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Witness: Lynn M. Barnes
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EC-2014-0223

REBUTTAL TESTIMONY

OF

LYNN M. BARNES

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

**St. Louis, Missouri
June, 2014**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LYNN M. BARNES**

4 **FILE NO. EC-2014-0223**

5 **I. INTRODUCTION**

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

7 A. My name is Lynn M. Barnes. My business address is One Ameren Plaza,
8 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

10 A. I have a Bachelor of Science degree in Accounting from Millikin
11 University, Decatur, Illinois. I am also a licensed Certified Public Accountant in the
12 states of Missouri and Illinois.

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

14 A. I am employed by Union Electric Company d/b/a Ameren Missouri
15 (“Ameren Missouri” or the “Company”) as Vice President, Business Planning and
16 Controller.

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

18 A. After 11 years in public accounting with Deloitte & Touche as an auditor
19 and 16 months with the Boeing Company (formerly McDonnell Douglas Corporation), as
20 Manager of Financial Reporting, I joined Union Electric Company in 1997 as General
21 Supervisor of Financial Communications. I was promoted to Manager of Financial
22 Communications in 1999, and my responsibilities included managing the financial
23 reporting department, the regulatory accounting department, and investor relations during

1 the period of the Company's transition from a single utility to a public utility holding
2 company with multiple operating companies. I directed financial management functions
3 including preparation and analysis of monthly/quarterly financial statements and external
4 reports for all Ameren Corporation subsidiaries. In 2002, I transferred to Ameren
5 Services Company's Energy Delivery Department as Controller, and in 2005 I was
6 promoted to Director of Energy Delivery Business Services. In July 2007 I was
7 promoted to Controller for AmerenUE and in October 2007 I was promoted to Vice
8 President, Business Planning and Controller for AmerenUE¹.

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

11 A. In my current position as Vice President, Business Planning and
12 Controller, I supervise the Company's financial affairs, including about \$1.7 billion of
13 annual operations and maintenance ("O&M") expenses and capital expenditures. I direct
14 Ameren Missouri's financial management functions including analysis of
15 monthly/quarterly financial statements, financial forecasting, and budget development
16 and management. I also coordinate the performance management reporting and the
17 business planning process used throughout the Company. I interact with Ameren
18 Missouri's Chief Executive Officer and senior leadership concerning strategic initiatives,
19 financial forecasts and reports. I also serve as liaison between Ameren Missouri's
20 management and the Ameren Corporation controller function.

¹ AmerenUE is a d/b/a under which Union Electric Company formerly conducted its business. As noted earlier, Union Electric Company now conducts its business using the d/b/a "Ameren Missouri."

1 **Q. Have you previously testified before the Missouri Public Service**
2 **Commission (“MPSC” or “Commission”)?**

3 A. Yes. I testified before the MPSC in the Company’s 2008 electric rate case
4 (Case No. ER-2008-0318) on miscellaneous cost of service issues and in the last three
5 electric rate cases (Case Nos. ER-2010-0036, ER-2011-0028 and ER-2012-0166) on the
6 Company’s fuel adjustment clause (“FAC”). I have testified in two prudence review
7 cases regarding the Company’s FAC (Case Nos. EO-2010-0255 and EO-2012-0074) and
8 in Case No. EU-2012-0027 regarding an accounting authority order request. I also
9 submitted testimony in Ameren Missouri’s initial filing under the Missouri Energy
10 Efficiency Investment Act (“MEEIA”), addressing the financial impacts of the alternative
11 Demand-Side Investment Mechanisms proposed in that case by other parties and in
12 Kansas City Power & Light Company’s MEEIA case (Case No. EO-2014-0095) on a
13 similar issue.

14 **II. PURPOSE AND SUMMARY OF TESTIMONY**

15 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

16 A. The purpose of my testimony is to provide information regarding the
17 Company’s planned additions to plant-in-service during the remainder of 2014. These
18 investments will be serving customers in just a few months. I will also discuss other
19 major plant additions made since our last rate case that are already serving customers.

20 **Q. Please summarize your testimony.**

21 A. When evaluating the justness and reasonableness of rates, the Commission
22 must make an appropriate forecast of what the utility's revenue requirement will be in the
23 future. That means that the evaluation being undertaken in this case must be whether it is

1 just and reasonable to continue the Company's current rates prospectively. One cannot
2 make that determination without taking into account current conditions and those
3 conditions that will prevail in the future after a rate change might occur. By the time
4 2014 is concluded, we will have placed approximately \$1.7 billion of capital investments
5 into service since our last rate case, including several very large capital additions. This
6 means that our rate base for ratemaking purposes will be significantly larger in just the
7 next few months than it would appear to be if one were to rely only on backward-looking
8 data, particularly the data relied upon by Complainants.

