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Witness: Greg R. Meyer
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Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2016-0179
Date Testimony Prepared: December 9, 2016

**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 Electric Service

)
)
) **Case No. ER-2016-0179**
)
)

Direct Testimony and Schedules of

Greg R. Meyer

On behalf of

Missouri Industrial Energy Consumers

PUBLIC VERSION

December 9, 2016



Project 10202

**BEFORE THE PUBLIC SERVICE COMMISSION
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d/b/a Ameren Missouri's Tariffs to)
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Case No. ER-2016-0179

STATE OF MISSOURI)
) **SS**
COUNTY OF ST. LOUIS)

Affidavit of Greg R. Meyer

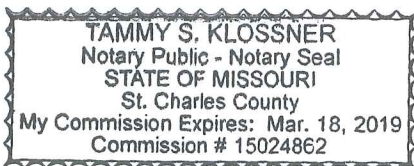
Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on its behalf.
2. Attached hereto and made a part hereof for all purposes are my direct testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2016-0179.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.



Greg R. Meyer

Subscribed and sworn to before me this 8th day of December, 2016.





Notary Public

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_____)

Case No. ER-2016-0179

Direct Testimony of Greg R. Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation and a Principal of Brubaker &
6 Associates, Inc., energy, economic and regulatory consultants.

7 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A This information is included in Appendix A to this testimony.

9 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10 A This testimony is presented on behalf of the Missouri Industrial Energy Consumers
11 ("MIEC"), a non-profit company that represents the interests of industrial customers in
12 Missouri utility matters. The industrial customers purchase substantial quantities of
13 electricity from Ameren Missouri (or "Company").

14 Their cost of electricity would increase approximately 7.8% if Ameren Missouri
15 is granted the full amount of the increase it requested. This proceeding will have a

**Greg R. Meyer
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1 substantial impact on these companies' cost of doing business, and thus they are
2 vitally interested in the outcome.

3 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A I am proposing three adjustments to the Company's proposed revenue requirement.
5 First, I am proposing that the Commission deny Ameren Missouri's request for an
6 amortization to recover any portion of lost revenues (Ameren Missouri calls these
7 revenues "lost fixed costs") associated with the change in operations for the Noranda
8 smelter located in Southeast Missouri. Second, I am proposing that amortization
9 expense be reduced to prevent over-collection due to amortizations expiring close to
10 the operation of law date in this case or within the period new rates will be effective
11 from this rate case. Third, I am proposing a reduction to the Company's proposed
12 solar rebate adjustment to disallow the unrecovered solar rebate costs. The value of
13 these adjustments is provided in the Overview section of my testimony where I
14 address all of the adjustments proposed by the MIEC.

15 **OVERVIEW**

16 **Q WHAT INCREASE HAS AMEREN MISSOURI REQUESTED IN THIS RATE CASE?**

17 A The overall increase is \$206.4 million, or about 7.8%. Ameren Missouri witness
18 Michael Moehn at pages 4-5 of his direct testimony lists the following reasons for the
19 proposed increase in retail rates.

20 ➤ The addition of nearly \$1.4 billion in new plant-in-service since
21 December 31, 2014 (true-up cutoff from the last rate case) through
22 December 31, 2016 (true-up cutoff from current rate case). The effect of
23 these additions is increased depreciation expense, increased return on
24 investments and increases in property taxes. These increases account
25 for \$74 million of the requested revenue requirement increase.

- 1 ➤ Higher transmission charges from the Midcontinent Independent System
2 Operator, Inc. (“MISO”). The increase accounts for \$34 million of the
3 requested revenue requirement.
- 4 ➤ Loss of revenues associated with the cessation of smelting operations at
5 the New Madrid Smelter in Southeast Missouri. The effect from this loss
6 of revenues accounts for \$31 million of the requested revenue
7 requirement.
- 8 ➤ Impact from lower retail sales exclusive of the loss of smelter revenues
9 described above. This loss of revenues accounts for \$20 million of the
10 requested revenue requirement.

11 By summing up the above totals, there remains a substantial amount of the requested
12 revenue requirement that is unexplained. In order to gain a more complete
13 reconciliation of the requested revenue requirement, the Staff submitted Data
14 Request MPSC 0219. MPSC 0219 states the following:

15 Please provide a complete reconciliation and quantification by each
16 separate issue and in total that supports Ameren Missouri’s \$204.6
17 [sic] million rate increase request. For each issue please provide an
18 explanation for each reconciliation amount. Please contact the Staff
19 with any questions regarding this data request. Requested by: Lisa
20 Ferguson lisa.ferguson@psc.mo.gov

21 The response provided the following table:

**Ameren Missouri
MPSC Case No. ER-2016-0179
MPSC DR 0219**

**Components of Rate Increase
(\$/Millions)**

Net Infrastructure (including \$1.4 billion in new plant)		
Return	\$	25
Depreciation		39
Property Taxes		10
Transmission expense		34
Revenue impact of loss of Noranda	\$ 151	
Fuel impact of loss of Noranda	<u>(120)</u>	
Increase to cover Noranda		31
Revenue impact of other reduced load	35	
Fuel impact of other reduced load	<u>(15)</u>	
Increase to cover other reduced load		20
Increase in NBEC less load changes		23
Income tax		15
Coal refinement at Labadie		12
Noranda Lost Fixed Costs amortization		8
RES costs increase		7
COLI costs		5
IT cybersecurity and other contractual costs		5
Rebase solar rebates		(15)
Pension & OPEB rebase & amortization		(24)
Other		<u>11</u>
		206

- 1 The response to MPSC 0219 provides a more complete reconciliation/explanation of
- 2 the requested increase.

