABORATORY EQUIPMENT	*99,778*			*4.17*	*4,161*			*4.57*	*4,559*	*398*

AMEREN MISSOURI
GAS DIVISION

COMPARISON OF EXISTING AND PROPOSED SURVIVOR CURVES, NET SALVAGE PERCENTS AND ANNUAL ACCRUAL RATES AND AMOUNTS AS APPLIED TO ORIGINAL COST AT DECEMBER 31, 2018

			COMPANY EXISTING (PER GR-2010-0363)				COMPANY PROPOSED				
					CALCULATED ANNUAL ACCRUAL				CALCULATED ANNUAL ACCRUAL		
	DEPRECIABLE GROUP	ORIGINAL COST AT 12/31/2018	SURVIVOR CURVE	NET SALV, %	WL RATE	AMOUNT	SURVIVOR CURVE	NET SALV, %	RL RATE	AMOUNT	DIFFERENCE
	(1)	(2)	(3)	(4)	(5)	(6)=(2)*(5)	(7)	(8)	(9)	(10)=(2)*(9)	(11)=(10)-(6)
396	POWER OPERATED EQUIPMENT	3,504,948	18 - S3	9	5.06	177,350	16 - S2.5	16	5.33	186,814	9,463
397	COMMUNICATIONS EQUIPMENT										
	FULLY ACCRUED	409,414	21 - R2	0	4.76	19,488	FULLY ACCRUED	0	0.00	-	(19,488)
	AMORTIZED	875,100	21 - R2	0	4.76	41,655	15 - SQ	0	6.67	58,369	16,714
	TOTAL COMMUNICATIONS EQUIPMENT	*1,284,514*			*4.76*	*61,143*			*4.54*	*58,369*	*(2,774)*
398	MISCELLANEOUS EQUIPMENT	3,336	15 - SQ	0	6.67	223	15 - SQ	0	6.67	223	-
	TOTAL GENERAL PLANT	**27,683,344**			**5.12**	**1,418,112**			**5.18**	**1,433,808**	**15,696**
TOTAL DEPRECIABLE PLANT		**494,857,937**			**2.68**	**13,239,242**			**2.47**	**12,225,469**	**(1,013,773)**

AMEREN MISSOURI
GAS DIVISION

COMPARISON OF COMPANY AND OPC PROPOSED DEPRECIATION PARAMETERS,
ANNUAL ACCRUAL RATES AND AMOUNTS AS APPLIED TO ORIGINAL COST AT DECEMBER 31, 2018

