

Exhibit No.:  
Issue: Revenue Requirement  
Witness: Stephen M. Rackers  
Type of Exhibit: Direct Testimony  
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**

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**In the Matter of Union Electric Company  
d/b/a Ameren Missouri's Tariffs to  
Increase Its Revenues for Electric Service**

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

Direct Testimony of

**Stephen M. Rackers**

On behalf of

**Missouri Industrial Energy Consumers**

December 9, 2016



**BEFORE THE PUBLIC SERVICE COMMISSION  
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Case No. ER-2016-0179

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

**Affidavit of Stephen M. Rackers**

Stephen M. Rackers, being first duly sworn, on his oath states:

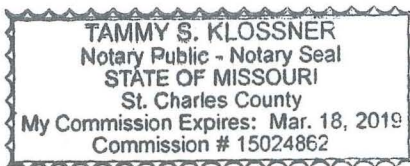
1. My name is Stephen M. Rackers. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on its behalf.

2. Attached hereto and made a part hereof for all purposes is my direct testimony which was 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 is true and correct and that it shows the matters and things that it purports to show.

  
\_\_\_\_\_  
Stephen M. Rackers

Subscribed and sworn to before me this 8<sup>th</sup> day of December, 2016.



  
\_\_\_\_\_  
Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION  
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**Table of Contents to the  
Direct Testimony of Stephen M. Rackers**

OVERVIEW.....2

PENSIONS AND OPEBS .....3

INCOME TAX.....5

AMS COST .....6

Qualifications of Stephen M. Rackers

**BEFORE THE PUBLIC SERVICE COMMISSION  
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Case No. ER-2016-0179

**Direct Testimony of Stephen M. Rackers**

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

2   A     Stephen M. Rackers. My business address is 16690 Swingley Ridge Road,  
3     Suite 140, Chesterfield, MO 63017.

4   **Q     WHAT IS YOUR OCCUPATION?**

5   A     I am a consultant in the field of public utility regulation and an Associate 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

**Stephen M. Rackers  
Page 1**

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 SUBJECT MATTER OF YOUR TESTIMONY?**

4 A My testimony will address pensions, other post-employment benefits ("OPEBs"),  
5 income taxes and charges to Ameren Missouri by Ameren Management Services  
6 Company ("AMS").

7 My silence with regard to any issue should not be construed as an  
8 endorsement of Ameren Missouri's position.

9 **OVERVIEW**

10 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCLUSIONS**  
11 **REGARDING THE ITEMS LISTED ABOVE.**

12 A With regard to pensions and OPEBs, I recommend reducing the Company's  
13 proposed expense levels by approximately \$3.7 million. This reduction reflects the  
14 most recent actuarial information available for the calendar year 2016 true-up period.

15 In the area of income taxes, I am proposing a change to Ameren Missouri's  
16 calculation of its income tax expense, which is shown on Schedule LMM-14 attached  
17 to the direct testimony of Company witness Laura M. Moore. I will also address  
18 Ameren Missouri's proposed Financial Accounting Standards Board Interpretation  
19 No. 48 ("FIN 48") regulatory asset rate base balance and amortization expense  
20 levels. These items are shown on Schedules LMM-8 and LMM-12, respectively.

21 My discussion of AMS charges to Ameren Missouri includes both a proposed  
22 adjustment and a recommendation to address problems with cost allocation. I am  
23 proposing an adjustment to reduce AMS charges associated with a shift in cost to

**Stephen M. Rackers**  
**Page 2**

1 Ameren Missouri resulting from Ameren Corporation's decision to sell its merchant  
2 generation business. This adjustment reduces revenue requirement by \$9.4 million.

3 In addition, my analysis of AMS allocations shows that a disproportionate  
4 share of costs are charged to the retail distribution utilities, Ameren Missouri and  
5 Ameren Illinois Company ("AIC"). I am recommending that this allocation problem be  
6 addressed in a separate docket that has been requested by other parties to the  
7 current rate case. I am also recommending that a portion of the authorized revenue  
8 requirement in the current rate case be interim subject to refund, to correct rates and  
9 return monies to customers, if AMS allocations and the resulting charges to Ameren  
10 Missouri are found to be excessive.