1 **Q BASED ON YOUR REVIEW OF AMEREN MISSOURI’S FILING, DO YOU BELIEVE**
2 **THAT A \$206.4 MILLION INCREASE IN REVENUE REQUIREMENT IS**
3 **JUSTIFIED?**

4 A No. I believe Ameren Missouri’s claimed requested increase is significantly
5 overstated. We have performed an analysis of many of the significant aspects of the
6 operations of Ameren Missouri. Based on our analysis, we believe that Ameren
7 Missouri has overstated its requested increase by at least \$71 million. This reduction
8 to the requested increase does not reflect other parties’ positions, which we may
9 support after reviewing their direct or rebuttal positions.

10 It should be noted that the fact an MIEC witness does not address a specific
11 cost of service (revenue requirement) issue should not be interpreted as accepting
12 Ameren Missouri’s position. We reserve the right to accept and adopt other parties’
13 adjustments.

14 **Q PLEASE DISCUSS AMEREN MISSOURI’S PAST RATE INCREASES.**

15 A Ameren Missouri’s past rate increases are shown on Schedule GRM-1. This
16 schedule shows the rate increases Ameren Missouri has received in its last six rate
17 cases dating back to August 2007. As a result of those six rate cases, Ameren
18 Missouri has received \$989 million in base rate increases, or a 51.6% overall
19 increase in base rates. If Ameren Missouri is granted the full rate relief it has
20 requested in this case, the total increase in base rates will be approximately \$1.2
21 billion on an annual basis since August 2007.

22 This schedule also shows the increases Ameren Missouri has received as a
23 result of the fuel adjustment clause (“FAC”). These increases are in addition to the
24 increases identified in the previous paragraph. Increases/decreases in customer

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1 rates as a result of the FAC are not permanent. Ameren Missouri's FAC rates are
2 reviewed three times a year and FAC imbalances are collected over an eight-month
3 period. Customers have paid \$774 million for FAC increases since Ameren Missouri
4 was allowed an FAC in 2009.

5 **Q PLEASE IDENTIFY THE OTHER WITNESSES PRESENTING REVENUE**
6 **REQUIREMENT TESTIMONY ON BEHALF OF THE MIEC, AND BRIEFLY**
7 **DESCRIBE THE SUBJECT AREAS THAT EACH WILL ADDRESS.**

8 A The following witnesses are filing direct testimony on behalf of the MIEC at this time.

- 9 ➤ Mr. Michael Gorman – Mr. Gorman presents evidence concerning the
10 appropriate cost of equity and overall rate of return for Ameren Missouri.
11 Mr. Gorman is proposing a return on equity of 9.2%.
- 12 ➤ Mr. Nicholas Phillips – Mr. Phillips presents evidence discussing Ameren
13 Missouri's proposal to track transmission expenses.
- 14 ➤ Mr. Stephen Rackers – Mr. Rackers presents evidence on three areas of
15 Ameren Missouri's cost of service. First, Mr. Rackers discusses Ameren
16 Missouri's income tax calculations. Second, he discusses Ameren
17 Missouri's annualized level of expense for pensions/OPEB's. Finally, he
18 discusses the level of Ameren Services Company expense to be
19 included in cost of service.

20 **Q PLEASE SUMMARIZE THE VALUE OF THE ADJUSTMENTS RECOMMENDED**
21 **BY MIEC WITNESSES.**

22 A I have prepared Table 1 which lists the values of the adjustments the MIEC proposes
23 and the witness sponsoring the testimony for each issue.

TABLE 1

**MIEC's Adjustments to Ameren Missouri's
Proposed Revenue Requirement**

<u>Category of Adjustment</u>	<u>Amount of Reduction (\$000)</u>	<u>Witness</u>
1. Return on Equity	\$42,300	Gorman
2. Pensions/OPEB's Expense	\$ 3,700	Rackers
3. Ameren Services Costs	\$ 9,600	Rackers
4. Noranda Fixed Costs	\$ 8,100	Meyer
5. Amortizations	\$ 6,100	Meyer
6. Solar Rebate Costs	<u>\$ 1,400</u>	Meyer
7. Total Reduction	\$71,200	

1 **Q WHAT TEST YEAR DID AMEREN MISSOURI PROPOSE IN THIS RATE CASE**
2 **AND DID AMEREN MISSOURI ALSO PROPOSE A TRUE-UP?**

3 A Ameren Missouri proposed a test year of the 12 months ended March 31, 2016 and
4 also proposed a true-up cutoff period of December 31, 2016, except for a few items
5 where a true-up cutoff period of January 1, 2017 was requested.

6 **Q DID THE COMMISSION ACCEPT THE PROPOSED TEST YEAR AND TRUE-UP**
7 **CUTOFF PERIOD?**

8 A Yes. In a pre-hearing conference held at the Commission offices on July 28, 2016,
9 Presiding Senior Regulatory Judge Morris Woodruff adopted the test year of the
10 12 months ended March 31, 2016 and the true-up cutoff date of December 31, 2016,
11 and January 1, 2017 for certain items.

1 **Q DID THE PARTIES AGREE TO ANY PROCEDURES FOR THE TRUE-UP CUTOFF**
2 **PERIOD?**

3 A Yes. In the Jointly Proposed Procedural Schedule and Procedures filed by the
4 parties to the rate case on August 1, 2016, the parties agreed to the following true-up
5 cutoff period process.

6 No party shall revise or change that party's methods or methodologies
7 for true-up issues except in the event of an extraordinary or unusual
8 occurrence and upon reasonable notice provided to all parties.

9 **Q WHAT IS THE IMPORTANCE OF A TEST YEAR AND TRUE-UP PERIOD?**

10 A The test year establishes a common 12-month period (March 31, 2016) for all parties
11 to audit the utility and propose adjustments. A test year is analyzed to determine if
12 certain adjustments are necessary in order to develop a relationship among
13 revenues, expenses and rate base determined from historic data that will exist during
14 the period rates are in effect.