	DEPRECIABLE GROUP	ORIGINAL COST AT 12/31/2018	COMPANY PROPOSED SURVIVOR CURVE	COMPANY PROPOSED NET SALV, %	COMPANY PROPOSED CALCULATED ANNUAL ACCRUAL RL RATE	COMPANY PROPOSED CALCULATED ANNUAL ACCRUAL AMOUNT	OPC PROPOSED SURVIVOR CURVE	OPC PROPOSED NET SALV, %	OPC PROPOSED CALCULATED ANNUAL ACCRUAL WL RATE	OPC PROPOSED CALCULATED ANNUAL ACCRUAL AMOUNT	DIFFERENCE
	(1)	(2)	(3)	(4)	(5)	(6)=(2)*(5)	(7)	(8)	(9)	(10)=(2)*(9)	(11)=(10)-(6)
GENERAL PLANT - AMORTIZED ACCOUNTS											
391	OFFICE FURNITURE AND EQUIPMENT										
	FULLY ACCRUED	19,424	FULLY ACCRUED	0	0.00	-	21 - L0.5	0	4.76	925	925
	AMORTIZED	469,095	15 - SQ	0	6.67	31,289	21 - L0.5	0	4.76	22,329	(8,960)
	TOTAL OFFICE FURNITURE AND EQUIPMENT	*488,519*			*6.40*	*31,289*			*4.76*	*23,254*	*(8,035)*
391.2	OFFICE FURNITURE AND EQUIPMENT - COMPUTERS										
	FULLY ACCRUED	-	FULLY ACCRUED	0	0.00	-	5 - L3	0	20.00	-	-
	AMORTIZED	946,829	5 - SQ	0	20.00	189,366	5 - L3	0	20.00	189,366	-
	TOTAL OFFICE FURNITURE AND EQUIPMENT - COMPUTERS	*946,829*			*20.00*	*189,366*			*20.00*	*189,366*	-
393	STORES EQUIPMENT	-	FULLY ACCRUED	0	0.00	-	27 - S1.5	0	3.70	-	-
394	TOOLS, SHOP, AND GARAGE EQUIPMENT										
	FULLY ACCRUED	1,156,119	FULLY ACCRUED	0	0.00	-	27 - R1.5	0	3.70	42,776	42,776
	AMORTIZED	2,373,470	20 - SQ	0	5.00	118,674	27 - R1.5	0	3.70	87,818	(30,855)
	TOTAL TOOLS, SHOP, AND GARAGE EQUIPMENT	*3,529,589*			*3.36*	*118,674*			*3.70*	*130,595*	*11,921*
395	LABORATORY EQUIPMENT										
	FULLY ACCRUED	8,605	FULLY ACCRUED	0	0.00	-	24 - L0	0	4.17	359	359
	AMORTIZED	91,173	20 - SQ	0	5.00	4,559	24 - L0	0	4.17	3,802	(757)
	TOTAL LABORATORY EQUIPMENT	*99,778*			*4.57*	*4,559*			*4.17*	*4,161*	*(398)*
397	COMMUNICATIONS EQUIPMENT										
	FULLY ACCRUED	409,414	FULLY ACCRUED	0	0.00	-	21 - R2	0	4.76	19,488	19,488
	AMORTIZED	875,100	15 - SQ	0	6.67	58,369	21 - R2	0	4.76	41,655	(16,714)
	TOTAL COMMUNICATIONS EQUIPMENT	*1,284,514*			*4.54*	*58,369*			*4.76*	*61,143*	*2,774*
398	MISCELLANEOUS EQUIPMENT	3,336	15 - SQ	0	6.67	223	15 - SQ	0	6.67	223	-
TOTAL GENERAL PLANT - AMORTIZED ACCOUNTS		**6,352,565**			**6.34**	**402,478**			**6.43**	**408,740**	**6,262**

FERC
FEDERAL ENERGY REGULATORY COMMISSION

Vintage year accounting for general plant accounts

TEXT SIZE S M L

Question: Is it permissible for a public utility, licensee, natural gas company, or oil pipeline company to adopt a vintage year accounting method for the general plant accounts listed below which would eliminate the unitization and record keeping requirements associated with individual items of property and allow such companies to record only the total cost of plant additions for the year as a vintage group for each account?

For Public Utilities, Licensees, Natural Gas Companies
Account 391, Office Furniture and Equipment;
Account 392, Transportation Equipment;
Account 393, Stores Equipment;
Account 394, Tools, Shop and Garage Equipment;
Account 395, Laboratory Equipment;
Account 396, Power Operated Equipment;
Account 397, Communication Equipment;
Account 398, Miscellaneous Equipment; and
Account 399, Other Tangible Property.

For Oil Pipeline Companies
Account 179, Machine Tools and Machinery;
Account 183, Communication Systems;
Account 184, Office Furniture and Equipment; and
Account 185, Vehicles and Other Work Equipment.

Answer: Yes, provided the following requirements are met:

1. the individual classes of assets for which vintage year accounting is followed are high volume, low value items;

2. there is no change in existing retirement unit designations, for purposes of determining when expenditures are capital or expense;

3. the cost of the vintage groups is amortized to depreciation expense over their useful lives and there is no change in depreciation rates resulting from the adoption of the vintage year accounting;

4. interim retirements are not recognized;

5. salvage and removal cost relative to items in the vintage categories are included in the accumulated depreciation account and assigned to the oldest vintage first; and

6. properties are retired from the affected accounts that, at the date of the adoption of vintage year accounting, meet or exceed the average service life of properties in that account.

A vintage year method of accounting for the general plant accounts that meets all of the foregoing requirements may be implemented without obtaining specific authorization from the Commission to do so.

Debbie L. Clark
Chief Accountant

Schedule JFW-S4
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Effective: January 1, 1997

Updated: June 28, 2010