### 11 **PENSIONS AND OPEBS**

12 **Q PLEASE DESCRIBE THE REGULATORY FRAMEWORK FOR PENSIONS AND**  
13 **OPEBS IN RECENT GENERAL RATE PROCEEDINGS.**

14 **A** In recent general rate proceedings, expense levels for pensions and OPEBs have  
15 been included in rates based on information provided by the Company's actuary,  
16 Towers Watson, in compliance with the established true-up period. As approved by  
17 the Commission, the level of expense included in rates is tracked against the actual  
18 pensions and OPEBs expense experienced and funded by Ameren Missouri while  
19 rates are in effect. Any amount over or under the level included in rates is  
20 accumulated and deferred through the true-up period in the next general rate  
21 proceeding. This accumulated amount is included in rate base and amortized in  
22 expense over a five-year period beginning with the effective date of rates in the next  
23 rate case.

1 **Q HAS AMEREN MISSOURI FOLLOWED THE REGULATORY FRAMEWORK YOU**  
2 **DESCRIBED ABOVE?**

3 A Yes, and I am not proposing any changes to the regulatory framework in this case.  
4 However, since the Company's filing of its rate case, Towers Watson has provided  
5 new information regarding the 2016 cost of pensions and OPEBs.<sup>1</sup> I recommend  
6 updating Ameren Missouri's calculation of pension and OPEB expense to incorporate  
7 this new information.

8 **Q DOES YOUR USE OF THE LATEST ESTIMATE OF THE 2016 PENSION AND**  
9 **OPEB EXPENSE FOLLOW THE COMPANY'S PROPOSAL IN THIS CASE?**

10 A Yes. On page 3 of her direct testimony, Ameren Missouri witness Laura M. Moore  
11 lists the items the Company is proposing to true-up through December 31, 2016.  
12 Pension and OPEB expense is included in this list on lines 22 and 23.

13 **Q WHAT EFFECT DID THIS UPDATED INFORMATION FROM TOWERS WATSON**  
14 **HAVE ON THE COST OF PENSIONS AND OPEBS?**

15 A Based on the Towers Watson update, pensions declined by \$4 million and OPEBs  
16 increased (became less negative) by \$.03 million. I recommend reducing the  
17 Company's revenue requirement by \$3.7 million to reflect the latest Towers Watson  
18 2016 expense update.

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<sup>1</sup>Ameren Missouri's response to MPSC 0065, supplemental.

**INCOME TAX**

**Q PLEASE DISCUSS THE REVENUE REQUIREMENT COMPONENTS YOU EXAMINED IN YOUR REVIEW OF INCOME TAXES.**

A. I examined Ameren Missouri’s calculation of income tax expense, the accumulated deferred income tax balance included in rate base and the determination of the rate base balance and amortization expense for the FIN 48 regulatory asset.

**Q BASED ON YOUR REVIEW AND DISCUSSIONS WITH COMPANY PERSONNEL, DO YOU RECOMMEND ANY CHANGES OF THE COMPANY’S INCOME TAX CALCULATION?**

A Yes. On line 8 of Schedule LMM-14 the Company has included an addition to net income before income tax labeled “Book Depreciation Charged To O&M.” Ameren Missouri uses transportation and power operated equipment for both maintenance and construction projects. As a result, a portion of the depreciation on this equipment is charged to operation and maintenance (“O&M”) expense and a portion is capitalized as a cost of construction. In addition, the depreciation associated with coal cars is included in O&M expense as a cost of fuel. Therefore, the amount that should be added to net income before income tax is the depreciation charged to O&M expense associated with transportation and power operated equipment and coal cars. However, the amount included in Ameren Missouri’s income tax calculation is overstated, since it reflects the total depreciation on transportation and power operated equipment, rather than only the expense portion. Since any change to this addition to taxable income will be offset by a reduction to taxable income, as shown on line 16 of Schedule LMM-14, this change results in only a small change in the amount of current income tax expense.

**Stephen M. Rackers  
Page 5**



1 Q ARE YOU PROPOSING ANY CHANGES TO THE BALANCE OF ACCUMULATED  
2 DEFERRED INCOME TAX THE COMPANY IS INCLUDING AS AN OFFSET TO  
3 RATE BASE?