15 A true-up is a period of time where the major elements of the cost of service
16 (plant, accumulated depreciation reserve, payroll, revenues, etc.) are trued-up to a
17 date closer to the operation of law date of a rate case. By adopting a true-up, the
18 effects of regulatory lag are reduced from the test year. The test year and true-up
19 periods allow for all relevant factors to be analyzed during a common time period.

20 **Q IS IT IMPORTANT TO MAINTAIN THE PROPER RELATIONSHIP AMONG**
21 **REVENUES, EXPENSES AND RATE BASE IN EITHER A TEST YEAR OR**
22 **TRUE-UP PERIOD?**

23 A Yes. Maintaining the proper relationship among expenses, revenues and rate base is
24 the primary reason why test year and true-ups have dates certain for cutoffs. If the

1 major components of cost of service are not measured from consistent dates, the
2 calculation of rates may not allow the utility the opportunity to earn its authorized
3 return or may allow the utility to earn in excess of its authorized return. Thus, it is
4 critical that all major components of cost of service be evaluated within the same time
5 period.

AMEREN MISSOURI'S EARNINGS

7 **Q ON PAGES 26 AND 27 OF MR. MOEHN'S DIRECT TESTIMONY, HE DISCUSSES**
8 **THE LOSS OF EARNINGS DUE TO REGULATORY LAG ASSOCIATED WITH**
9 **INVESTING IN AMEREN MISSOURI. AMEREN MISSOURI IS ALSO**
10 **REQUESTING A TRANSMISSION TRACKER TO RECOVER INCREASES IN**
11 **TRANSMISSION EXPENSES. CAN THESE EVENTS AFFECT AMEREN**
12 **MISSOURI'S EARNINGS?**

13 **A** Yes. Taken in complete isolation, these two events may negatively affect Ameren
14 Missouri's earnings. However, a review of the total operations of Ameren Missouri
15 may suggest a different picture when discussing Ameren Missouri's earnings.

16 **Q COULD YOU PLEASE DESCRIBE AMEREN MISSOURI'S HISTORICAL**
17 **EARNINGS?**

18 **A** Yes. Since 2007, Ameren Missouri has experienced both positive (excess) earnings
19 and negative (deficient) earnings compared to its Commission-authorized return on
20 equity.

1 **Q WHAT HAS AMEREN MISSOURI REPORTED FOR ACTUAL EARNINGS SINCE**
2 **2007?**

3 A I have prepared Schedule GRM-2 which shows Ameren Missouri's reported return on
4 equity for each 12-month period from June 2007 through September 2016.
5 Schedule GRM-2 shows that during this period of 9.25 years, Ameren Missouri has
6 earned above and below its authorized rate of return. I have also prepared a graph
7 which is attached as Schedule GRM-3. This graph shows the results from
8 Schedule GRM-2. The graph reveals that positive regulatory lag (earnings above the
9 authorized rate of return) does exist and is present more today than historically.
10 However, one must recognize that the period June 2007 - September 2016 includes
11 the period of time when the U.S. experienced a severe economic downturn. Earning
12 a return in excess of the authorized return during this economic downturn would be
13 rare.

14 **Q WHAT IS THE SOURCE FOR YOUR INFORMATION CONTAINED IN SCHEDULE**
15 **GRM-2 AND SCHEDULE GRM-3?**

16 A In Case No. ER-2012-0166, Ameren Missouri witness Gary S. Weiss provided in his
17 direct testimony a table that listed Ameren Missouri's achieved return on equity for 12
18 month periods. This analysis began in June 2007 and continued through 2011.

19 In Case No. ER-2014-0258, I requested the same monthly data through the
20 most current month available. Ameren Missouri provided monthly calculations
21 through May 2014 in response to MIEC discovery.

22 After May 2014, the monthly calculations performed by Ameren Missouri
23 ceased. Ameren Missouri stated there was no regulatory requirements or business
24 reason to continue those calculations and it decided to discontinue the calculation.

1 After May 2014, the return on equity analysis is provided quarterly. As part of the
2 agreement for Ameren Missouri to have a FAC, it must provide quarterly surveillance
3 reports that, among other things, show actual returns on equity. The quarterly return
4 on equity reports provided in Schedule GRM-2 are from the surveillance report filings
5 made in compliance with the FAC.

6 **Q WHAT IS THE IMPORTANCE OF THIS ANALYSIS?**

7 A This analysis shows several things. First, it shows that positive regulatory lag
8 (regulatory lag that benefits the utility) does exist and is prevalent in the years
9 subsequent to the economic downturn. Ameren Missouri has demonstrated that it
10 can make the necessary investments to serve its customers while earning above its
11 authorized rate of return. Second, the analysis shows that even while providing
12 quality, reliable service (sometimes in the top quartile in the nation), Ameren Missouri
13 is able to earn in excess of its authorized rate of return. This analysis also supports
14 the argument that I have presented in past Ameren Missouri rate cases that parties to
15 the rate case, and the Commission should be very careful before implementing either
16 surcharges or trackers that seek to promote single issue ratemaking decisions.
17 Finally, this analysis should be considered when the Commission determines its
18 position on Ameren Missouri's claim of lost fixed cost recovery from the Noranda
19 operations and whether to implement a transmission expense tracker.

