

Exhibit No.: _____
Issue(s): Income Tax Calculations in CWC
Witness/Type of Exhibit: Riley/Surrebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2022-0337

SURREBUTTAL TESTIMONY

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI

CASE NO. ER-2022-0337

March 13, 2023

SURREBUTTAL TESTIMONY
OF
JOHN S. RILEY
UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI
CASE NO. ER-2022-0337

1 **Q. What is your name and what is your business address?**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102

3 **Q. Are you the same John S Riley who prefiled rebuttal testimony in this case?**

4 A. Yes.

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

6 A. The purpose of my testimony is to point out that Staff adjusted its income tax calculations in
7 its post-direct accounting schedules, but did not correct its expense lag for federal and
8 Missouri state income taxes within the cash working capital (“CWC”) calculations in its
9 accounting schedules. Also, UE witness Mr. Charles Steib rebuts Staff’s change in the sales
10 tax lag component, but does not recognize that the income tax lag is also incorrect.

11 **Q. Did Staff and UE both apply the same expense lag to their federal and state income tax**
12 **calculations?**

13 A. Yes.

14 **Q. What expense lag did Staff and UE incorporate into their cash working capital**
15 **calculations for federal and state income tax?**

16 A. The Staff has continued to use the Company’s standard IRS quarterly 38 day expense lag.
17 This is the accepted lag for quarterly tax *payments* at both the federal and state taxation levels.

1 **Q. Does UE anticipate owing state and federal taxes in 2023?**

2 A. UE's response to Staff Data Request 0397 indicates that it expects to pay a minimal amount
3 of income tax in 2023. That Data Request response is attached as JSR-S-01.

4 **Q. What amount of federal income tax does UE expect to be responsible for 2023 within**
5 **the Ameren consolidated tax group?**

6 A. Per the answer to DR 0397, Ameren expects its net payment to be \$1,161,000.

7 **Q. What amount of income tax has Staff included in its revenue requirement for UE in this**
8 **rate case?**

9 A. The amount included in the CWC calculations is \$65,213,610 for federal and \$21,561,932 for
10 Missouri. Originally, Staff included \$70,483,625 for federal tax and \$22,491,734 for state
11 income tax. (JSR-S-02)

12 **Q. Does UE expect to pay income taxes in 2024, 2025, or 2026?**

13 A. The Company has indicated in its answer to DR 0397 that its net payments will be negative.
14 This indicates that Ameren Missouri will enjoy refunds from the consolidated group.

15 **Q. Staff has incorporated over \$74 million in state and federal income taxes in its CWC**
16 **calculations, but UE will owe a minimum amount of income tax for 2023, and not owe**
17 **any federal or state income tax for at least until 2026, approximately the expected**
18 **duration of the rates the Commission will determine in this case. Is this correct?**

19 A. That is correct. The Company indicates that after 2023 it will not have an income tax liability.
20 Based on the information provided by the Company in answer number 1 of DR 0397, a
21 normalized level of expected income tax liability would be negative.

1 **Q. In the past, what has the Commission done when a company has a positive income tax**
 2 **expense built into its revenue requirement, but does not have any actual income tax**
 3 **liability?**

4 A. In case No. GR-2021-0108, the Commission ruled that the proper CWC expense lag to apply
 5 to the unencumbered income tax expense was 365 days¹. Staff incorporated the 365 day lag
 6 in its final CWC accounting schedule²in that case.

7 **Q. If you apply a 365 expense lag to the state and federal income taxes in Staff’s CWC**
 8 **calculations in this case, what is the resulting federal and state income tax offset to rate**
 9 **base?**

10 A. At current calculations; the income tax offset would be a negative \$76,897,638. Combining
 11 this new calculation with the City tax offset and interest expense offset would create a total
 12 tax offset to rate base of \$108,211,213. Currently, Staff has an offset of a negative
 13 \$31,180,083.

Federal and State income tax CWC recalculations
ER-2022-0337 UE Missouri

Income Tax Amount	Revenue Lag	Expense Lag	Net	Factored	CWC
\$ 64,196,079	37.02	365	327.98	0.89858	\$ (57,685,014)
\$ 21,381,239	37.02	365	327.98	0.89858	\$ (19,212,654)
					\$ (76,897,668)

14

¹ GR-2021-0108, Amended Report & Order, page 27-31

² Item 456 Staff Accounting Schedules

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

2 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

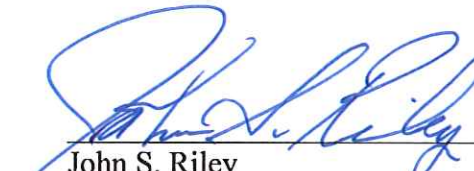
In the Matter of Union Electric Company d/b/a)
 Ameren Missouri's Tariffs to Adjust Its) Case No. ER-2022-0337
 Revenues for Electric Service)

AFFIDAVIT OF JOHN S. RILEY

STATE OF MISSOURI)
) ss
 COUNTY OF COLE)

John S. Riley, of lawful age and being first duly sworn, deposes and states:

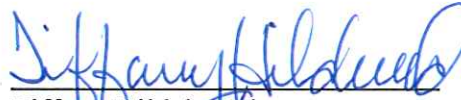
1. My name is John S. Riley. I am a Utility Regulatory Supervisor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


 John S. Riley
 Utility Regulatory Supervisor

Subscribed and sworn to me this 9th day of March 2023.



TIFFANY HILDEBRAND
 My Commission Expires
 August 8, 2023
 Cole County
 Commission #15637121


 Tiffany Hildebrand
 Notary Public

My Commission expires August 8, 2023.