4 A No, the accounts included in the accumulated deferred income tax balance in Ameren  
5 Missouri's rate base are appropriate and consistent with the previous rate case, Case  
6 No. ER-2014-0258. The accumulated deferred income tax balances included as an  
7 offset to rate base will be adjusted to the actual levels at December 31, 2016 as part  
8 of the true-up process.

9 Q ARE YOU PROPOSING ANY CHANGES TO THE RATE BASE BALANCE AND  
10 AMORTIZATION EXPENSE FOR THE FIN 48 REGULATORY ASSET?

11 A No. Based on my review of the Company's calculations and meetings with Ameren  
12 Missouri personnel, I believe the amounts included in this case are correct.

13 **AMS COST**

14 Q PLEASE DESCRIBE THIS SECTION OF YOUR TESTIMONY.

15 A As I will discuss further in my testimony, I am proposing an adjustment to Ameren  
16 Missouri's calculation of the revenue requirement in this case associated with the  
17 costs charged to the Company by its affiliate, AMS. I will also discuss problems with  
18 how the AMS allocation process works and a proposal to address this concern.

19 Q PLEASE BRIEFLY DISCUSS THE FUNCTION OF AMS.

20 A AMS provides shared services to Ameren Corporation ("Ameren") and its affiliates.  
21 These services are both directly charged and allocated to Ameren Missouri and other  
22 Ameren affiliates. Some examples of the services provided by AMS are corporate

**Stephen M. Rackers**  
**Page 6**

1 communications, environmental compliance, general legal advice and maintenance of  
2 personnel records.

3 Using employee cost as an example, if an AMS employee provides service to  
4 a specific affiliated company, all associated costs (wages, benefits, etc.) are directly  
5 charged to the affiliated company. If an employee provides a service that benefits  
6 more than one affiliated company, the associated costs are allocated among the  
7 affiliated companies, based on an allocation factor such as the number of employees.

8 **Q WHAT LEVEL OF AMS SERVICE COMPANY FEES WERE CHARGED TO ALL**  
9 **AMEREN CORPORATE SUBSIDIARIES AND TO AMEREN MISSOURI'S**  
10 **ELECTRIC OPERATIONS SPECIFICALLY DURING THE TEST YEAR ENDING**  
11 **MARCH 31, 2016?**

12 A AMS charged total service company fees of \$370 million for the 12 months ended  
13 March 31, 2016. Of this amount, \$161 million (44%) was charged to Ameren  
14 Missouri's electric operations.

15 **Q HAS AMS COST AND THE PORTION OF THE COST CHARGED TO AMEREN**  
16 **MISSOURI INCREASED OVER THE LAST SEVERAL YEARS?**

17 A Yes. The AMS cost has increased by \$46 million (14%) from \$324 million for the 12  
18 months ended March 31, 2013 to \$370 million for the 12 months ended March 31,  
19 2016. The AMS cost charged to Ameren Missouri has increased \$29 million (21%)  
20 from \$139 million to \$168 million during the same period. This is notable since during  
21 the 12 months ended March 31, 2013 and 2014 AMS provided services to more  
22 affiliated companies than it did in 2015 and 2016. The number of affiliated companies  
23 declined because Ameren Corporation, Ameren Missouri's parent company, sold its

**Stephen M. Rackers**  
**Page 7**

1 merchant generation business. The merchant generation business included Ameren  
2 Energy Marketing Company, Ameren Energy Generating Company, Ameren Energy  
3 Resources Company, LLC and Ameren Energy Resources Generating Company.  
4 However, even with this reduction in the number of affiliated companies served, the  
5 amount of total AMS cost increased rather than decreased.

6 **Q DID THE MERCHANT GENERATION BUSINESS RECEIVE A SIGNIFICANT**  
7 **AMOUNT OF AMS COST?**

8 A Yes. For the 12 months ended March 31, 2013, AMS charged the merchant  
9 generation business for \$47 million of services. This amount of cost reflected 15% of  
10 the total AMS cost for the same period. A reduction in the total amount of AMS costs  
11 and the amount of services needing to be provided would be an expected result of  
12 the loss of such a significant client. However, AMS costs continued to increase each  
13 year in 2014 through 2016.