1 **NORANDA LOST FIXED COST RECOVERY**

2 **Q PLEASE DESCRIBE AMEREN MISSOURI'S ADJUSTMENT TO RECOVER**
3 **NORANDA'S LOST FIXED COST EXPENSES.**

4 A Ameren Missouri is proposing to charge ratepayers for what it calls its "lost fixed
5 costs"¹ associated with lower sales to its largest customer, Noranda Aluminum, from
6 its slow-down and eventual shut-down of its aluminum smelter in Southeast Missouri.
7 Ameren Missouri has calculated that the loss of fixed cost recovery due to lower sales
8 to Noranda between April 2015 and May 2017 is approximately \$81.5 million.
9 Ameren Missouri proposes to collect the \$81.5 million from future customers through
10 an amortization over 10 years with no rate base treatment for the unamortized
11 portion.

12 **Q PLEASE DESCRIBE HOW THE \$81.5 MILLION TOTAL FOR LOST FIXED COST**
13 **RECOVERY WAS CALCULATED.**

14 A The \$81.5 million is the summation of fixed costs Ameren Missouri claims it did not
15 recover from Noranda for the period April 2015 (beginning of the test year) - May
16 2017 (last month before rates will be effective in this rate case) due to the lower sales
17 to Noranda. The \$81.5 million already reflects the effect of a clause in the FAC which
18 addresses the temporary loss of load at the Noranda smelter (N-Factor) for most
19 months and, in fact, for some months (April-June 2015) circumvents the N-Factor
20 conditions.

¹"Lost fixed costs" is how Ameren Missouri has characterized its request. The MIEC contends that Ameren Missouri is seeking higher rates in the future to retroactively make it whole for its lower past sales to Noranda. The testimony will continue to use the term "lost fixed cost" recovery although I do not support that description.

1 Q PLEASE DESCRIBE THE N-FACTOR.

2 A The N-Factor was approved in Ameren Missouri's 2010 rate case, Case
3 No. ER-2010-0036. The N-Factor is designed to offset the temporary loss of load at
4 the smelter by allowing Ameren Missouri to keep, rather than share with ratepayers,
5 the off-system sales margins made from generation that was planned for Noranda but
6 instead sold off system because of Noranda's reduction in purchases. Originally, the
7 N-Factor was applicable to customers in the 12M rate class – Large Transmission
8 Service Rate – but was later modified to include the 13M rate class – Industrial
9 Aluminum Smelter ("IAS") – Service Rate, Noranda's rate.

10 The description of the N-Factor as it currently appears in Ameren Missouri's
11 tariff is provided below:

12 Adjustment For Reduction of Service Classification 12(M) or 13(M)
13 Billing Determinants:

14 *Should the level of monthly billing determinants under Service
15 Classifications 12(M) or 13(M) fall below the level of normalized 12(M)
16 or 13(M) monthly billing determinants as established in Case No.
17 ER-2014-0258, an adjustment to OSSR shall be made in accordance
18 with the following levels:

19 a) A reduction of less than 40,000,000 kWh in a given month

20 - No adjustment will be made to OSSR.

21 *b) A reduction of 40,000,000 kWh or greater in a given month

22 - An adjustment excluding off-system sales revenue from OSSR
23 will be made equal to the lesser of (1) all off-system sales
24 revenues derived from all kWh of energy sold off-system due to
25 the entire reduction, or (2) off-system sales revenues up to the
26 reduction of 12(M) or 13(M) revenues compared to normalized
27 12(M) or 13(M) revenues as determined in Case No.
28 ER-2014-0258.

29 Collections under the N-Factor were deducted from the adjustment of lost
30 fixed cost recovery from Noranda. For the period April 2015 - May 2017, Ameren
31 Missouri claims that it will realize \$23.7 million of off-system sales margins as a result

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1 of applying the N-Factor. The derivation of the \$81.5 million of claimed unrecovered
2 Noranda fixed costs is provided below:

	<u>(\$/Millions)</u>
Rate Case Margins – Noranda Load	\$168.2
Actual Margins – Noranda Sales	(\$63.0)
N-Factor Off-System Sales Margins	<u>(\$23.7)</u>
Claimed Unrecovered Fixed Costs	\$81.5

3 **Q DO YOU AGREE WITH AMEREN MISSOURI’S PROPOSED ADJUSTMENT?**

4 A No. I believe this adjustment should not be approved by the Commission for two
5 reasons. First, I believe it is abundantly clear that Ameren Missouri is seeking to
6 recover costs from tomorrow’s ratepayers when those costs were already included in
7 the current rates, the rates in effect for the period April 2015 - May 2017. What
8 Ameren Missouri is really seeking to do is to recover its past shortfall in sales revenue
9 (profits) from tomorrow’s ratepayers. Therefore, Ameren Missouri seeks to have this
10 Commission engage in retroactive ratemaking. Second, this is not the first time that
11 Ameren Missouri has sought recovery of “lost fixed costs” under this theory; the
12 Commission denied Ameren Missouri’s prior request. The circumstances are very
13 similar and the Commission’s decision should be the same.

14 **Q PLEASE DISCUSS YOUR FIRST ARGUMENT RELATING TO RETROACTIVE**
15 **RATEMAKING.**

16 A In Ameren Missouri’s last rate case, Case No. ER-2014-0258, the cost of electricity to
17 serve Noranda was included in Ameren Missouri’s tariffed rates. To the extent that
18 Ameren Missouri did not collect those costs because it made insufficient sales, is a

1 risk its shareholders must bear. Collecting those costs, which were built into current
2 rates but not collected, is retroactive ratemaking. Retroactive ratemaking is the
3 process of setting rates prospectively to recover expenses not recovered (or
4 revenues not realized) from a prior rate determination.

