Exhibit No.:	
Issue(s):	MEEIA Goals and Obligations
Witness:	Lynn M. Barnes
Sponsoring Party:	Union Electric Company
Type of Exhibit:	Surrebuttal Testimony
File No.:	EO-2015-0055
Date Testimony Prepared:	April 27, 2015

MISSOURI PUBLIC SERVICE COMMISSION

File No. EO-2015-0055

SURREBUTTAL TESTIMONY

OF

LYNN M. BARNES

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
April, 2015

SURREBUTTAL TESTIMONY

OF

LYNN M. BARNES

CASE NO. EO-2015-0055

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

2 A. My name is Lynn M. Barnes. My business address is One Ameren Plaza,

3 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

5 A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren

6 Missouri" or "Company") as Vice President, Business Planning and Controller.

7 **Q. Please describe your educational background and qualifications.**

8 A. I have a Bachelor of Science degree in Accounting from Millikin University,

9 Decatur, Illinois. I am also a licensed Certified Public Accountant in the states of Missouri

10 and Illinois.

11 **Q. Please describe your employment history.**

12 A. After 11 years in public accounting with Deloitte LLP (formerly Deloitte &

13 Touche) as an auditor and 16 months with the Boeing Company (formerly McDonnell

14 Douglas Corporation), as Manager of Financial Reporting, I joined Union Electric Company

15 in 1997 as General Supervisor of Financial Communications. I was promoted to Manager of

16 Financial Communications in 1999, and my responsibilities included managing the financial

17 reporting department, the regulatory accounting department, and investor relations during the

18 period of the Company's transition from a single utility to a public utility holding company

19 with multiple operating companies. I directed financial management functions including

1 preparation and analysis of monthly/quarterly financial statements and external reports for all
2 Ameren Corporation subsidiaries. In 2002, I transferred to Ameren Services Company's
3 Energy Delivery Department as Controller, and in 2005, I was promoted to Director of
4 Energy Delivery Business Services. In July 2007, I was promoted to Controller for Union
5 Electric Company, and in October 2007, I was promoted to Vice President, Business
6 Planning and Controller for Ameren Missouri.

7 **Q. Please describe your duties and responsibilities as Vice President,**
8 **Business Planning and Controller for Ameren Missouri.**

9 A. In my current position as Vice President, Business Planning and Controller, I
10 supervise the Company's financial affairs, including nearly $1.5 billion of annual operations
11 and maintenance ("O&M") expenses and capital expenditures. I direct Ameren Missouri's
12 financial management functions including analysis of monthly and quarterly financial
13 statements, financial forecasting, budget development and management, and management of
14 the customer accounts department. I also coordinate the performance management reporting
15 and the business planning process used throughout the Company. I interact with Ameren
16 Missouri's President and senior leadership concerning strategic initiatives, financial forecasts
17 and reports. I also serve as liaison between Ameren Missouri's management and the Ameren
18 Corporation controller function, including interfacing with the Company's external auditors
19 with respect to the proper accounting for revenues, expenses and investments on the
20 Company's books and financial statements, and the preparation of required filings with the
21 United States Securities and Exchange Commission ("SEC").

22 **Q. Have you previously testified in proceedings before the Missouri Public**
23 **Service Commission ("MPSC" or "Commission")?**

1 A. Yes. I have provided testimony before the MPSC in a number of cases,
2 including the Company's first Missouri Energy Efficiency Investment Act ("MEEIA") filing
3 (File No. EO-2010-0142). A listing of the cases in which I have testified is attached to my
4 testimony as Schedule LMB-1.

5 **Q. What is the purpose of your surrebuttal testimony?**

6 A. The purpose of my surrebuttal testimony is to respond to rebuttal testimony
7 filed by parties in this case, in two ways. In the first part of my testimony, I discuss the goals
8 and policies reflected in MEEIA and the Commission's obligations under MEEIA in support
9 of those goals and policies. I also address how the Commission can satisfy its obligations in
10 implementing MEEIA's goals and policies. This includes a discussion of (a) what constitutes
11 timely recovery of the costs associated with the Company's MEEIA 2 Plan[1], including
12 program cost recovery and recovery of the throughput disincentive that is inherent in all
13 energy efficiency programs; (b) what is necessary to ensure that a utility's financial
14 incentives are aligned with helping customers use energy more efficiently; and (c) why an
15 appropriate performance incentive is needed in order to allow a utility to value demand- and
16 supply-side resources equally. In the second part of my testimony, I explain why the
17 positions on the structure of the Company's proposed demand-side investment mechanism
18 ("DSIM") of some of the other parties (principally the Staff and the Office of the Public
19 Counsel ("OPC")) are in direct conflict with permitting the Commission to satisfy its MEEIA
20 obligations. Their positions, if adopted, would most certainly not ensure that the Company's
21 incentives are aligned with helping its customers use energy more efficiently and would not

[1] The Company's MEEIA 2 Plan is reflected in *2016 – 2018 Energy Efficiency Plan* filed in this docket on December 22, 2014.

1 allow the Company to value demand- and supply-side resources equally, as required by
2 MEEIA.

3 **THE COMMISSION'S OBLIGATIONS UNDER MEEIA**

4 **Q. Earlier you referenced MEEIA's goals and policies and the Commission's**
5 **obligations under MEEIA. Please explain why those goals, policies and obligations are**
6 **important.**

7 A. The MEEIA statute sets the following goal for the state of Missouri regarding
8 demand-side resources: "The commission shall permit electric corporations to implement
9 commission-approved demand-side programs proposed pursuant to this section with a goal of
10 achieving all cost-effective demand-side savings."[2]

11 The statute then specifies how that goal is to be pursued. It does so by setting the
12 state's policy in this area and by specifically obligating the Commission to do three things to
13 support that policy. The policy is as follows:

14 It shall be the policy of the state to value demand-side
15 investments equal to traditional investments in supply and
16 delivery infrastructure and allow recovery of all reasonable and
17 prudent costs of delivering cost-effective demand-side
18 programs.

19 MEEIA then imposes three obligations which the Commission must satisfy in support
20 of that policy, as follows:

21 In support of this policy, the commission **shall:**

22 (1) Provide timely cost recovery for utilities;

23 (2) Ensure that utility financial incentives are aligned with
24 helping customers use energy more efficiently and in a manner
25 that sustains or enhances utility customers' incentives to use
26 energy more efficiently; and

[2] § 393.1075.4 RSMo.