14 **Q DID THE OTHER AFFILIATED COMPANIES SERVED BY AMS RECEIVE**  
15 **ADDITIONAL COSTS AS A RESULT OF THE SALE OF THE MERCHANT**  
16 **GENERATION BUSINESS?**

17 A Yes. AMS cost that had previously been spread over all client companies, including  
18 the merchant generation business, is now charged to the remaining affiliated  
19 companies. In effect, AMS fees for service that had been charged to the companies  
20 that made-up the merchant generation business are now charged to the remaining  
21 affiliated companies, including Ameren Missouri.

1 Q HOW HAVE YOU IDENTIFIED THIS COST INCREASE?

2 A I analyzed the costs charged by AMS to its affiliated companies for the 12 months  
3 ended March 31, 2013 through 2016.<sup>2</sup> This analysis clearly shows that following the  
4 sale of the merchant generation business, the total costs billed to the remaining  
5 affiliated companies increased significantly in 2014 and continued to increase during  
6 the 12 months ended March 2015 and 2016.

7 Q HAVE YOU PREPARED A TABLE ILLUSTRATING THIS INCREASE IN COST?

8 A Yes. Table 1 below shows the AMS cost to the merchant generation business,  
9 Ameren Missouri and the other affiliated companies for the 12 months ended March  
10 2013 through 2016.

	<b>Ameren Management Services</b>						
	<b>2013</b>	<b>2014</b>	<b>% Change</b>	<b>2015</b>	<b>% Change</b>	<b>2016</b>	<b>% Change</b>
<b>Ameren Missouri</b>	\$139	\$151	8%	\$165	10%	\$168	2%
<b>Other Non-Merchant</b>	\$138	\$175	28%	\$188	7%	\$202	7%
<b>Total Non-Merchant</b>	\$277	\$326	18%	\$353	8%	\$370	5%
<b>Merchant Business</b>	<u>\$47</u>	<u>\$21</u>	-55%	<u>\$0</u>	-100%	<u>\$0</u>	
<b>Total AMS</b>	<u><u>\$324</u></u>	<u><u>\$347</u></u>	7%	<u><u>\$353</u></u>	2%	<u><u>\$370</u></u>	5%

11 As Table 1 shows, for the 12 months ended 2013, \$47 million of AMS cost  
12 was charged to the merchant generation business and \$277 million was charged to  
13 the remaining affiliates, including Ameren Missouri. However, in 2014, even though

<sup>2</sup>Ameren Missouri's responses to MIEC 6-1 and MIEC 6-2.

1 the merchant generation business had been sold and the services provided had  
2 declined by 55% (\$26 million), the total AMS cost actually increased by \$23 million  
3 above the 2013 cost. Additionally, there was an increase in AMS cost charged to the  
4 remaining affiliated companies, including Ameren Missouri, of \$49 million from 2013  
5 to 2014. Therefore, in 2014, the remaining affiliated companies absorbed not only  
6 \$26 million of cost previously charged to the merchant generation business, but also  
7 absorbed an additional \$23 million of increased total AMS cost.

8 Also as shown in Table 1, for the 12 months ended March 31, 2015, no AMS  
9 services were provided to the merchant generation business. This reflects a \$21  
10 million decline in services provided to the merchant generation business from the  
11 same period in 2014. However, even with this reduced level of services to the  
12 merchant generation business, total AMS costs continued to increase by \$6 million.  
13 As a result, the remaining affiliated companies absorbed the \$21 million of service  
14 cost previously provided to the merchant generation business, as well as the total  
15 increase in AMS service cost of \$6 million. From the 12 months ended March 2013  
16 through the same period in 2015, the remaining affiliated companies absorbed \$47  
17 million of service cost previously provided to the merchant generation business, plus  
18 \$29 million of increase total AMS cost for a total increase of \$76 million in two years.

19 **Q WAS ALL OF THE \$47 MILLION OF AMS COST ASSOCIATED WITH THE**  
20 **MERCHANT GENERATION BUSINESS AN ALLOCATION OF GENERAL**  
21 **OVERHEAD COSTS?**

22 **A** No. Of the \$47 million of AMS cost, \$22 million was directly charged (specific to the  
23 affiliated company) to the merchant generation business and \$25 million was  
24 allocated (costs benefitting more than one affiliated company). Therefore, AMS

1 service cost directly charged and specific to the merchant business operations should  
2 not now be absorbed by the remaining affiliated companies, including Ameren  
3 Missouri.