5 **Q ARE YOU AWARE OF ANY RULINGS THAT WOULD PROHIBIT THE INCLUSION**
6 **OF THESE COSTS IN THIS RATE CASE?**

7 A Yes. I believe the simple reading of the following language from State Ex Rel. Utility
8 Consumers Council, 585 S.W.2d 41 (Mo. banc 1979) (“UCCM”) prohibits inclusion of
9 these costs:

10 The utilities take the risk that rates filed by them will be inadequate, or
11 excessive, each time they seek rate approval. To permit them to
12 collect additional amounts simply because they had additional past
13 expenses not covered by either clause is retroactive rate making, i.e.,
14 the setting of rates which permit a utility to recover past losses or
15 which require it to refund past excess profits collected under a rate that
16 did not perfectly match expenses plus rate-of-return with the rate
17 actually established.

18 and

19 Past expenses are used as a basis for determining what rate is
20 reasonable to be charged in the future in order to avoid further excess
21 profits or future losses, but under the prospective language of the
22 statutes, §§ 393.270(3) and 393.140(5) they cannot be used to set
23 future rates to recover for past losses due to imperfect matching of
24 rates with expenses.

25 **Q PLEASE DESCRIBE THE PREVIOUS TIME WHEN AMEREN MISSOURI**
26 **ATTEMPTED TO RECOVER LOST FIXED COSTS AS A RESULT OF NORANDA’S**
27 **OPERATIONS?**

28 A In Ameren Missouri’s last rate case, Case No. ER-2014-0258, it sought recovery of
29 Noranda’s lost fixed costs as a result of a Commission-approved Accounting Authority

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1 Order. The lost fixed cost that Ameren Missouri sought to recover resulted from lost
2 sales to Noranda resulting from a severe ice storm that struck portions of Ameren
3 Missouri's service territory in January 2009.

4 **Q HOW DID THE COMMISSION RULE ON THIS REQUEST FOR THE LOST FIXED**
5 **COST RECOVERY?**

6 A The Commission denied Ameren Missouri's request. Below is a portion of the
7 Commission's Order from Case No. ER-2014-0258, which discusses this issue.

8 When Ameren Missouri chose to provide service to a customer the
9 size of Noranda, it understood that the profits it could earn from the
10 business relationship came with a substantial risk. The risk that
11 Noranda's production would fall and that it would be unable to sell as
12 much electricity as it anticipated was a risk the company's
13 shareholders, who benefit from the profits earned by serving Noranda,
14 should bear. Ratepayers are not the insurers of Ameren Missouri's
15 profits and should not have to bear the risk that those profits are not as
16 great as anticipated because of a drop in production at Noranda.
17 (Report and Order, April 29, 2015, Case No. ER-2014-0258, p 42).

18 **Q ARE YOU AWARE OF ANY OTHER COMMISSION DECISIONS WHICH MAY**
19 **ADDRESS THIS ISSUE?**

20 A Yes. In Ameren Missouri's last rate case, an issue arose regarding the level of sales
21 to Noranda. Ameren Missouri argued that a reduced level of sales to Noranda should
22 be included in base rates. The Commission rejected Ameren Missouri's position and
23 stated the following in its Order:

24 Of course, there is a possibility that Noranda will not return to full
25 production as anticipated, but Ameren Missouri's shareholders
26 should bear the business risk of reduced sales, not its ratepayers.
27 (Report and Order, April 29, 2015, Case No. ER-2014-0258, p 17).

28 The Commission addressed the loss of Noranda's load both times and made
29 the finding that the loss of Noranda's load was a risk that shareholders must bear.

1 The issue currently before this Commission is exactly the same, and I recommend to
2 the Commission that it reach the same decision as well.

3 **Q HAVE YOU REVIEWED THE CALCULATION OF THE CLAIMED \$81.5 MILLION**
4 **OF LOST FIXED COST RECOVERY AND, IF SO, REGARDLESS OF YOUR**
5 **OPINION ABOUT THE PROPRIETARY OF THE ADJUSTMENT, DO YOU AGREE**
6 **WITH THE CALCULATION?**

7 A I have reviewed the calculation supporting the \$81.5 million claim of lost fixed costs
8 and I do not agree with the calculation.

9 **Q COULD YOU PLEASE EXPLAIN WHAT PARTS OF THE CALCULATION YOU DO**
10 **NOT AGREE WITH?**

11 A Yes. I do not believe that Ameren Missouri should request lost fixed cost recovery for
12 the months of April 2015 - June 2015.

13 **Q WHY DO YOU BELIEVE THE MONTHS OF APRIL 2015 - JUNE 2015 SHOULD BE**
14 **EXCLUDED FROM THE CALCULATION?**

15 A The months of April 2015 - June 2015 should be excluded from the calculation based
16 on a review of the N-Factor language in Ameren-Missouri's FAC tariff. The N-Factor
17 language limits the threshold for Ameren Missouri to begin recognizing off-system
18 sales as a substitution for the lower Noranda loads. In the N-Factor, nothing happens
19 for sales drops of 40,000,000 kWhs or less in a month. For the months of April 2015 -
20 June 2015, sales to Noranda fall short of expectations by less than 40,000,000 kWh
21 per month. I have prepared Table 2 to show the rate case calculation of Noranda's
22 sales and the actual sales to Noranda.

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<u>Month</u>	<u>Rate Case Sales (kWh)</u>	<u>Actual Sales (kWh)</u>	<u>Difference (kWh)</u>
April 2015	340,007,000	308,002,000	32,005,000
May 2015	349,700,000	328,260,000	21,440,000
June 2015	339,855,000	317,267,000	22,588,000

1 As can be seen from the above table, during each of the three months
2 (April-June), Ameren Missouri never reached the threshold to apply the N-Factor
3 under the FAC tariff. The Commission, and the parties to the case implementing the
4 N-Factor, understood that Ameren Missouri was to see no relief for modest drops in
5 Noranda demand, and that is why the tariff contains a sales threshold. Yet, under the
6 relief that Ameren Missouri seeks here, it would receive the contemplated N-Factor
7 relief, plus much greater relief on top of that, even though such relief was never
8 contemplated by the parties.