1 (3) Provide timely earnings opportunities associated with cost-
2 effective measurable and verifiable efficiency savings.[3]

3 **Q. Would Commission approval of Ameren Missouri's MEEIA 2 Plan fulfill**
4 **the Commission's three obligations?**

5 A. Yes it would.

6 **Q. Why?**

7 A. Because the Company's MEEIA 2 Plan is specifically designed so that all
8 three Commission obligations under MEEIA are met in support of the state's policy and in
9 pursuit of MEEIA's key goal. The first of the three obligations is to provide for timely cost
10 recovery. In this context, this means that there must be timely recovery of both the direct
11 costs of implementing and running the demand-side programs[4] (i.e., program costs), and
12 timely recovery of the throughput disincentive[5] that is inherent in any energy efficiency
13 program because by their nature, energy efficiency programs cause customers to use less of
14 the product a utility sells. The DSIM we have proposed, which uses a rider that is modeled
15 upon the existing Rider EEIC that was approved by the Commission for our MEEIA 1
16 programs, provides the timely recovery contemplated by MEEIA. There is little or no
17 controversy about this aspect of our filing.

18 Taking the Commission's obligations out of order, the third listed obligation is that
19 the Commission shall provide timely earnings opportunities associated with cost-effective
20 measureable and verifiable efficiency savings. As addressed in testimony filed in our
21 MEEIA 1 case, the earnings opportunities in the regulated public utility arena consist of

---

[3] § 393.1075.3 RSMo. (Emphasis added).
[4] I use the phrases "demand-side programs" and "energy efficiency programs" interchangeably.
[5] *See State ex rel. Office of the Public Counsel v. Pub. Serv. Comm'n*, 397 S.W.3d 441, 452 (Mo. App. W.D. 2012) (Both the costs of running MEEIA programs and the revenues lost because of the energy efficiency programs are costs under MEEIA for which timely recovery must be provided).

1 earnings on capital investments – like power lines and power plants – rather than just dollar-
2 for-dollar recovery of expenses like demand-side program costs and the associated
3 throughput disincentive. The MEEIA statute recognizes that the return on rate base that
4 utilities earn is one of the reasons demand-side programs are unable to compete with supply-
5 side alternatives; that is, unless the throughput disincentive is properly removed and unless
6 there is some kind of additional performance incentive that the utility could realize so that the
7 expenditures it makes on energy efficiency can provide it an equivalent earnings opportunity
8 to the earnings opportunity provided by expenditures it would otherwise have made on
9 supply-side resources.

10 **Q. Does the Company's MEEIA 2 Plan contain such a performance**
11 **incentive?**

12 A. Yes, it does, and it is structured in a way that is quite similar to the
13 performance incentive approved as part of the Commission's approval of our MEEIA 1 Plan.
14 Under the performance incentive proposed in the Company's MEEIA 2 Plan, the
15 performance incentive level depends on the net benefits achieved by the MEEIA 2 programs,
16 with 100% achievement of energy savings targets enabling the Company to earn $25 million
17 for the entire three-year program period. This incents the Company to achieve the savings
18 targets and to do so within (or below) the budget set forth in our filing. If the Company's
19 MEEIA energy efficiency programs achieve below 70% of the targeted savings, there will be
20 no performance incentive awarded at all; if we achieve 130% of the targeted energy savings,
21 the Company would earn an incentive designed to produce approximately $40 million for the
22 three-year program. These earnings opportunities would be paid by permitting the Company
23 to retain a share of net benefits above and beyond the amount that is necessary to address the

1 throughput disincentive created by energy efficiency programs, which I discuss in more
2 detail below.[6]

3 **Q. You have addressed the first and third Commission obligations under**
4 **MEEIA. Please address the second obligation.**

5 A. The second Commission obligation is to ensure that utility financial incentives
6 are aligned with helping customers use energy more efficiently and in a manner that sustains
7 or enhances utility customers' incentives to use energy more efficiently. This portion of the
8 statute recognizes that under the pre-MEEIA regulatory framework in Missouri, incentives
9 were not aligned in a way that allowed a utility to support and promote energy efficiency.
10 Indeed, adherence to the pre-MEEIA framework would mean that successful energy
11 efficiency would be detrimental to the revenue stream collected by the utility (and as a
12 consequence, detrimental to utility earnings), which does not occur with supply-side or
13 delivery infrastructure investments. The more successful the demand-side program, the more
14 detrimental it would be to the utility's revenue stream. As explained in the December 22,
15 2014 MEEIA 2 Report, the Company's proposed $135 million of expenditures between 2016
16 and 2018 on energy efficiency programs will result in significant savings for our customers
17 but is also expected to reduce the Company's base rate revenues by $44 million. The
18 statutory requirement to align utility and customer interests recognizes this very real and
19 unique challenge posed by demand-side programs by requiring the Commission to remove
20 the negative impacts of successful energy efficiency program implementation upon the
21 utility. Ameren Missouri's proposal accomplishes this directive by ensuring that the
22 Company's incentives are aligned with assisting our customers in using energy more

[6] The throughput disincentive is covered by a 32.57% share of the net benefits. At 100% of the targeted energy savings, the Company would receive an additional 14% for the performance incentive (total of 46.57%), and at 130% of the targeted

1 efficiently because it prevents a reduction of the Company's earnings due to implementation
2 of the programs.

3 **THE STATE'S POLICY –**
4 **VALUING DEMAND-SIDE EQUIVALENT TO SUPPLY-SIDE**

5 **Q. As noted earlier, MEEIA refers to the state's policy of valuing demand-**
6 **side investments equal to traditional investments in supply and delivery infrastructure.**
7 **Please elaborate on what that means.**

8 A. It means that when a utility is faced with decisions as to where to spend its
9 limited funds, it will place equal value on making an expenditure on demand-side resources
10 or making investments in supply-side resources. In other words, the utility decision maker
11 should be indifferent regarding the choice between supply-side and demand-side
12 investments. That is why the statute imposes the three requirements discussed above. Those
13 three requirements are designed so that the Commission takes steps to change the pre-
14 MEEIA regulatory framework in a way that leaves a utility decision maker indifferent
15 between these two choices. If the Commission doesn't take those steps in support of the
16 state's policy, the utility will not place equal value on demand-side versus supply-side
17 investments. Indeed, it cannot possibly value them equally if it (a) does not receive timely
18 cost recovery; (b) will lose money; and (c) will have no earnings opportunity because it will
19 have pursued demand-side programs instead of investing in supply-side resources. If the
20 utility doesn't value them equally (indeed where the value of the demand-side resource is
21 lower), the utility is either going to significantly limit, or simply not make, investments in
22 demand-side resources. MEEIA recognizes this by imposing the three obligations discussed
23 above on the Commission.