4 **Q WHY WOULD IT BE INAPPROPRIATE TO CHARGE THE REMAINING AMS**  
5 **AFFILIATED COMPANIES FOR THE DIRECT COST INCURRED TO OPERATE**  
6 **THE MERCHANT GENERATION BUSINESS, WHICH IS NO LONGER A CLIENT**  
7 **OF AMS?**

8 A AMS provides services to the affiliated companies at cost. Costs incurred by AMS  
9 and charged directly to the merchant generation business are specific to the  
10 operation of the merchant generation business. These costs should not be  
11 necessary to serve other affiliated companies and should have been eliminated  
12 following the sale of the merchant generation business. Charging Ameren Missouri  
13 for costs specific to the merchant generation business is not prudent or reasonable.

14 **Q HAS THE TOTAL AMS COST CONTINUED TO INCREASE MOVING FORWARD**  
15 **FROM THE END OF THE TEST YEAR THROUGH 2016?**

16 A Yes, for the 12 months ended June 30, 2016, AMS cost increased by \$2 million  
17 above the 12 months ended March 30, 2016 level. In total, even with the total loss of  
18 the merchant generation business in 2014, the remaining affiliated companies have  
19 experienced an increase in AMS cost of \$95 million from the 12 months ended  
20 March 31, 2013 through the 12 months ended June 30, 2016.

1    **Q     ARE YOU PROPOSING AN ADJUSTMENT TO THE LEVEL OF AMS COST**  
2           **CHARGED TO AMEREN MISSOURI ASSOCIATED WITH THE SALE OF THE**  
3           **MERCHANT COMPANIES?**

4    A     Yes. As previously discussed, as the number of affiliated companies declined, the  
5           level of service provided by AMS would be expected to also decline. However, total  
6           service costs billed has continued to increase, resulting in higher cost to the  
7           remaining affiliated companies. Therefore, I propose to eliminate Ameren Missouri's  
8           share of the \$22 million of AMS cost previously charged directly to the merchant  
9           generation business from the costs charged to Ameren Missouri. The proportionate  
10          share of this AMS cost charged to Ameren Missouri's electric operations is  
11          approximately \$9.4 million.

12   **Q     EARLIER IN YOUR TESTIMONY YOU STATED THAT THERE WERE PROBLEMS**  
13          **WITH THE CURRENT AMS ALLOCATION PROCESS. PLEASE EXPLAIN THIS**  
14          **ALLOCATION PROBLEM.**

15   A     Currently only three entities of Ameren Corporation have employees, Ameren  
16          Missouri, AIC and AMS. Some employees work exclusively for other affiliated  
17          companies, but are all AMS employees. For example 306 AMS employees work  
18          specifically in the transmission function<sup>3</sup> and the associated direct cost is charged to  
19          the transmission affiliated company, Ameren Transmission Company of Illinois.  
20          However, a significant amount of common employee-related AMS costs are allocated  
21          based on the number of employees at each affiliated company. Since only the retail  
22          utility affiliated companies have employees, these common employee-related AMS  
23          costs are allocated exclusively to either Ameren Missouri or AIC. Even though

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<sup>3</sup>Ameren Missouri's response to MIEC 8-2.

1 employees work exclusively for other affiliated companies, since they are AMS  
2 employees, none of the common employee-related AMS costs are allocated to the  
3 non-utility affiliated companies.

4 **Q HOW SIGNIFICANT ARE THE COMMON EMPLOYEE-RELATED AMS COSTS**  
5 **THAT ARE ALLOCATED BASED ON THE NUMBER OF EMPLOYEES?**

6 A For the 12 months ending March 31, 2016, the AMS costs that are allocated based  
7 on the number of employees is \$43 million. Of this amount, \$23 million was charged  
8 to Ameren Missouri and \$20 million was charged to AIC.