9 **Q PLEASE SUMMARIZE YOUR POSITION.**

10 A Ameren Missouri is once again attempting to collect claimed unrecovered fixed costs.
11 It has attempted this before in Case No. ER-2014-0258 and the Commission rightfully
12 denied customer rate recovery. The circumstances have not changed and I
13 recommend to the Commission that it again deny recovery.

1 **AMORTIZATIONS**

2 **Q WHAT LEVEL OF AMORTIZATION EXPENSE WAS RECORDED BY AMEREN**
3 **MISSOURI DURING THE TEST YEAR (MARCH 31, 2016)?**

4 A Ameren Missouri recorded approximately \$5.7 million of amortization expense during
5 the test year.

6 **Q WHAT LEVEL OF ANNUALIZED AMORTIZATION EXPENSE DOES AMEREN**
7 **MISSOURI PROPOSE FOR THIS CASE?**

8 A Ameren Missouri proposes an annualized level of \$25.3 million for amortization
9 expense.

10 **Q DO YOU AGREE WITH THE ANNUALIZED LEVEL OF AMORTIZATION EXPENSE**
11 **PROPOSED BY AMEREN MISSOURI?**

12 A No. I have several adjustments that will significantly reduce the level of annualized
13 amortization expense.

14 **Q PLEASE DESCRIBE THE ADJUSTMENTS YOU ARE PROPOSING.**

15 A The first adjustment I propose is the denial of the lost fixed cost recovery from loss of
16 the Noranda load. I have previously discussed this issue. My proposed denial of
17 cost recovery reduces the annualized level of expense by \$8.1 million.

18 The second adjustment I am proposing is to disallow an amortization that
19 should expire in the same month as the operation of law date in this rate case.

20 Finally, the last adjustment I am proposing is to rebase the amortization
21 periods of five amortizations to better reflect the period the rates from this rate case
22 will be in effect.

1 Q PLEASE DESCRIBE THE AMORTIZATION WHICH EXPIRES IN THE SAME
2 MONTH AS THE OPERATION OF LAW DATE IN THIS CASE.

3 A There is presently an amortization of energy efficiency costs (407-305) of \$2.1 million,
4 over two years which is set to expire in May 2017. Ameren Missouri has indicated
5 that it believes that new rates from this rate case will be effective May 27, 2017.
6 Ameren Missouri nevertheless has included \$1.0 million in annualized amortization
7 expense for this item in this rate case, which will lead to a gross over-collection of
8 these energy efficiency costs. I propose to eliminate this amortization from Ameren
9 Missouri's cost of service in order to prevent this over-collection.

10 Q PLEASE DESCRIBE THE AMORTIZATIONS THAT YOU PROPOSE TO REBASE.

11 A Based on the assumption that Ameren Missouri files its next rate case consistent with
12 the timing of this case, Ameren Missouri has identified five amortizations that will
13 expire before the new rates will be effective in Ameren Missouri's next rate case.
14 These amortizations are listed in Table 3.

<u>Account No.</u>	<u>Description</u>	<u>Annual Amortization</u>	<u>Amortization Expiration Date</u>
407-357	Veg. & Insp. Asset	\$513,270	May 2018
407-309	Energy Efficiency – 2/11	\$5,437,644	July 2017
407-387	Energy Efficiency – 7/12	\$6,146,440	December 2018
407-xxx	Over-Collection Amount	(\$474,938)	May 2018
407-4FN	FIN 48 Tracker	(\$2,465,529)	May 2018

1 I am proposing to rebase these amortizations such that the unamortized balance at
2 June 1, 2017 is amortized over a two-year period. This amortization is necessary to
3 closely match the amortization period to the customer rate effective period.

4 **Q WHAT IS THE IMPACT ON AMEREN MISSOURI'S PROPOSED ANNUALIZED**
5 **LEVEL OF AMORTIZATION EXPENSE IN TOTAL AND BROKEN OUT BY YOUR**
6 **VARIOUS ADJUSTMENTS?**

7 A My proposed adjustments to Ameren Missouri's annualized amortization expense
8 lowers the rate increase by \$14.2 million. The detail of my proposed adjustments is
9 listed in Table 4.

Description	Amount (\$/Millions)
Noranda's Lost Fixed Cost Recovery	\$ 8.1
Amortization Expiring at Operation of Law Date	1.0
Rebasing Amortizations	<u>5.1</u>
	\$14.2

10 **Q DO YOU HAVE ANY FURTHER COMMENTS ABOUT AMORTIZATIONS?**

11 A Yes. Amortization is a special ratemaking tool that is used to recover or refund
12 expenses/revenues over a period longer than one year. Amortizations are provided
13 to recover those expenses or refunds, dollar for dollar. They are not intended to
14 provide a windfall to either shareholders or customers. It is in this context that I
15 propose the following conditions for amortizations be applied in this rate case. A

Greg R. Meyer
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1 similar agreement was reached by the parties in KCP&L Greater Missouri Operations
2 (“GMO”) last rate case (Case No. ER-2106-0156).

3 In each future Ameren Missouri general rate case, the balance of each
4 amortization relating to regulatory assets or liabilities that remains,
5 after full recovery by Ameren Missouri (regulatory asset) or full credit to
6 Ameren Missouri customers (regulatory liability), shall be applied as
7 offsets to other amortizations which do not expire before Ameren
8 Missouri’s new rates from that rate case take effect. In the event no
9 other amortization expires before Ameren Missouri’s new rates from
10 that rate case take effect, then the remaining unamortized balance
11 shall be a new regulatory liability or asset that is amortized over an
12 appropriate period of time.

13 **Q WOULD YOU STILL MAKE THE TYPES OF REBASING ADJUSTMENTS YOU**
14 **HAVE PROPOSED IN PAST AMEREN MISSOURI RATE CASES?**

15 A Yes. I believe rebasing adjustments would still be appropriate. The language I have
16 proposed would be applicable to those instances when the amortizations did not
17 perfectly match the rate case timelines. I do not anticipate large balances resulting
18 from this mechanism unless the timing of a rate case changes materially.

19 **SOLAR REBATES**

20 **Q HAS AMEREN MISSOURI PROPOSED ADJUSTMENTS TO ITS COST OF**
21 **SERVICE RELATED TO SOLAR REBATE COSTS?**

22 A Yes. Ameren Missouri has proposed two adjustments to the solar rebate costs. First,
23 Ameren Missouri is proposing to rebase the remaining unamortized solar rebate
24 balance at the end of May 2017 over two years and include an amortization of new
25 solar rebate costs over three years. The second adjustment Ameren Missouri
26 proposes is to increase expense by \$1.4 million to reflect a three-year amortization of
27 the under-collection of solar rebate costs from June 2015 - December 2016.

1 Q DO YOU AGREE WITH AMEREN MISSOURI'S PROPOSED ADJUSTMENTS?

2 A No. I am opposed to the inclusion of the adjustment to reflect the under-collection of
3 solar rebate costs in this case.

4 Q WHAT IS THE BASIS FOR YOUR OBJECTION?

5 A In the Non-Unanimous Stipulation and Agreement ("S&A") in Case No.
6 ET-2014-0085, the under/over-collection of solar rebate costs would be
7 collected/refunded back to customers over an amortization period. However, the
8 S&A has the following language addressing this issue.

9 In the first general rate case occurring after the general rate case when
10 the last dollar of the balance of the regulatory asset provided for in
11 subparagraph d was included in rates, the difference shall be included
12 as either a positive or negative amortization in rates over a three-year
13 period.

14 From the above language, Ameren Missouri's proposed adjustment is simply
15 premature and needs to be proposed in a future Ameren Missouri rate case. Ameren
16 Missouri should continue to monitor under/over-collections and propose an
17 adjustment once the solar rebate costs have been collected from customers.
18 Therefore, I propose the adjustment for the under-collection of solar rebate costs be
19 disallowed. This lowers Ameren Missouri's cost of service by \$1.4 million.

20 Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

21 A Yes.

Qualifications of Greg R. Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a consultant in the field of public utility regulation and a Principal with the firm of
6 Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
8 **EXPERIENCE.**

9 A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree
10 in Business Administration, with a major in Accounting. Subsequent to graduation I
11 was employed by the Missouri Public Service Commission. I was employed with the
12 Commission from July 1, 1979 until May 31, 2008.

13 I began my employment at the Missouri Public Service Commission as a
14 Junior Auditor. During my employment at the Commission, I was promoted to higher
15 auditing classifications. My final position at the Commission was an Auditor V, which I
16 held for approximately ten years.

17 As an Auditor V, I conducted audits and examinations of the accounts, books,
18 records and reports of jurisdictional utilities. I also aided in the planning of audits and
19 investigations, including staffing decisions, and in the development of staff positions in
20 which the Auditing Department was assigned. I served as Lead Auditor and/or Case

1 Supervisor as assigned. I assisted in the technical training of other auditors, which
2 included the preparation of auditors' workpapers, oral and written testimony.

3 During my career at the Missouri Public Service Commission, I presented
4 testimony in numerous electric, gas, telephone and water and sewer rate cases. In
5 addition, I was involved in cases regarding service territory transfers. In the context of
6 those cases listed above, I presented testimony on all conventional ratemaking
7 principles related to a utility's revenue requirement. During the last three years of my
8 employment with the Commission, I was involved in developing transmission policy
9 for the Southwest Power Pool as a member of the Cost Allocation Working Group.

10 In June of 2008, I joined the firm of Brubaker & Associates, Inc. as a
11 Consultant. Since joining the firm, I have presented testimony and/or testified in the
12 state jurisdictions of Florida, Idaho, Illinois, Indiana, Maryland, Missouri and
13 Washington. I have also appeared and presented testimony in Alberta and Nova
14 Scotia, Canada. These cases involved addressing conventional ratemaking principles
15 focusing on the utility's revenue requirement. The firm Brubaker & Associates, Inc.
16 provides consulting services in the field of energy procurement and public utility
17 regulation to many clients including industrial and institutional customers, some
18 utilities and, on occasion, state regulatory agencies.

19 More specifically, we provide analysis of energy procurement options based
20 on consideration of prices and reliability as related to the needs of the client; prepare
21 rate, feasibility, economic, and cost of service studies relating to energy and utility
22 services; prepare depreciation and feasibility studies relating to utility service; assist in
23 contract negotiations for utility services, and provide technical support to legislative
24 activities.

1 In addition to our main office in St. Louis, the firm has branch offices in
2 Phoenix, Arizona and Corpus Christi, Texas.