---

energy savings (or beyond), the Company would receive an additional 17.2% (total of 49.77%).

1 **Q. Can you elaborate on how supply-side and demand-side investments**
2 **differ?**
3 A. Yes. Investments in supply-side (or delivery infrastructure) are capital
4 investments, with a construction schedule that causes the money to be spent over what, in
5 some cases, is a long period of time before the project goes into service. During that entire
6 time, the Company accrues a return[7] on its construction work in progress and so the
7 investment has no impact on the Company's earnings. In contrast, "investments" in demand-
8 side measures are not really investments at all, but rather they are expenses that (absent
9 proper design of the MEEIA plan) immediately reduce the Company's bottom line.
10 Demand-side expenditures are also different in other ways, including from the
11 customer's perspective. They are smaller (per measure) and the results are more
12 instantaneous. When a customer purchases an energy efficient appliance and installs the
13 measure, the customer immediately gains the benefits from using energy more efficiently.
14 Finally, investments in supply-side or delivery infrastructure don't reduce the
15 consumption of end users; i.e., there is no throughput disincentive associated with them.
16 However, as soon as a demand-side measure is installed, it reduces that customer's electric
17 consumption and results in the utility selling less of its product. This is precisely why
18 MEEIA requires the Commission to ensure that the utility's financial interests are aligned
19 with the interest of customers in using energy more efficiently. But where the impact of that
20 throughput disincentive is to immediately reduce the Company's earnings, that alignment
21 cannot be achieved absent the Commission meeting its second obligation under the statute;
22 that is, taking steps to ensure that the alignment I spoke of earlier has occurred.

[7] Allowance for Funds Used During Construction, or AFUDC.

1 **Q. Do the other parties' responses to the Company's filing allow the**
2 **Commission to meet its obligations and in turn to satisfy MEEIA's goals?**
3 A. Not in the case of Staff and OPC, who take positions that if adopted, would
4 cause the Company to suffer a reduction in its earnings as a direct result of implementing the
5 demand-side programs proposed in its MEEIA 2 Plan. This is because they propose changes
6 to the Company's DSIM that would cause the impact of the throughput disincentive to reduce
7 the Company's net income (earnings) each and every month of the MEEIA 2 Plan's
8 operation. If such an approach were taken, there would be no assurance that the Company's
9 financial incentives would be aligned with helping its customers use energy more efficiently.
10 Indeed, the Company's financial incentives would be directly at odds with pursuing energy
11 efficiency and helping customers use less energy because doing so would cause the
12 Company's sales and earnings to fall.
13 **Q. Why do the other proposals create this disincentive?**
14 A. The other proposals create this disincentive in two ways. First, the proposals
15 reverse the structure in place for the Company's MEEIA 1 Plan by failing to deem the
16 savings each energy efficiency measure is expected to generate for purposes of calculating
17 the throughput disincentive. Under the MEEIA 1 Plan, as agreed to by the parties and as
18 approved by the Commission, the energy savings values reflected in the Company's
19 Technical Resource Manual ("TRM") are used to calculate the throughput disincentive for
20 the entire three years of the Plan. Also, net-to-gross values were deemed to be 1.0 for the
21 entire plan. As discussed below, this allowed the Company to meet mandatory accounting
22 standards in order to avoid a detrimental impact on its earnings from operation of the MEEIA
23 1 programs (a detriment which, as noted above, must be avoided if incentives are to be

1 properly aligned). The Company's MEEIA 2 Plan is designed in the same way, except that
2 instead of using the TRM energy savings values for the entire three-year plan cycle, the Plan
3 calls for the TRM values to be updated prospectively using evaluation, measurement and
4 verification ("EM&V") results from the prior year if the EM&V results are outside of a 10%
5 band relative to the existing values. Other proposals in this case would subject all savings to
6 an after-the-fact assessment of net-to-gross ("NTG")[8], and will mean that the Company's
7 earnings will be reduced because of energy efficiency.

8 Second, some of the other proposals would insist that the throughput disincentive –
9 and no one disputes the existence of the throughput disincentive – be replaced with a "lost
10 revenue" approach that fails to ensure that utility financial incentives are aligned with
11 helping customers use energy more efficiently. It fails to provide this assurance because it
12 guarantees that the utility's earnings would be higher if it did not induce its customers to use
13 less of its product through energy efficiency programs. This is because it only allows
14 recovery of lost revenues *if* the Company's actual revenues are lower than they were
15 "predicted" to be in the Company's last rate case. Thus, if there is any natural load growth or
16 higher loads due to weather, all of the load growth/higher load is used to offset lost revenues
17 caused by the energy efficiency programs. This means that but for implementing energy
18 efficiency programs, the utility would have earned more. A simple example illustrates the
19 problem.

20 Assume that in a given year customers buy $30 million less of energy from the
21 Company because of the Company's energy efficiency programs. Assume further that a
22 hotter-than-normal year produced $10 million more in sales than the normalized sales level

[8] Net-to-gross is an assessment of the extent to which savings associated with program measures can be

1 used in the Company's last rate case. Under those assumptions and with energy efficiency
2 programs, the Company's earnings are $20 million less than "predicted" in the rate case.
3 However, because of the energy efficiency programs, the Company's earnings are the full
4 $30 million lower *than they would have been* had the energy efficiency programs not been in
5 place at all. Consequently, the utility has (in this example) a $10 million *disincentive* to
6 pursue the energy efficiency programs. It is particularly unfair to apply revenues from an
7 unusually hot summer to offset declines in revenue due to energy efficiency because in other
8 unusually mild summers, the Company will have to absorb the full reduction of revenue
9 caused by the weather. If the Company does not get the benefit of unusually hot summers, it
10 will, on average, receive weather related revenues that are less than normal. Ameren
11 Missouri witness Steve Wills also addresses this issue in greater detail in his surrebuttal
12 testimony.