9 **Q ARE THERE OTHER COMMON COST THAT ARE ALLOCATED ONLY TO THE**  
10 **RETAIL UTILITY COMPANIES?**

11 A Yes. There are a total of 18 allocation factors that only allocate common costs to  
12 either Ameren Missouri or AIC. These factors allocate \$136 million, or 50% of the  
13 total allocated cost, and 37% of the total AMS cost charged to affiliated companies.

14 **Q HAS AMEREN MISSOURI RECOGNIZED THAT THE CURRENT ALLOCATION OF**  
15 **COMMON AMS COST IS INAPPROPRIATE?**

16 A Yes. Based on my discussions with the Company personnel, an Ameren-wide group  
17 of employees was formed to address these and other problems with the allocation of  
18 AMS costs. Recommendations from this employee group are expected sometime in  
19 2017.



1 **Q DO YOU HAVE A PROPOSAL TO ADDRESS AMS ALLOCATIONS?**

2 A Yes. On December 6, 2016 the Company, the Staff and the Office of the Public  
3 Counsel submitted a non-unanimous stipulation and agreement (the “CAM  
4 Stipulation”) to, among other things, open an “AO” (All-Other) docket by April 17,  
5 2017 to consider an Ameren Missouri cost allocation manual for approval. I believe  
6 the AO docket and the results of the internal Ameren working group should be used  
7 to address current AMR allocation problems.

8 In addition, I propose that a portion of the revenue requirement approved in  
9 the current rate case be authorized as interim subject to refund. If the results of the  
10 AO docket show that inappropriate costs are included in rates due to AMS cost  
11 allocation problems, rates can be reset and refunds can be provided to customers up  
12 to the amount of the revenue requirement authorized as interim subject to refund.

13 **Q WHAT LEVEL OF REVENUE REQUIREMENT ARE YOU PROPOSING THE**  
14 **COMMISSION AUTHORIZE AS INTERIM SUBJECT TO REFUND?**

15 A As stated above, the amount of common cost that is currently only allocated to either  
16 Ameren Missouri or AIC is \$136 million. Ameren Missouri’s portion of this cost is \$67  
17 million. Considering the fact that Ameren has recognized that there is a problem with  
18 the current AMS allocations and has formed a corporate-wide working group to  
19 address the situation, I think the potential for a 10% shift in cost away from Ameren  
20 Missouri is reasonable. In consideration of the adjustment I am proposing associated  
21 with the merchant cost, I am reducing the \$67 million of Ameren Missouri allocated  
22 cost by \$10 million to equal \$57 million. Therefore, rounding down, I propose that the  
23 Commission set \$5 million of its authorized revenue requirement in the current rate

**Stephen M. Rackers**  
**Page 14**

1 case as interim subject to refund based on the results of the findings in the AO  
2 docket.

3 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A** Yes.

**Qualifications of Stephen M. Rackers**

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

2   A    Stephen M. Rackers. My business address is 16690 Swingley Ridge Road,  
3       Suite 140, Chesterfield, MO 63017.

4   **Q    PLEASE STATE YOUR OCCUPATION.**

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

7   **Q    PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL  
8       EMPLOYMENT EXPERIENCE.**

9   A    I graduated from the University of Missouri in 1978 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 June 1, 1978 until February 29, 2012.

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 15 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

**Stephen M. Rackers  
Appendix A  
Page 1**

1 Supervisor on various projects as assigned. I also assisted in the supervision and  
2 technical training of other auditors assigned to these projects.

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.

8 In March of 2012, I joined the firm of BAI as a Consultant. BAI provides  
9 consulting services in the field of energy procurement and public utility regulation to  
10 many clients including industrial and institutional customers, some utilities and, on  
11 occasion, state regulatory agencies.

12 More specifically, we provide analysis of energy procurement options based  
13 on consideration of prices and reliability as related to the needs of the client; prepare  
14 rate, feasibility, economic, and cost of service studies relating to energy and utility  
15 services; prepare depreciation and feasibility studies relating to utility service; assist  
16 in contract negotiations for utility services, and provide technical support to legislative  
17 activities.

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

20 **Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**  
21 **ORGANIZATIONS TO WHICH YOU BELONG.**

22 **A** I am a licensed Certified Public Accountant ("CPA") in the state of Missouri.

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**Stephen M. Rackers**  
**Appendix A**  
**Page 2**