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Ameren Missouri

Rate Case History (Dollars in Thousands)

<u>Case No.</u>	<u>Requested Base Rate Increase</u>	<u>Granted Base Rate Increase</u>	<u>Difference</u>	<u>Percent of Request Rejected</u>	<u>Date of Increase</u>	<u>Base Rate Increase (%)</u>	<u>FAC Increase</u>
ER-2007-0002	\$ 360,709	\$ 42,788	\$ 317,921	88.1%	August 2007	2.0%	
ER-2008-0318	\$ 250,806	\$ 161,709	\$ 89,097	35.5%	March 2009	7.8%	
ER-2010-0044					October 2009		\$ (12,649)
ER-2010-0165					February 2010		\$ 18,954
ER-2010-0036	\$ 401,500	\$ 229,600	\$ 171,900	42.8%	June 2010	10.3%	
ER-2010-0264					June 2010		\$ 45,303
ER-2011-0018					October 2010		\$ 71,618
ER-2011-0153					February 2011		\$ 63,176
ER-2011-0317					June 2011		\$ 24,051
ER-2011-0028	\$ 263,000	\$ 173,225	\$ 89,775	34.1%	August 2011	7.0%	
ER-2012-0028					October 2011		\$ (9,734)
ER-2012-0165					February 2012		\$ 34,354
ER-2012-0319					June 2012		\$ 38,370
ER-2013-0030					October 2012		\$ 27,698
ER-2012-0166	\$ 376,000	\$ 260,200	\$ 115,800	30.8%	December 2012	10.1%	
ER-2013-0310					February 2013		\$ 83,568
ER-2013-0433					June 2013		\$ 51,392
ER-2014-0022					October 2013		\$ 39,118
ER-2014-0163					February 2014		\$ 24,238
ER-2014-0262					June 2014		\$ 56,884
ER-2015-0022					October 2014		\$ 56,363
ER-2015-0128					February 2015		\$ 44,312
ER-2014-0258	\$ 264,100	\$ 121,545	\$ 142,555	54.0%	May 2015	4.4%	
ER-2015-0234					June 2015		\$ 59,981
ER-2016-0017					Oct-15		\$ 45,691
ER-2016-0130					Feb-16		\$ (415)
ER-2016-0243					May 2016		\$ (14)
ER-2016-0179	\$ 206,400	N/A	N/A	N/A	July 2016	N/A	
ER-2017-0024					September 2016		\$ 12,168
Total	\$ 2,122,515	\$ 989,067	\$ 927,048	48.4%		41.6%	\$ 774,428
Compound Percent Increase						49.1%	

Ameren Missouri

Authorized and Reported Return on Equity

<u>12-Month Period Ended</u>	<u>Authorized Return on Equity</u>	<u>Actual Reported Return on Equity</u>
June 2007	10.20%	8.85%
July 2007	10.20%	9.07%
August 2007	10.20%	9.74%
September 2007	10.20%	10.46%
October 2007	10.20%	9.90%
November 2007	10.20%	9.58%
December 2007	10.20%	9.82%
January 2008	10.20%	10.07%
February 2008	10.20%	9.70%
March 2008	10.20%	10.14%
April 2008	10.20%	11.32%
May 2008	10.20%	10.79%
June 2008	10.20%	10.46%
July 2008	10.20%	10.35%
August 2008	10.20%	9.63%
September 2008	10.20%	8.71%
October 2008	10.20%	7.60%
November 2008	10.20%	6.67%
December 2008	10.20%	7.45%
January 2009	10.20%	7.40%
February 2009	10.76%	6.64%
March 2009	10.76%	6.55%
April 2009	10.76%	5.99%
May 2009	10.76%	6.14%
June 2009	10.76%	6.47%
July 2009	10.76%	6.08%
August 2009	10.76%	6.43%
September 2009	10.76%	6.72%
October 2009	10.76%	7.50%
November 2009	10.76%	7.77%
December 2009	10.76%	7.27%
January 2010	10.76%	8.55%
February 2010	10.76%	8.96%
March 2010	10.76%	8.61%
April 2010	10.76%	7.82%
May 2010	10.76%	7.29%
June 2010	10.10%	8.32%
July 2010	10.10%	9.74%
August 2010	10.10%	10.49%
September 2010	10.10%	11.02%
October 2010	10.10%	10.84%
November 2010	10.10%	9.27%

Ameren Missouri

Authorized and Reported Return on Equity

<u>12-Month Period Ended</u>	<u>Authorized Return on Equity</u>	<u>Actual Reported Return on Equity</u>
December 2010	10.10%	8.89%
January 2011	10.10%	8.22%
February 2011	10.10%	8.10%
March 2011	10.10%	8.56%
April 2011	10.10%	8.44%
May 2011	10.10%	8.58%
June 2011	10.10%	8.11%
July 2011	10.10%	8.56%
August 2011	10.20%	7.18%
September 2011	10.20%	8.21%
October 2011	10.20%	8.20%
November 2011	10.20%	8.18%
December 2011	10.20%	8.35%
March 2012	10.20%	8.87%
June 2012	10.20%	10.53%
August 2012	10.20%	10.11%
September 2012	10.20%	10.50%
October 2012	10.20%	10.77%
November 2012	10.20%	10.92%
December 2012	10.20%	11.66%
January 2013	9.80%	11.54%
February 2013	9.80%	11.64%
March 2013	9.80%	12.28%
April 2013	9.80%	12.10%
May 2013	9.80%	10.95%
June 2013	9.80%	10.57%
July 2013	9.80%	9.77%
August 2013	9.80%	9.74%
September 2013	9.80%	10.32%
October 2013	9.80%	10.24%
November 2013	9.80%	10.50%
December 2013	9.80%	10.34%
January 2014	9.80%	10.43%
February 2014	9.80%	10.62%
March 2014	9.80%	10.45%
April 2014	9.80%	11.28%
May 2014	9.80%	11.87%
June 2014	9.80%	11.89%
September 2014	9.80%	11.43%

Ameren Missouri

Authorized and Reported Return on Equity

<u>12-Month Period Ended</u>	<u>Authorized Return on Equity</u>	<u>Actual Reported Return on Equity</u>
December 2014	9.80%	THIS INFORMATION HAS BEEN CLASSIFIED HIGHLY CONFIDENTIAL
March 2015	9.80%	
June 2015	9.53%	
September 2015	9.53%	
December 2015	9.53%	
March 2016	9.53%	
June 2016	9.53%	
September 2016	9.53%	

Ameren Missouri Historical Reported Earnings