13 **Q. What reasons do some of the other parties give for seeking to reverse**
14 **course regarding the throughput disincentive in this case?**

15 A. In terms of not deeming the NTG associated with program-related savings,
16 their justification is that the use of deemed savings could allow the Company to "over-
17 recover" the throughput disincentive. Mr. Wills addresses this contention in detail in his
18 surrebuttal testimony. In terms of using "lost revenues" instead of the actual throughput
19 disincentive, they seem to hold to the view that the higher sales that load growth or weather
20 could produce in a given year ought to be taken away simply because MEEIA programs are
21 in place. The bottom line is, as the simple example above shows, such an approach means
22 that but for pursuing energy efficiency, assuming load growth or weather increases load, the

---

attributed to the utility, or would have occurred anyway absent the programs (e.g., free ridership).

1 Company would have had more earnings without energy efficiency programs in place, which
2 in turn means such a structure does not align incentives; indeed, it creates a disincentive for
3 the Company to pursue energy efficiency.

4 **ALIGNMENT OF INCENTIVES – THE THROUGHPUT DISINCENTIVE**

5 **Q. Earlier you indicated that approaches advocated by the Staff and OPC**
6 **would fail to ensure that the Company's financial incentives are aligned with helping**
7 **customers use energy more efficiently because of the failure of their approaches to**
8 **deem energy savings and NTG which in turn results in a loss of income due to the**
9 **throughput disincentive. Please elaborate.**

10 A. Before considering the specific alternative proposals made in this case, it is
11 important to recognize how a similar issue arose in our MEEIA 1 case. In that case, Staff
12 witness Mark Oligschlaeger suggested that the Company's proposed treatment of the
13 throughput disincentive portion of its MEEIA 1 Plan DSIM be subject to after-the-fact
14 recalculation. In the MEEIA 1 case, this would occur because an estimate of the TD-NSB
15 component of the DSIM ("TD-NSB" stands for "throughput disincentive – net shared
16 benefits") would have been recorded to a regulatory asset, but the amount of the regulatory
17 asset was subject to later change after EM&V reports were completed and approved.
18 Consequently, although rate revenues would be initially received based on the TRM
19 estimates of energy savings produced by energy efficiency measures, the final amount of rate
20 revenues that the Company would *retain* was subject to change. As I explained in detail in
21 my surrebuttal testimony in that case, Mr. Oligschlaeger's proposal precluded the Company
22 from recognizing *any* of the rate revenues it was receiving related to the TD-NSB component
23 of the DSIM because the mandatory accounting standards issued by the Financial Accounting

1 Standards Board ("FASB") and with which we must comply per SEC regulations would have
2 precluded the revenue recognition. As noted earlier, if the Company cannot recognize the
3 revenue designed to cover the throughput disincentive that is inherent in energy efficiency
4 programs (i.e., the TD-NSB component of its proposed DSIM), then for every megawatt-
5 hour ("MWh") not sold to customers because of the energy efficiency programs, the
6 Company's earnings are reduced. It is hard to imagine a greater disincentive to pursuing
7 energy efficiency; put another way, incentives are not aligned – they are completely dis-
8 aligned.

9 **Q. Does the same problem exist in this case?**

10 A. Yes, it does.

11 **Q. Why?**

12 A. Because the substance of what Mr. Oligschlaeger is proposing in this case is
13 no different than the substance of his proposal in the MEEIA 1 case. While he doesn't
14 propose use of a regulatory asset, he still proposes modifying the Company's proposed DSIM
15 in a way that makes the revenues received from the TD-NSB component of the DSIM subject
16 to later (i.e., retroactive) change based on EM&V, which guarantees that as the demand-side
17 programs operate, the Company's earnings will be reduced by the entire amount of the TD-
18 NSB that is being caused by the programs because under the applicable accounting standards
19 none of those revenues can be recognized on the Company's income statement.

20 **Q. You mentioned accounting standards. To what accounting standards do**
21 **you refer?**

22 A. The SEC requires all publicly traded companies (like Ameren Corporation, or
23 "Ameren") and their subsidiaries to adhere to Generally Accepted Accounting Principles

1 ("GAAP") to insure the comparability and consistency of financial information that is relied
2 on by investors and creditors. Accounting Standards Codifications ("ASC"), which are
3 issued by FASB, are the highest form of guidance in the GAAP hierarchy and they must be
4 followed. ASC 980-605-25, "Alternative Revenue Programs," is the GAAP standard that
5 governs recognition of revenues from alternative revenue programs, specifically including
6 programs designed to adjust billings to compensate the utility for demand-side management
7 initiatives, such as MEEIA programs. Consequently, ASC 980-605-25 dictates the
8 accounting for a mechanism such as the Company's proposed DSIM. A copy of ASC
9 980-605-25 is attached to my testimony as Schedule LMB-2.

10 Under that standard, in order to recognize *any* of the revenues that reflect the
11 TD-NSB component of the DSIM, *all* of the following conditions must be satisfied: 1) The
12 demand-side management program must be established by an order from the utility's
13 regulatory commission that allows for automatic adjustment of future rates (verification of
14 the adjustment to future rates by the regulator would not preclude the adjustment from being
15 considered automatic); 2) The amount of additional revenues for the period is objectively
16 determinable and is probable of recovery; and 3) The additional revenues will be collected
17 within 24 months following the end of the annual period in which they are recognized.

18 **Q. Do proposals like the one made by the Staff satisfy any of these**
19 **conditions?**

20 A. Yes, two of the three conditions are satisfied by Mr. Oligschlaeger's latest
21 proposal, the first one and the third one, assuming the continued use of the rider mechanism
22 that is currently in place.