9 **III. CAPITAL INVESTMENTS**

10 **Q. What capital additions have been made since the last rate case?**

11 A. Capital additions placed in service during the period between the true-up
12 date in our last rate case, Case No. ER-2012-0166 (July 31, 2012), and April 30, 2014²,
13 total nearly \$723 million. Of this amount, approximately \$279 million was placed in
14 service between October 2013 and April 2014. Large investments in this total include the
15 Central Substation in midtown St. Louis (serving the BJC hospital complex among other
16 customers), transmission projects required to meet North American Electric Reliability
17 Corporation ("NERC") requirements, and plant placed in service during storm
18 restoration, among other things. These investments are already serving our customers.
19 Attached hereto as Schedule LMB-1 is a listing of these investments, including their in-
20 service dates, as well as other major capital projects that went into service during this
21 period.

² April 2014 is the last month for which we have closed our books as of the date this testimony was prepared.

1 **Q. What capital additions are expected over the coming months in 2014?**

2 A. During the remainder of 2014, the Company is expecting additional
3 capital projects to be placed in service reflecting an investment of approximately
4 \$1 billion. Notable among those investments are the MLK Substation located in
5 downtown St. Louis, mandated Electrostatic Precipitator improvements to Units 1 and 2
6 at the Labadie Energy Center, a new accounting and general ledger system, three
7 investments required by NERC, the new O'Fallon Solar Energy Center and a necessary
8 replacement of the reactor head at the Callaway Energy Center, among other things. I
9 have listed the estimated cost of each of these major projects and their planned in-service
10 dates, and have also included additional projects that are scheduled to go into service
11 throughout the rest of 2014, in Schedule LMB-2 attached hereto.

12 **Q. Why must these additions be considered in this case?**

13 A. As I alluded to earlier, the question before the Commission is whether
14 conditions in the future after a rate change could occur, and for a reasonable time
15 thereafter, suggest that continuing the Company's current rates would be unjust and
16 unreasonable in that future period. In order to make that judgment, the Commission has
17 to have an understanding of what future conditions are likely to be. As Ameren Missouri
18 witness Gary Weiss discusses in his testimony, one cannot make a prediction about those
19 conditions sufficient to actually change rates without conducting an exhaustive cost of
20 service (revenue requirement) study based upon a test year and an appropriate true-up
21 that would only need to be set later if the Commission determined that continuation of the
22 Company's current rates is unjust and unreasonable. It is premature to conduct such a
23 study at this time and there is insufficient time to do so within the schedule adopted for

1 this case. However, given the significance of the investments we are making and the
2 degree to which we know they drive our revenue requirement, these significant
3 investments are relevant to the issue before the Commission at this time³.

4 **Q. How confident can the Commission be that these expenditures will**
5 **actually be made and placed in service?**

6 A. Highly confident. We have already spent approximately 54 percent of the
7 remaining \$1 billion we will be placing in service this year. We are on schedule for each
8 of the major projects that are not yet done that I referred to above. These projects are
9 also in an advanced stage of completion, which creates a high degree of certainty that the
10 total investment will be close to the currently forecasted investment.

11 **Q. Do you have any historical information that shows that the Company**
12 **is able to accurately forecast the plant that will go into service over a future period,**
13 **such as the eight month period (May 1 to December 31, 2014) for which you are**
14 **forecasting here?**

15 A. Yes, I do. As the Commission knows, we have had five rate cases over
16 the past several years. When we file those cases, we typically use a test year ending a
17 few months before the filing date and we make pro forma adjustments to the test year
18 data to reflect a number of items, including plant-in-service, through the anticipated true-
19 up date for the case. It has thus been quite common for us to forecast (through these pro

20

³ While as noted a full cost of service study would have to be done to develop a proper revenue requirement, I am specifically aware of some other significant items that will be reflected in our revenue requirement for our upcoming rate case, which we will file no later than July 15. These include amortization of the solar rebates we are paying (which would have a revenue requirement impact of about \$33 million), increased depreciation expense based on the potential for changes in depreciation rates resulting from the depreciation study that the Company is preparing, amortization of the sums that were the subject of File No. EU-2012-0027, and wage increases, among other things.

1 forma adjustments) future plant additions. I have examined our forecasted plant
2 additions from the last five rate cases versus what the actual plant additions through the
3 true-up period turned out to be. On average, our forecasts at the time the rates cases were
4 filed came within one percent of the actual expenditures as of the end of the true-up
5 period in those rate cases. As noted earlier, a key reason we are able to forecast with this
6 kind of accuracy is that when forecasting out over a period of just six to twelve months,
7 the projects typically are fairly advanced in their progress towards completion. The more
8 advanced a project becomes, the more certainty one has on both cost and schedule.
9 Given that we are only forecasting a period of eight months here, I am very confident that
10 our forecast will closely match the actual plant-in-service additions for the rest of the
11 year. Consequently, an evaluation of the justness and reasonableness of our current rates
12 would be incomplete and misleading without accounting for these significant investments
13 that will be serving customers in the near term.

14 **Q. Does this conclude your rebuttal testimony?**

15 **A. Yes, it does.**

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

Noranda Aluminum, Inc. et al.)
)
Complainants,)
v.) **File No. EC-2014-0223**
)
Union Electric Company, d/b/a)
Ameren Missouri)
Respondent.)

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 Rebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 7 pages and Schedules LMB- 1 through 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 14th day of June, 2014.



Notary Public

My commission expires:

