

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

In the Matter of the Application of Union Electric)
Company d/b/a Ameren Missouri for Permission and)
Approval and a Certificate of Public Convenience and)
Necessity Authorizing it to Construct a Wind Generation)
Facility.)
Case no. EA-2018-0202

REPLY TO AMEREN MISSOURI’S RESPONSE TO THE OPC’S MOTION

COMES NOW, the Office of the Public Counsel, (OPC) by and through counsel, and states as follows:

1. In Ameren Missouri’s Response, the Company states, “there is no need for ‘factual support’ of the Company’s agreement to depreciate the wind farm using its already Commission-approved rates for wind generation, or to use different depreciation rates in the future if approved by the Commission.”¹

2. But, rather than depreciation rates, what Ameren Missouri agreed to is: "The Signatories agree that Ameren Missouri shall use the currently *ordered life* for wind generation in establishing the depreciation rate applicable to the facility unless, upon Commission consideration of the Company’s next electric depreciation study, the Commission approves the use of a different life for setting the depreciation rate.”² Ameren Missouri’s Response conflates rates with service lives.

3. Additionally, the Stipulation fails to clearly explain whether the ordered life refers to the forty-five year average service life for wind energy generators, based on the survivor curve, given in the *Non-Unanimous Stipulation and Agreement as to Depreciation* in Case No. ER-2014-0258 or the accompanying twenty-year remaining life. The ER-2014-0258 Stipulation accords a

¹ *Ameren Missouri’s Response to OPC Motion to Modify Procedural Schedule to Permit Supplemental Testimony*, Case No. EA-2018-0202 p. 4 (Aug. 23, 2018).

² *Id.* (emphasis added).

depreciation rate of 6.81%, including a 17% cost of removal, but the 6.81% depreciation rate does not state whether the depreciation rate is fixed to a twenty-year remaining life. Using the mathematical formula of:

$$\text{Depreciation Rate} = \frac{100\% - \% \text{ Net Salvage}}{\text{Average Service Life (years)}^3}$$

A 6.81% translates into a remaining life of a little less than eighteen years, further confounding the OPC’s interpretation of Staff and Ameren’s Stipulation. A twenty year life and net salvage value of 17% generates a depreciation rate of 5.85%, conflicting with the ordered rate from ER-2014-0258. Also contradicting the ER-2014-0258 Stipulation, a forty-five year average service life with a 17% cost of removal results in a depreciation rate of 2.60%. There is simply no consistency in agreeing to an “ordered life” without specifying further. Although Ameren Missouri is now claiming that no factual basis is needed for the usage of a Commission-approved rate, the OPC is left wondering what rate was actually agreed to, if at all.

4. The differences in revenues associated with a forty-five versus a twenty year lifespan can be substantial. For example, the differential between a forty-five and little less than eighteen years life can result in a revenue requirement discrepancy of as much as ** ** based on dividing the cost of the project by the life, assuming net salvage is zero.

5. There is also no discussion in the Stipulation and Agreement of the percentage of net salvage that will be applied to the ordered life.

6. Compare the provisions in the Stipulation and Agreement with the following pre-filed direct testimony, “Book deprecation is calculated using straight-line depreciation based on a

³ This formula was utilized in the *Third Report and Order* from GR-99-315 and the *Report and Order* from ER-2004-0570. The formula assumes that net salvage equals the gross salvage value of the asset minus the cost of removing the asset.

30-year asset life⁴” and “the Project is being built to Ameren Missouri’s specifications for an asset life of 30 years or more.⁵” Even though Ameren Missouri argues that the OPC would get two bites⁶ of the apple with supplemental testimony, in truth, the position of Ameren Missouri has changed without necessary clarity and accompanying supporting testimony. The OPC would like the clarity as to the agreement, the factual support for the term, and the opportunity to rebut the new position.

WHEREFORE, the OPC continues to move that the Commission modify the procedural schedule in this case.

Respectfully,

OFFICE OF THE PUBLIC COUNSEL

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⁴ Matt Michels, Direct Testimony, Case No. EA-2018-0202, p. 7, Line 7-8

⁵ Ajay Arora, Direct Testimony, Case No. EA-2018-0202 p. 9, Lines 16-17

⁶ See *Ameren Missouri’s Response to OPC Motion to Modify Procedural Schedule to Permit Supplemental Testimony*, Case No. EA-2018-0202, Pg. 6 (Aug. 23, 2018).

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 31st day of August, 2018, with notice of the same being sent to all counsel of record.

/s/ Ryan Smith

/s/ Caleb Hall