23 **Q. Is the second condition satisfied by Mr. Oligschlaeger's proposal?**

1 A. No, the second condition cannot be satisfied under Mr. Oligschlaeger's
2 proposal in this case, just as it could not be satisfied under his proposal in the MEEIA 1 case.
3 As noted, the reason it cannot be satisfied is that Mr. Oligschlaeger proposes subjecting the
4 amounts collected under the TD-NSB component to a subsequent true-up (i.e., retroactive
5 change) using the results of the EM&V. Such a true-up means the calculation is not
6 objectively determinable, and if the amount cannot be objectively determined
7 contemporaneously with the receipt of the revenues and the preparation of the Company's
8 financial statements, then the revenues simply cannot be recognized contemporaneously with
9 the operation of the demand-side programs. In other words, without using deemed values in
10 the TRM that will not be retroactively changed, an objectively determinable amount cannot
11 be calculated.
12 **Q. On what do you base the foregoing discussion of the negative impact to**
13 **the Company's earnings of Mr. Oligschlaeger's proposal?**
14 A. I am a CPA who spent 11 years in public accounting with Deloitte LLP, and
15 in particular in the role of an independent outside auditor for companies that were required to
16 follow GAAP per SEC requirements. I also have many years of experience working with
17 outside auditors as a utility executive as part of their audit function in approving the
18 Company's accounting as being in accordance with GAAP and in preparing financial
19 statements for filing with the SEC. Consequently, I have many years of experience in
20 applying GAAP accounting standards and in particular, I have applied ASC 980-605-25. By
21 its plain terms, ASC 980-605-25 requires the TD-NSB share to be objectively determinable
22 when the revenues are recorded on the Company's financial statements.

1 In addition, the Company's external auditors, PricewaterhouseCoopers LLC ("PwC"),
2 agree that any approach that could cause any part of the revenues received under the TD-
3 NSB component of the DSIM to be retroactively changed based on EM&V (which is exactly
4 what a "true-up" would do) is not objectively determinable within the meaning of the
5 standard. PwC partner and auditor Stephen Ditman so testified in the MEEIA 1 case, and
6 PwC's opinion has not changed. Moreover, it is clear that accounting experts throughout the
7 utility industry recognize the application of the standards in ASC 980-605-25, including the
8 fact that retroactive changes to revenues prevent the revenues from being objectively
9 determinable, as evidenced by the opinion of retired Deloitte LLP audit partner Clifford
10 Hoffman, who is filing surrebuttal testimony on behalf of the Company on this topic.
11 Aside from my own application of the standard, if, despite the fact that recording the
12 revenues would not be in accordance with the standard, the Company could somehow record
13 the revenues from the TD-NSB component of the DSIM using Mr. Oligschlaeger's true-up
14 approach anyway, then given the materiality of the sums at issue here, the Company would
15 almost certainly then receive a qualified opinion on its financial statements from PWC. To
16 be clear, we would not intentionally record revenues in violation of GAAP requirements
17 knowing that this would cause our financial statements to be burdened by a qualified
18 auditor's opinion and to consequently be viewed with suspicion in the eyes of investors.
19 Moreover, as Mr. Hoffman explains in his surrebuttal testimony, we do not have the choice
20 to record the revenue in violation of GAAP because companies subject to SEC requirements
21 –including Ameren Missouri--must follow GAAP. We simply cannot record these revenues
22 and also follow GAAP if Mr. Oligschlaeger's approach were to be used.

1 **Q. Doesn't Mr. Oligschlaeger contend that earnings will not be reduced**
2 **under his approach?**

3 A. Yes, he does, but he provides absolutely no analysis, discussion or support for
4 his statements. Indeed, his claim is nothing more than an unsupported conclusion, reflected
5 in the following single question and answer:

6 Q. Based upon its review of the applicable GAAP provisions, does Staff
7 believe that adoption by the Commission of the Staff's recommendations in
8 this proceeding regarding retrospective review and true-up of the financial
9 impacts associated with TD-NSB assumptions regarding the timing of future
10 general rate cases, the amount of fixed cost recovery allowed in future rate
11 cases, and whether the impact of DSM measure installations are normalized in
12 future rate cases, would prevent the Company from recognizing TD-NSB
13 revenues as those amounts are received from customers?
14
15 A. No.
16
17 Mr. Oligschlaeger has no basis for the Staff's "belief" because there is no question
18 but that these revenues could not be recognized during the operation of the very demand-side
19 programs that are causing the TD-NSB in the first place.

20 **Q. Does Mr. Oligschlaeger recognize the applicability of ASC 980-605-25?**

21 A. I believe he does, although in the MEEIA 1 case he attempted to avoid
22 acknowledging that he did. I make this observation based upon a review of Mr.
23 Oligschlaeger's sworn deposition in that case. In that deposition, he agreed that FASB
24 statements (which include ASC 980-605-25) were the highest authority in the GAAP
25 hierarchy[9]. At that time he hedged on outright agreeing with my interpretation and PwC's
26 interpretation of ASC 980-605-25 as applied to the TD-NSB recovery, indicating that he
27 planned to look more carefully at information that may have led to the standard.[10] That was

[9] Deposition of Mark Oligschlaeger, File No. EO-2012-0142, May 14, 2012, p. 37.
[10] *Id.* pp. 43-44.

1 three years ago, but in his rebuttal testimony in this case he provides no information that in
2 any way calls into question the applicability of the standard to this situation. Clearly, if Mr.
3 Oligschlaeger's "careful look" at the standard had revealed that we were wrong, he would
4 have said so and would have provided the evidence. He didn't, because the standard does
5 apply, and there is no information that suggests otherwise. In that same deposition, Mr.
6 Oligschlaeger also fully agreed that there is in fact specific authoritative GAAP (ASC 980-
7 605-25) that provided for the treatment of the DSIM proposed in that case,[11] and he
8 confirmed that he had found no other applicable standard.[12] Again, he still hasn't because
9 ASC 980-605-25 is the only applicable standard. He also agreed that the SEC and FASB
10 have imposed tougher standards on revenue recognition on income statements (which is at
11 issue here) as opposed to cost recognition.[13] If there were some other standard, or if the
12 Company and its external auditor were both wrong about its application, it strains credulity to
13 think that Mr. Oligschlaeger would not have marshalled evidence to prove it in the three
14 years that have passed since our MEEA 1 Plan was approved.

15 **Q. Does Mr. Oligschlaeger recognize the consequences of failing to meet the**
16 **standard?**

17 A. Again, his sworn testimony indicates that he does. He testified that he was not
18 supportive of using a mechanism that would lead to a qualified opinion[14] from the
19 Company's external auditors, confirming what I said above that the Company would not –

[11] *Id.*, p. 52.
[12] *Id.*, p. 53.
[13] *Id.*
[14] Meaning that the auditors would not be able to opine that the Company's financial statements are kept in accordance with GAAP.

1 and cannot – knowingly violate GAAP.[15] If we fail to satisfy the standard we could not
2 recognize the revenues because recognizing the revenues in violation of the standard would
3 result in the receipt of a qualified opinion from our auditors and would violate SEC
4 requirements. Mr. Oligschlaeger also agreed that the receipt of a qualified opinion would not
5 be a good thing for the Company to do.[16] And he agreed that if the auditors agreed with the
6 Company's interpretation of the accounting standard that didn't allow revenue recognition,
7 then the proposal he was making would not let the Company maintain its pre-demand-side
8 management program earnings, and that this would be viewed negatively by investors.[17]
9 And finally, he agreed that if ASC 980-605-25 was the controlling standard, then his
10 proposal would not provide relief for the throughput disincentive.[18] All of these admissions
11 confirm what I have been saying: the Staff's proposal in this case and in the MEEIA 1 case
12 would not, if adopted, align the Company's incentives as MEEIA requires because pursuing
13 the MEEIA programs would cause the Company's earnings to suffer as a direct result of
14 implementing the programs.

15 **Q. But his proposal now is not exactly the same as it was in the MEEIA 1**
16 **case, is it?**

[15] Deposition of Mark Oligschlaeger, File No. EO-2012-0142, May 14, 2012, pp. 97-98 ("Q. **Do you have an opinion whether the company should issue financial statements that reflect a reg asset for the throughput disincentive where its independent auditor has qualified its opinion basically saying under GAAP that reg asset should not have been booked?** A. Let me answer that a little bit in detail. Your external auditors, the SEC and so on have jurisdiction and authority over your published financial statements. This Commission has jurisdiction over the regulatory accounting that you do for regulatory purposes. Now, given that distinction, in general, the benefit to the company of allowing them to book a regulatory asset for throughput disincentive, *that will lead to a qualified opinion that will take much of the benefit of that regulatory asset away from the company, and that is not what we think is a desirable outcome*, and we would take reasonable steps and, if necessary, modify our proposal in reasonable means to take that aspect into account" (emphasis added)). Mr. Oligschlaeger's current proposal, however, would lead to such an undesirable outcome and his proposal has not taken this "undesirable outcome" into account.

[16] *Id.*, p. 97.

[17] *Id.*, p. 98.

[18] *Id.*, p. 101.

1 A. In substance it is the same. The only difference is that since we now use a
2 rider, use of a regulatory asset is not being proposed. However, under Mr. Oligschlaeger's
3 approach, the sums the Company would be allowed to retain to recover the throughput
4 disincentive are not objectively determinable for the exact same reason as the amounts that
5 the Staff's approach would have allowed in the MEEIA 1 case were not objectively
6 determinable – the sums can be changed later based on retrospective consideration of
7 EM&V. Consider what this means. In each quarter, as each program year progresses, the
8 Company records revenues and consequently the earnings those revenues produce, reports
9 them to the SEC and makes them public for all to see. Investors rely on those public
10 financial statements. The Company knows exactly what the recordable revenues arising
11 from the TD-NSB component are because it knows the number of measures (e.g., number of
12 light bulbs) installed and it knows the deemed savings arising from each one. So at the end
13 of each quarter and each reporting year, its financial statements are set because it was able to
14 objectively determine the revenues.

15 Under Mr. Oligschlaeger's proposal, this is not true. For example, EM&V for 2016
16 will not be completed until sometime in 2017 – probably many months into 2017. Yet Mr.
17 Oligschlaeger's approach would mean that the revenues recognized in each of the quarters of
18 2016 and for the year as a whole will change sometime during the next year. The standard
19 plainly requires that the revenues to be *reflected and reported on the financial statements* be
20 objectively determinable *when the financial statements are issued*. Revenues that are subject
21 to change later don't meet that standard. Instead, investors would be in the position of seeing
22 revenues and earnings of $X, and making investment decisions based thereon, but wouldn't
23 know until a significant time later if $X are really $X. This runs directly counter to not only

1 the plain language of the standard, but also the significant emphasis of the SEC and external
2 auditors interpreting FASB guidance on "being tough" on allowing revenue recognition on
3 financial statements.

4 **Q. Please summarize the consequence of Mr. Oligschlaeger's "true-up"**
5 **approach.**

6 A. Under Mr. Oligschlaeger's approach, two of the three obligations reflected in
7 MEEIA will be unsatisfied. First, the Company's incentives will not be aligned with
8 promoting energy efficiency. They can't be. No rational business has an incentive to take
9 steps that reduce its earnings. Second, the Company will not be in a position to value
10 demand-side investments equal to traditional investments in supply and delivery
11 infrastructure and the Company will be effectively prevented from achieving the goal of
12 MEEIA – that is, achieving all cost-effective energy efficiency.

13 Consider that scenario from the viewpoint of a utility decision maker. When Ameren
14 Missouri invests in a major supply-side resource like a power plant, it must carefully
15 consider the prudence of this resource versus other possible generation resources. If the
16 circumstances at the time of the investment are such that the supply-side resource is a
17 prudent resource to construct and if the project is managed prudently, the Company can have
18 a relatively high confidence that it will be provided a recovery of the investments it has made
19 to provide customers with safe and reliable service. In fact, the Company's expenditure is
20 presumed to have been prudently incurred, and the Commission cannot use an after-the-fact
21 analysis to retroactively second-guess the decision or the costs.

22 When a utility company makes significant investments in a demand-side program like
23 energy efficiency, it is knowingly entering into a program that, if successful, will materially

1 reduce sales. These losses will start soon after the energy efficiency program is initiated and
2 may continue for years after the program is terminated. If a clear path to recovery of the
3 throughput disincentive is not provided by the regulatory structure, the utility company
4 making investments in energy efficiency will not value demand-side investments equal to
5 traditional investments in supply and delivery infrastructure.

6 **Q. Can you provide an example?**

7 A. Yes. Imagine that the Company's engineers prudently decided, based upon
8 the available information and due diligence, that if they replaced a $40 million turbine at a
9 power plant they could increase output by X megawatt-hours per year and also lower the heat
10 rate by Y percent. Consequently, they proceed to replace the turbine, but the project ends up
11 costing $45 million. Assume also that after a few years of operation it turns out that the
12 replacement increased output by less than what was expected. Assume further, however, that
13 based on information available at the time the decision was made, it was prudent and
14 reasonable for them to decide what they decided and that the higher installation cost was not
15 due to the Company’s imprudence. In that scenario, the Company would be able to rate base
16 the $45 million investment and earn on it throughout its service life.

17 Compare this to the Staff's position which, as discussed above, prevents revenue
18 recognition of the TD-NSB portion of the DSIM. Even if the Company prudently and
19 reasonably designs and implements energy efficiency programs and even if the deemed TRM
20 values were prudently developed, if later it turns out that the Staff or others argue as part of
21 EM&V that the energy savings are lower per measure than the TRM estimated, the Company
22 risks recovering less throughput disincentive than it believed it could recover when it
23 committed to spending the money on energy efficiency programs. It's one thing to invest

1 money up front and have the risk that you will later have been found to have acted
2 imprudently, and then you could lose part of your investment. But here, under the Staff's
3 proposal, the Company still has to front the money while bearing the risk that it will later lose
4 money *even if it was not imprudent.*
5 **Q. But is that really true? If EM&V shows the savings were less, isn't it true**
6 **that the throughput disincentive would also be less and the Company would not lose**
7 **money?**
8 A. Only in theory. If we don't have agreement on (or if the Commission does not
9 approve) a TRM with deemed values (i.e., the TD-NSB share is not subject to retroactive
10 change) *in advance* of the Company making the expenditures, then a situation has been
11 created where everyone has an incentive to push the EM&V results in a direction that helps
12 their constituents. The Staff, OPC, etc., have an interest in arguing that the EM&V results
13 show lower energy savings because that will lower customer rates and the Company arguably
14 has an incentive to show more savings, because that would increase the throughput
15 disincentive recovery. As Ameren Missouri witness Rick Voytas discusses, EM&V is not an
16 exercise that results in an objectively provable answer. Rather, it is a process with
17 substantial subjectivity that would create opportunities for parties to push the results in the
18 direction they favor. Put another way, if the Company invests in a supply-side resource, it
19 knows what it spent on that resource. The only question is whether the expenditure was
20 prudent. In the case of a demand-side expenditure, the Company will never know with
21 certainty what the throughput disincentive actually was. No one perfectly performs EM&V,
22 and the results of EM&V are not entirely objective. The Company can't point to the total of

1 invoices. Because of this, Ameren Missouri inherently faces more uncertainty investing in
2 demand-side resources as opposed to supply-side resources.
3 As a utility decision maker, subjecting prudent decisions to after-the-fact
4 disallowances, and preventing my utility from recognizing revenues (which lowers the
5 Company's income) creates a disincentive to investing in energy efficiency, and it prevents
6 me from valuing demand-side expenditures equal to the supply-side investments because I
7 have a risk on the demand-side I don't have on the supply-side.
8 As utility executives in an investor-owned utility, my colleagues and I are responsible
9 for making decisions that discharge our obligations to our customers while protecting the
10 interests of our shareholders. As a result, several factors must be considered. The financial
11 results of Ameren Missouri have a direct impact on Ameren Missouri's shareholder, Ameren,
12 and on Ameren's shareholders; however, Ameren Missouri cannot rely on its parent
13 company for subsidies or support when regulatory policy (as Mr. Oligschlaeger apparently
14 sees it) causes a direct and unmistakable reduction in earnings. Instead, we must make tough
15 decisions about where to best deploy the limited capital to which we have access. We can't
16 borrow too much, without ultimately raising costs for customers and taking on too much
17 leverage and we can't expect equity investment if our policies harm our earnings.
18 **Q. But isn't it fair to say that the deemed values are not "right"?**
19 A. Yes, in the sense that they are not perfect. But they are reasonable, and
20 perfection cannot be achieved. Those who oppose the deemed values (not because they are
21 not reasonable estimates but because they want to preserve the ability to second-guess them
22 retrospectively later) are making the perfect the enemy of the good. The Company is not
23 proposing to never review, refine and improve upon the deemed values in the TRM. Future

1 EM&V studies will aid in that effort and prospectively the deemed values will be refined. In
2 fact, they will be refined sooner in the MEEIA 2 cycle than in the MEEIA 1 cycle. In the
3 MEEIA 2 cycle, program year 1 EM&V will be used to refine and update deemed savings for
4 program year 3, and program year 2 values will be used to update savings for the first year of
5 MEEIA cycle 3. In MEEIA 1, EM&V results did not change the deemed savings until year 1
6 of MEEIA cycle 2.

7 **Q. Please summarize why the Company's MEEIA filing and in particular its**
8 **proposed DSIM satisfy the conditions in ASC 980-605-25.**

9 A. First, under the Company's proposal, the recovery occurs automatically each
10 month as the program proceeds and contemporaneously with when the throughput
11 disincentive is occurring in the rider mechanism that is currently in place. Second, the
12 amount is objectively quantifiable because the deemed savings values in the TRM drive the
13 calculation. Third, because of the contemporaneous recovery, the recovery is within 24
14 months in accordance with the applicable accounting standards.

15 **Q. Please summarize the Company's incentives to invest in energy efficiency.**

16 A. The Company's incentives depend on the regulatory treatment given to those
17 investments. While I'm not a lawyer, as a utility executive it appears quite clear to me that
18 MEEIA recognizes that absent the Commission taking certain affirmative steps to implement
19 the regulatory treatment contemplated by MEEIA, utilities have an understandable
20 disincentive to encourage their customers to use less energy. We wouldn't expect other
21 businesses to encourage their customers to buy less of what they sell. But energy efficiency
22 does just that, unless steps are taken to remove that disincentive. That, to me, is what the

1 provision in MEEIA that requires the Commission to align the utility's financial incentives
2 with helping customers use energy more efficiently is all about.

3 **Q. How does this issue of aligning incentives relate to the design and**
4 **mechanics of a DSIM?**

5 A. If the DSIM, such as the one proposed by the Company is adopted, then as we
6 evaluate investment and expense needs and opportunities that invariably exceed the dollars
7 we have available to spend in a given year, the Company will value energy efficiency
8 expenditures equally with investing in power plants or other infrastructure. This is because,
9 first, it can recover the costs of running the programs; second, it is not going to lose money
10 because it induced customers to buy less electricity; and third, the Company has a chance to
11 earn a performance incentive if it does a good job. But the same is not true with the true-up
12 proposed by the Staff. Under the Staff's alternative, the Company can recover its program
13 costs, but for the reasons discussed earlier, it is virtually guaranteeing that the programs will
14 lower its earnings. Under Mr. Oligschlaeger's proposal, the Company is taking on more risk
15 of harming earnings because under his proposal, it is subject to such second-guessing,
16 regardless of whether the estimates used to deem savings were reasonable at the time. The
17 point is that under the Company's proposal, its incentives are aligned as MEEIA
18 contemplates, but under the Staff's proposal they are not. Under the latter, the incentive is
19 not to spend on energy efficiency because the Company will incur losses. Under the former,
20 the incentive is to spend on energy efficiency (which matches up perfectly with helping
21 customers use energy more efficiently) because the Company won't incur losses and has an
22 earnings opportunity.

1 **Q. Do your comments regarding the misalignment of incentives inherent in**
2 **the Staff's proposal apply to OPC witness Geoff Marke's proposal?**
3 A. Yes, they do. OPC also rejects contemporaneous recovery of the throughput
4 disincentive. Consequently, OPC's approach will reduce the Company's earnings and, for all
5 of the reasons discussed above, fails to align the Company's financial incentives with helping
6 its customers use energy more efficiently.
7 **Q. Please summarize what, from the Company's perspective, it will take in**
8 **order to properly align the Company's interests with helping the Company's customers**
9 **use energy more efficiently.**
10 A. The Company simply needs the Commission to approve a MEEIA plan
11 consistent with MEEIA itself. The Company's MEEIA 2 Plan is such a plan. The Company
12 cannot be put in the position of being worse off if it makes demand-side expenditures.
13 Absent approval of a MEEIA plan that fulfills MEEIA's requirements, the Company
14 will be left with no reasonable choice but to set aside its current plan to spend $135 million
15 on energy efficiency over the next three years.
16 **Q. Are you saying that if the plan is not approved as filed, the Company will**
17 **cease energy efficiency expenditures entirely?**
18 A. I cannot predict what course of action the Company will take should the
19 Commission not approve our plan as filed. Consistent with what we have said in the past, it
20 is not reasonable or appropriate to expect the Company to knowingly make expenditures on
21 energy efficiency and incur significant adverse earnings impacts due to the throughput
22 disincentive. Clearly, to keep moving Missouri forward in terms of energy efficiency
23 programs, the Commission must continue its earlier implementation of the regulatory

1 framework reflected in MEEIA, including continuing to align the Company's financial
2 interests with helping our customers use energy more efficiently. As a result, what I can say
3 is that in developing its plan, the Company carefully considered the MEEIA requirements,
4 MEEIA's long-term benefits for customers (if the MEEIA plans are properly designed and
5 implemented), the financial implications of the plan on our Company and the relevant
6 accounting standards for such a plan. With these matters in mind, we developed a plan that
7 meets the MEEIA requirements, addresses the issues resulting from the relevant accounting
8 standards, and allows us to pursue all cost-effective energy efficiency for the benefit of our
9 customers. No other proposal before the Commission accomplishes all of these important
10 objectives.

11 **Q. Does this conclude your surrebuttal testimony?**

12 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 2nd Filing to Implement Regulatory Changes in Furtherance of Energy Efficiency as Allowed by MEEIA.	))))	File No. EO-2015-0055

AFFIDAVIT OF LYNN M. BARNES

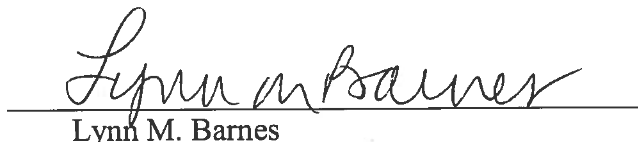
STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Lynn M. Barnes, being first duly sworn on her oath, states:

1. My name is Lynn M. Barnes. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Vice President Business Planning & Controller.

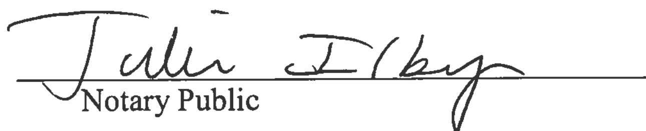
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 29 pages and Schedule(s) LMB-1 and LMB-2, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

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



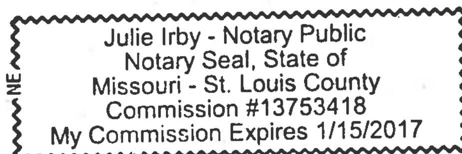
Lynn M. Barnes

Subscribed and sworn to before me this 24th day of April, 2015.



Notary Public

My commission expires:



MPSC Cases In Which Lynn M. Barnes Has Testified

Case Number	Issues
ER-2008-0318	Miscellaneous cost of service issues
ER-2010-0036	Fuel Adjustment Clause
EO-2010-0255	Fuel Adjustment Clause
ER-2011-0028	Fuel Adjustment Clause, Rate Case Expense, Storm Costs/Amortizations
EU-2012-0027	Accounting Authority Order Request
ER-2012-0074	Fuel Adjustment Clause
EO-2012-0142	Financial Impacts of Demand-Side Investment Mechanisms
ER-2012-0166	Fuel Adjustment Clause, Storm Costs, Plant-in-Service Accounting
EO-2014-0095	Financial Impacts of Demand-Side Investment Mechanisms
EC-2014-0223	Plant-In-Service Additions
ER-2014-0258	Fuel Adjustment Clause, Noranda Accounting Authority Order, Board of Directors Fees/Expenses

980-605-25 Recognition

> Alternative Revenue Programs

25-1 Traditionally, regulated utilities whose rates are determined based on cost of service invoice their customers by applying approved base rates (designed to recover the utility's allowable costs including a return on shareholders' investment) to usage. Some regulators of utilities have also authorized the use of additional, alternative revenue programs. The major alternative revenue programs currently used can generally be segregated into two categories, Type A and Type B.

25-2 Type A programs adjust billings for the effects of weather abnormalities or broad external factors or to compensate the utility for demand-side management initiatives (for example, no-growth plans and similar conservation efforts). Type B programs provide for additional billings (incentive awards) if the utility achieves certain objectives, such as reducing costs, reaching specified milestones, or demonstratively improving customer service.

25-3 Both types of programs enable the utility to adjust rates in the future (usually as a surcharge applied to future billings) in response to past activities or completed events.

25-4 Once the specific events permitting billing of the additional revenues under Type A and Type B programs have been completed, the regulated utility shall recognize the additional revenues if all of the following conditions are met:

1. a. The program is established by an order from the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.
2. b. The amount of additional revenues for the period is objectively determinable and is probable of recovery.
3. c. The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized.