

Exhibit No.: _____
Issue(s): Lobbying Expense/
Board of Directors Costs/
Ameren Services Company Allocations/
DOE Breach of Contract Settlements/
Rate Case Expense/
Corporate Franchise Tax/
Meramec Energy Center
Plant Retirement
Witness/Type of Exhibit: Robertson/Rebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2014-0258

REBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

**UNION ELECTRIC
D/B/A
AMEREN MISSOURI**

CASE NO. ER-2014-0258

**

**

Denotes Highly Confidential Information that has been Redacted

January 16, 2015

NP

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

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

Case No. ER-2014-0258

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am the Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

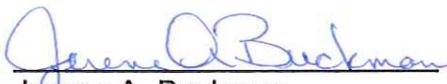


Ted Robertson, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 16th day of January 2015.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

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**REBUTTAL TESTIMONY
OF
TED ROBERTSON**

**UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI
CASE NO. ER-2014-0258**

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. Ted Robertson, P. O. Box 2230, Jefferson City, Missouri 65102.

4

5 Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED
6 DIRECT TESTIMONY IN THIS CASE?

7 A. Yes.

8

9 II. PURPOSE OF TESTIMONY

10 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

11 A. The purpose of this rebuttal testimony is to address the direct testimonies of
12 Ameren Missouri ("Ameren" or "Company") witnesses, Mr. Michael J. Adams,
13 Ms. Laura M. Moore, Mr. Larry W. Loos, and Mr. John J. Spanos; Missouri Public
14 Service Commission ("MPSC") Staff witnesses, Mr. Jason Kunst, Ms. Lisa K.
15 Hanneken, Ms. Lisa M. Ferguson, and Ms. Sarah Sharpe; and Missouri Industrial
16 Energy Consumers ("MIEC") witness, Mr. Steven C. Carver, regarding their

1 positions on the ratemaking treatment of lobbying expense, board of directors
2 costs, Ameren Services Company ("AMS" or "Services Company") allocations,
3 U.S. Department of Energy ("DOE") breach of contract settlements, rate case
4 expense, corporate franchise tax and the Company's Meramec Plant retirement
5 proposal.

6
7 III. LOBBYING EXPENSE

8 Q. IS THE COMPANY RECORDING LOBBYING COSTS ABOVE THE LINE
9 AND SHOULD THEY BE REMOVED?

10 A. Yes. In response to MPSC Staff DR No. 488, the Company stated that
11 lobbying costs are charged below the line, meaning they are not included
12 in the revenue requirement. The response stated:

13
14 The Ameren Missouri Government Affairs staff is accounted for
15 100% below the line. In addition, Warren Wood charges 40% of his
16 time and Michael Moehn 8% of his time to lobbying, which is also
17 accounted for below the line. There is a Staff of three AMS
18 employees in Washington, D.C. that work on Federal issues lead
19 by Joseph Power. These AMS employees charge time to lobbying
20 that is allocated to Ameren Missouri, and charged below the line.
21 Finally, other Ameren Missouri and AMS executives and employees
22 charge minor amounts of time to lobbying when they engage in
23 such activities, which is also charged below the line. Below the line
24 costs are not included in the revenue requirement.
25
26

1 However, the MPSC Staff witness, Mr. Jason Kunst, was able to, via a detailed
2 review of various expense accounts, locate lobbying costs not identified as such
3 by the Company that were recorded in several above the line accounts. The
4 Staff made an appropriate adjustment to remove those costs (Source: *Staff*
5 *Report Revenue Requirement Cost Of Service*, page 107 and Kunst Direct Dues
6 and Donations WP).

7
8 Q. DOES PUBLIC COUNSEL BELIEVE THAT ALL ABOVE THE LINE LOBBYING
9 COSTS HAVE BEEN IDENTIFIED AND REMOVED FROM THE PROPOSED
10 REVENUE REQUIREMENT?

11 A. Public Counsel has outstanding data requests seeking information that may help
12 to confirm whether or not lobbying costs have been removed as stated, and will
13 further address this issue, as appropriate, in surrebuttal testimony.

14
15 IV. BOARD OF DIRECTORS COSTS

16 Q. DOES PUBLIC COUNSEL BELIEVE THAT THE ADJUSTMENT THE
17 MPSC STAFF PROPOSES FOR THE AMEREN CORPORATION
18 BOARD OF DIRECTORS COSTS IS APPROPRIATE?

19 A. Yes. MPSC Staff witness, Mr. Jason Kunst, recommends an adjustment
20 to disallow approximately \$1,600,839 related to Ameren Corporation

1 Board of Directors costs (Source: *Staff Report Revenue Requirement*
2 *Cost of Service*, page 136 and Kunst Direct Misc. Expenses WP).
3

4 Q. IS IT LIKELY THAT MR. KUNST'S ADJUSTMENT WILL BE FURTHER
5 MODIFIED BY PUBLIC COUNSEL OR THE MPSC STAFF IN LATER
6 TESTIMONY?

7 A. Yes. The MPSC Staff has several outstanding data requests seeking
8 additional information regarding these costs. Depending on the
9 Company's responses to these data requests, modifications to the
10 adjustment and testimony may be further addressed by either the MPSC
11 Staff or Public Counsel in surrebuttal testimony.
12

13 V. AMEREN SERVICES COMPANY ALLOCATIONS

14 Q. DOES PUBLIC COUNSEL AGREE WITH THE ALLOCATION ADJUSTMENTS
15 RECOMMENDED BY THE MPSC STAFF AND MIEC WITNESSES?

16 A. Yes. However, Public Counsel believes that additional issues regarding the
17 services provided and costs allocated by AMS to the Company need to be
18 addressed in the current case.
19

20 Q. PLEASE EXPLAIN.

1 A. The MPSC Staff witness, Ms. Lisa K. Hanneken and MIEC witness, Mr. Steven
2 C. Carver, have identified difficulties in obtaining relevant information on which to
3 base an analysis of the AMS costs. Both witnesses state that a primary cause of
4 these difficulties is the Ameren Corporation divestment of several non-regulated
5 entities which were previously allocated costs from AMS along with structural
6 employee changes that resulted. The MPSC and MEIC both recommend an
7 adjustment to disallow a Company proposed \$6,288,000 increase in annual
8 allocation charges.

9
10 In addition, the MPSC Staff states in its direct testimony (i.e., *Staff Report*
11 *Revenue Requirement Cost Of Service*, page 61) that it has requested, but not
12 received, cost information needed to analyze the AMS allocations. The MPSC
13 Staff has concerns as to whether the data that will be made available will be able
14 to answer all of the Staff's questions. Staff also recommends further review of
15 this issue through a Cost Allocation Manual ("CAM") review.

16
17 Q. WHAT IS THE DIVESTITURE PROBLEM?

18 A. In the direct testimony of MPSC Staff witness, Ms. Hanneken (i.e., *Staff*
19 *Report Revenue Requirement Cost Of Service*, page 60, lines 4-12), she
20 states:
21

1 In December 2013, during the test year, Ameren Corporation divested
2 itself of Ameren Energy Resources (AER) and its subsidiaries Ameren
3 Energy Generating Company ("Genco"), Ameren Energy Resources
4 Generating Company ("AERG") and Ameren Energy Marketing Company
5 ("AEM"). Each of these entities was also being assigned allocated costs
6 from AMS and, as a result of the divestiture, a higher percentage of costs
7 are being allocated to the remaining entities, including Ameren Missouri.
8 Another result of the divestiture was that several employees were
9 displaced and ultimately offered positions at various Ameren entities,
10 including AMS and Ameren Missouri, which in turn increased both Ameren
11 Missouri's direct and allocated labor costs.
12
13

14 The MIEC witness, Mr. Carver, also addresses the divestiture issue in his direct
15 testimony. To summarize, since the total group of affiliates now receiving AMS
16 cost allocations is smaller, the piece of the total AMS costs that the Company will
17 be responsible for supporting is now larger. Furthermore, several former
18 employees of the divested companies have now been retained as employees of
19 either the Company, AMS, or other affiliates of Ameren Corporation. The
20 Company's response to MIEC DR No. 20.5 states:
21

22 **

26 **

29 Q. WHAT IS PUBLIC COUNSEL'S VIEW OF THE SITUATION?

1 A. The divestiture raises an interesting question: Since AMS and its
2 operations were apparently sized to meet the needs of the group of
3 Ameren Corporation affiliates that existed prior to the divestiture, would it
4 not be reasonable to question whether AMS's current costs are over-sized
5 or bloated and out of line with the needs of the remaining entities it now
6 serves? Public Counsel believes that question needs to be answered but,
7 according to the testimony of MPSC Staff and MIEC witnesses, it cannot
8 be answered due to the inability of the parties to obtain current and
9 relevant information which is needed to determine the appropriateness of
10 the charges being allocated to Missouri ratepayers.

11
12 Furthermore, a corollary issue to the new AMS cost structure and
13 allocations that resulted is whether the retained employees of the divested
14 non-regulated entities were truly necessary or just added to the employee
15 roster to inflate the Company and AMS costs in the short term with the
16 goal of subsequently increasing the Company's earned rate of return.

17
18 Q. DOES PUBLIC COUNSEL AGREE WITH THE MPSC STAFF'S
19 RECOMMENDATION FOR A FURTHER REVIEW OF AMS
20 OPERATIONS THROUGH A CAM REVIEW?

1 A. No, but only because Public Counsel does not believe a CAM review
2 would not go far enough in helping to determine what the reasonable and
3 prudent cost structure of AMS is and what portion of those reasonable and
4 prudent costs should be allocated to Missouri ratepayers. A CAM review
5 certainly would be helpful, but a CAM review would not answer the
6 fundamental question of whether the actual costs being incurred and
7 allocated by AMS are reasonable and prudent? The only way to answer
8 those questions is for AMS to submit to a regulatory audit in the same way
9 that Ameren Missouri is being audited in the current general rate increase
10 case.

11
12 Q. HAS AMS RECENTLY BEEN SUBJECTED TO AN AFFILIATE
13 TRANSACTION AUDIT BY A REGULATORY BODY?

14 A. Yes. Beginning on page 19, line 1, of the direct testimony, of Company
15 witness, Mr. Michael J. Adams, he states:

16
17 Q. Have there been external audits of the affiliated transactions
18 between Ameren Services and Ameren's regulated
19 companies?

20
21 A. Yes. The FERC conducted an audit of Ameren
22 Corporation's affiliate transactions in Docket No. FA10-3-000
23 filed on October 21, 2010. The audit included a review of
24 Ameren Services' cost allocation methodologies and costs
25 billed by Ameren Services to its affiliated franchised public
26 utilities. The audit included selective tests of Ameren

1 Services' cost allocation methodologies and billings by the
2 service company to the associated operating utilities and
3 evaluated whether the associated operating utilities'
4 accounting for these costs complied with the Uniform
5 System of Accounts requirements. The audit covered the
6 period January 1, 2008, through December 31, 2009. The
7 final audit report contained 18 recommendations for
8 corrective actions. Many of the recommendations called for
9 Ameren Services to strengthen or revise its procedures,
10 correct entries or refile pages of the FERC Forms 1 or 60.
11 The Company has (or will) addressed each of the
12 recommendations made by FERC Staff and has reported
13 quarterly to FERC Staff the Company's progress on the
14 implementation of corrective actions. The FERC's Staff is
15 currently conducting an audit of Ameren Missouri in Docket
16 No. FA13-2-000. While the scope of the audit does not
17 implicitly include the services provided by Ameren Services
18 to Ameren Missouri, FERC Staff has asked for backup for
19 utility transactions that began at Ameren Services. The
20 exact timing of the audit is not known at the time this
21 testimony was prepared.

22
23
24 Furthermore, in the direct testimony of MPSC Staff witness, Ms.

25 Hanneken (i.e., *Staff Report Revenue Requirement Cost of Service*,
26 beginning page 59, line 27), she states:

27
28 In addition, the Company's Internal Auditing Department performs
29 an audit each year of AMS' Service Request System and Service
30 Request policies, operating procedures, and controls as ordered by
31 the Illinois Commerce Commission (ICC) in Order #06-0070 on
32 May 16, 2007. The Company provided Staff with data regarding its
33 allocations through September 2014 for review, as well as copies of
34 the internal audit reports required by the ICC.
35
36

1 Clearly, a review of the AMS allocation processes, procedures and
2 controls is important and has in the past, and should into the future,
3 continue to occur on a regular basis. However, missing in all the reviews
4 is a detailed audit of the actual costs incurred by the AMS operations.
5

6 Q. HOW LARGE OF A COMPANY IS AMS?

7 A. AMS is a very large company. Page 101 of its *2013 FERC Financial*
8 *Report FERC Form No. 60: Annual Report Of Centralized Service*
9 *Companies* identifies AMS total assets of \$473,315,598, while on page
10 301, total AMS operating expenses are identified as \$338,882,410.
11

12 Q. SHOULD THE COST OF A SERVICES COMPANY AS LARGE AS AMS
13 BE SUBJECTED TO AN OCCASIONAL, IF NOT REGULAR, COST
14 AUDIT FOR PRUDENCE AND REASONABLENESS?

15 A. Yes, I believe that it should. It is reasonable and in the public interest for a
16 financial and operational audit of AMS to occur periodically. AMS is a
17 large services company whose operations perform activities for Ameren
18 Missouri that it once performed for itself. Relying solely on the mantra that
19 AMS now provides those same services at a lower cost simply because its
20 total costs are allocated among several entities does nothing to verify
21 whether the costs should have been incurred in the first place or whether

1 they were prudent and reasonable. If those same activities necessary for
2 the operation of Ameren Missouri were still performed by Ameren Missouri
3 they would be subjected to financial and operational audits on a regular
4 basis with AMS they are not.

5
6 Q. WHAT ADDITIONAL RECOMMENDATION DOES PUBLIC COUNSEL
7 PROPOSE FOR THE CORPORATE ALLOCATIONS ISSUE?

8 A. Public Counsel recommends that the Commission consider opening a
9 docket with the goal of performing a detailed financial and operational
10 audit of the AMS cost structure in addition to its allocation processes,
11 procedures and controls.

12
13 VI. DOE BREACH OF CONTRACT SETTLEMENTS

14 Q. IS IT EXPECTED THAT THE COMPANY WILL RECEIVE ADDITIONAL U. S.
15 DEPARTMENT OF ENERGY BREACH OF CONTRACT REIMBURSEMENTS
16 RELATED TO THE SETTLEMENT?

17 A. Yes. MPSC Staff witness, Ms. Lisa M. Ferguson, presented direct testimony that
18 additional refunds were forthcoming (i.e., *Staff Report Revenue Requirement*
19 *Cost of Service*, page 86). Her testimony is corroborated by the Company's
20 response to MPSC Staff DR No. 353 which states that the Company anticipates
21 an additional fourth quarter 2014 reimbursement of \$14,933,364 that it will record

1 as a reduction of construction work in process ("CWIP) similar to the 2012 and
2 2013 reimbursements it received. The same response included an *Addendum to*
3 *Settlement Agreement* between the parties which extended the termination date
4 of the current settlement agreement to December 31, 2016; provided allocations
5 for evaluations of claims; and provided that the parties may extend the
6 termination date for the agreement by mutual written agreement.

7
8 Q. WHAT IS THE POSITION OF PUBLIC COUNSEL ON THIS ISSUE?

9 A. Public Counsel agrees with the MPSC Staff and the Company that the
10 reimbursements should flow back directly to ratepayers via a reduction of the
11 costs which the Company incurred because of the contract breach. Further, I
12 have issued an outstanding data request to the Company seeking information on
13 the receipt and booking of the expected 4th Qtr. 2014 reimbursement. If
14 necessary, I will address that reimbursement in later testimony. Lastly, Public
15 Counsel recommends that the Commission order that all future refunds
16 associated with this issue be returned to ratepayers in full regardless of the date
17 that they are received.

1 VII. RATE CASE EXPENSE

2 Q. DOES PUBLIC COUNSEL BELIEVE THAT THE NORMALIZED RATE CASE
3 EXPENSE IDENTIFIED AND RECOMMENDED BY THE COMPANY AND THE
4 MPSC STAFF ARE APPROPRIATE?

5 A. The MPSC Staff and Public Counsel both have outstanding data requests
6 seeking additional information on rate case costs other than those of the current
7 case that may be included in the Company's test year revenue requirement. If
8 necessary, I will address this issue further in surrebuttal testimony.

9
10 Q. WILL THE COSTS USED IN THE DEVELOPMENT OF A NORMALIZED
11 RATE CASE EXPENSE CONTINUE TO BE UPDATED AS THE CASE
12 PROGRESSES?

13 A. Yes.

14
15 VIII. CORPORATE FRANCHISE TAX

16 Q. DOES PUBLIC COUNSEL AGREE WITH THE COMPANY OR THE
17 MPSC STAFF RECOMMENDATION FOR ANNUALIZED CORPORATE
18 FRANCHISE TAX?

19 A. No. Company witness, Ms. Laura M. Moore, recommends recovery of the test
20 year amounts of \$654,000 and \$86,000 (total \$740,000) for Missouri and Illinois
21 corporate franchise tax, respectively (source: Laura M. Moore direct testimony,

1 Schedules LMM-5 and LMM-13-1). Whereas, the MPSC Staff witness, Ms.
2 Sarah Sharpe, presented direct testimony (i.e., *Staff Report Revenue*
3 *Requirement Cost of Service*, beginning on page 134, line 23 and Sharpe Direct
4 Corporate Franchise Tax WP) recommending \$685,466 as the total Missouri and
5 Illinois annualized amount. Staff's recommendation is based on actual paid
6 corporate franchise taxes for tax year 2014, as filed per Form MO-FT with the
7 state of Missouri and Form CDBCAB with the state of Illinois, which included all
8 applicable tax credits.

9
10 Public Counsel believes that the Staff's adjustment and methodology would be
11 appropriate and reasonable if it were not for a change in the law pertaining to the
12 tax liability of the Missouri portion of the corporate franchise tax going forward.

13
14 Q. PLEASE CONTINUE.

15 A. On April 26, 2011, Governor Nixon signed Senate Bill 19, which requires a
16 gradual phase out Missouri's corporate franchise tax over five years. The
17 corporate franchise tax is based on the amount of assets a business has located
18 in Missouri. In 2009, Gov. Nixon signed House Bill 191, which eliminated the
19 corporate franchise tax for approximately 16,000 small businesses across
20 Missouri. The newer legislation, Senate Bill 19, gradually phased out the
21 corporate franchise tax for the remaining Missouri businesses, that is, those with

1 assets of more than \$10 million located in the state. Under Senate Bill 19, the
2 corporate franchise tax liability for companies is capped at the level they paid in
3 Tax Year 2010, and gradually reduced each year until tax year 2016, when the
4 Missouri corporate franchise tax rate is reduced to zero and eliminated.

5
6 Q. PLEASE EXPLAIN HOW THE PHASING OUT OF MISSOURI
7 CORPORATE FRANCHISE HAS OCCURRED.

8 A. According to Chapter 147 RSMO, Corporations pay franchise tax for doing
9 business within the state. Franchise tax is based on the “par value of the
10 corporation’s outstanding shares and surplus.” This is defined as the “total
11 assets or the par value of issued and outstanding capital stock, whichever is
12 greater.” For capital stock with no par value, the value is \$5.00 per share or
13 actual value, whichever is higher. The franchise tax basis (Schedule MO-FT,
14 Line 6) is the basis of the assets as of the first day of the taxable year. For
15 taxable years beginning on or after January 1, 2000, all domestic and foreign
16 corporations engaged in business must file the franchise tax return. However,
17 only those corporations whose assets in or apportioned to Missouri that exceed
18 one million dollars for taxable years 2000 through 2009 or \$10 million for taxable
19 years 2010 through 2015, are liable to pay the tax. The due date of the franchise
20 tax return is the 15th day of the fourth month from the beginning of the taxable
21 period. The franchise tax rate is 1/30 of 1% (.000333) for tax years 2011 and

1 prior; 1/37 of 1% (.000270) for tax year 2012; 1/50 of 1% (.000200) for tax year
2 2013; 1/75 of 1% (.000133) for tax year 2014; 1/150 of 1% (.000067) for tax year
3 2015; and 0% for tax year 2016 and thereafter.

4
5 Q. ARE THE ANNUALIZED AMOUNTS RECOMMENDED BY BOTH COMPANY
6 AND THE MPSC STAFF BASED ON THE TAX YEAR 2014 RATE OF 1/75 OF
7 1%?

8 A. Yes.

9
10 Q. WILL THE COMPANY'S TAX YEAR 2015 TAX LIABILITY BE BASED ON A
11 DIFFERENT RATE?

12 A. Yes. As I described above, the Company's tax year 2015 tax liability will be
13 based on a tax rate of 1/150 of 1% which is 50% less than the tax year 2014 tax
14 rate. Furthermore, the Company's Missouri corporate franchise tax liability in tax
15 year 2016 will be zero because in 2016 the corporate franchise tax will be
16 completely phased out.

17
18 Q. WHAT IS PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

19 A. Public Counsel continues to analyze the Company's corporate franchise tax
20 liability and will further address this issue in surrebuttal testimony and during the
21 evidentiary hearing. While it is clear that the Company's going-forward Missouri

1 tax liability for tax year 2015 corporate franchise tax will drop by approximately
2 50%, and for tax year 2016 the corporate franchise tax liability will be eliminated
3 completely, there are a number of variables (e.g. par value of stock, assets as of
4 the end of the true-up period, credits, etc.) that will determine what the exact
5 Missouri corporate franchise tax liability will be for tax year 2015. Public Counsel
6 has several outstanding data requests seeking information that may help in
7 determining what the tax year 2015 corporate franchise tax liability will be.
8 However, it appears the Company's tax year 2015 Missouri corporate franchise
9 tax liability will be approximately \$300,000 less than what the Company and the
10 MPSC Staff have recommended. Public Counsel intends to address this issue
11 further, as appropriate, in surrebuttal testimony, and/or during the evidentiary
12 hearing.

13
14 IX. MERAMEC ENERGY CENTER PLANT RETIREMENT

15 Q. WHAT IS THE BACKGROUND REGARDING THE DEPRECIATION RATE
16 ADJUSTMENTS REQUESTED BY THE COMPANY TO REFLECT A
17 RETIREMENT DATE OF 2022 FOR THE MERAMEC PLANT?

18 A. The current retirement date for the plant (i.e., 2027) was authorized by the
19 Commission, under similar circumstances, in Ameren Missouri Case No. ER-
20 2010-0036. In Case No. ER-2010-0036, the Commission rejected Company's
21 proposal for a 2022 retirement date.

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Q. WHAT IS THE COMPANY AND MPSC STAFF RECOMMENDATION?

A. The Company and the MPSC Staff's positions are the same. Beginning on page 153, line 12, of the MPSC Staff's *Staff Report Revenue Requirement Cost of Service*, MPSC witness, Mr. Arthur W. Rice, states:

c. Retirement of the Meramec Plant

Depreciation Staff does not oppose Ameren Missouri's proposed retirement date of 2022 for the computation of depreciation rates for its Meramec steam plant accounts in this rate case. However, Staff recognizes that the actual retirement date of the Meramec steam plant is in no way defined by, or a function of, an estimated date used to compute depreciation rates, and future proposed plant retirement dates may change. Ameren Missouri's proposed 2022 retirement date for the Meramec steam production facility yields a life for depreciation rate computation that is five years shorter than the Commission ordered in Case No. ER-2010-0036 ("2010 rate case"). The 2010 rate case is Ameren Missouri's most recent prior rate case where a general depreciation review occurred that included a depreciation study. In the 2010 rate case, Ameren Missouri proposed a retirement date of 2022 for the Meramec steam production facility, and submitted a Black and Veatch study on steam plant life that supported the 2022 retirement date for Meramec. Staff did not oppose the 2022 retirement date in the 2010 case. However, interveners in the 2010 case did oppose the 2012 retirement date, and, ultimately, the Commission ordered a five-year extension to Ameren Missouri's proposed Meramec life span to a retirement date of 2027. In the current Ameren Missouri rate case, Ameren Missouri witness Larry Loos sponsors a Black and Veatch study that supports a 2022 retirement date for Meramec. The use of a 2022 date versus a 2027 date for the expected retirement of the Meramec steam plant increases depreciation expense, (computed on Dec 31, 2013, plant balances), by approximately \$17 million per year for this rate case.

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Q. HOW DID THE COMMISSION DECIDE THE ISSUE IN CASE NO. ER-2010-0036?

A. The Commission denied the Company's life span request and extended the proposed retirement date five years from 2022 to 2027. In its Report and Order, page 36, the Commission stated:

Decision:
AmerenUE shall calculate depreciation for its steam production plant based on the assumption that the Meramec steam production plant will be retired in 2027.

Q. IS THE COMPANY'S PROPOSAL IN THE CURRENT CASE ESSENTIALLY THE SAME AS ITS PROPOSAL IN CASE NO. ER-2010-0036.

A. Yes.

Q. DID THE COMPANY UPDATE THE REPORT ON LIFE EXPECTANCY OF COAL-FIRED POWER PLANTS IT PRESENTED IN CASE NO. ER-2010-0036?

A. Company witness, Mr. Larry W. Loos, represents that the "Study" was updated, but it appears that the underlying analysis upon which his recommendations result was not. Beginning on page 4, line 1, of Mr. Loos's direct testimony, he states:

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Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my direct testimony is to sponsor the May 2014 Black & Veatch report titled *Report on Life Expectancy of Coal-Fired Power Plants*. A copy of this report is included as Schedule LWL-1 in this case. This 2014 report represents an update to the informed estimates set forth in Black & Veatch's July 2009 report of the same name.

However, beginning on page 9, line 17, he adds:

Q. HAVE YOU UPDATED THE ANALYSIS CONDUCTED IN 2009 TO REFLECT MORE RECENT DATA?

A. No, I didn't believe it was necessary to do so. Instead, I have relied on the actuarial analysis conducted by Mr. Wiedmayer in 2009 based on retirements through December 31, 2008. Since Ameren Missouri has not retired any coal-fired generating units since the time of the prior study, I do not believe that the results of an updated study would be particularly meaningful beyond the results of the earlier analysis conducted in 2009.

Q. DOES MR. LOOS'S UPDATED STUDY STATE THAT AMEREN HAS NOT MADE ANY FINAL DEFINITIVE DECISIONS REGARDING THE RETIREMENT OF ANY OF THE PLANTS ADDRESSED IN HIS 2014 REPORT?

A. Yes. On page 1 of Schedule LWL-1 he disclaims any definitive retirement date by issuing a disclaimer that states:

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Disclaimer
Black & Veatch Corporation (Black & Veatch) prepared this report for Ameren Missouri in May 2014 based on information available and conditions prevailing at that time. Any changes in that information or prevailing conditions may affect the conclusions, recommendations, assumptions, and forecasts set forth in this report. Black & Veatch makes no warranty, express or implied, regarding the reasonableness of any information, recommendation, or forecast set forth herein under any conditions other than those assumed in making such projections. Black & Veatch understands that Ameren Missouri has not made any final definitive decisions regarding the retirement of any of the plants addressed in this report. Black & Veatch's opinions are based on its professional engineering judgment of the estimated useful life of each plant for use in Ameren Missouri's depreciation analysis.

Q. SO WHAT DOES THIS MEAN?

A. It means that the Company could change its mind, at any time, on the retirement date of the Meramec Plant.

Q. DID THE COMPANY'S DEPRECIATION WITNESS, MR. JOHN J. SPANOS, RELY ON MR. LOOS'S ANALYSIS AND, THUS, THE 2009 STUDY TO DEVELOP HIS MERAMEC PLANT DEPRECIATION RATE RECOMMENDATIONS?

A. Yes. Beginning on page 4, line 11, of Mr. Loos's direct testimony, he states:

I understand that Ameren Missouri witness John Spanos

1 relies on the life spans resulting from my estimated retirement
2 dates set forth in Schedule LWL-1 in developing his recommended
3 depreciation rates.
4
5

6 Mr. Loos's testimony is corroborated by Mr. Spanos's direct testimony.

7 Beginning on page 9, line 13, of his direct testimony, he states:
8

9 Q. WHAT ARE THE BASES FOR THE PROBABLE
10 RETIREMENT YEARS THAT YOU HAVE ESTIMATED FOR
11 EACH FACILITY?
12

13 A. The bases for the probable retirement years are life spans
14 for each facility that are based on judgment, the life
15 assessment study and incorporate consideration of the age,
16 use, size, nature of construction, management outlook and
17 typical life spans experienced and used by other electric
18 utilities for similar facilities. Most of the life spans result in
19 probable retirement years that are many years in the future.
20 As a result, the retirements of these facilities are not yet
21 subject to specific management plans (with the exception of
22 the Meramec Plant as will be addressed in other testimony
23 filed by Ameren Missouri). Such plans would be premature
24 because the specific date at which a given plant will actually
25 be retired is generally not determined until the retirement
26 date becomes much closer than the dates that have been
27 estimated for Ameren Missouri's plants. I would note that
28 Ameren Missouri witness Larry W. Loos from Black & Veatch
29 conducted a detailed study from which he developed
30 informed estimates of the probable life spans of the
31 Company's coal fired plants, which I then used in my
32 depreciation study. Retirement dates for other hydroelectric
33 or nuclear facilities were based on license dates or on
34 informed judgment using the factors I discuss above.
35 (Emphasis added)
36
37

1 Q. WHY IS THIS ISSUE IMPORTANT?

2 A. The Company's proposal, if authorized by the Commission, will result in a
3 \$17,000,000 increase in the annual depreciation expense recovered from
4 ratepayers each year going forward. However, authorization for the
5 recovery of the \$17,000,000 would be based solely on the Commission's
6 acceptance of the Company's representation that it is "speeding up" the
7 retirement date of the Meramec Plant. If the Company then, at a later
8 date, simply changes its mind and decides to postpone the retirement
9 date, ratepayers will have been forced to remit to the Company tens of
10 millions of dollars sooner than required and that increased cash flow
11 creates a large incentive for the Company's request.

12
13 Q. WHAT IS PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

14 A. Public Counsel believes that this issue is essentially the same issue as
15 was presented in the Company's 2010 case wherein the Commission
16 authorized the Company to use a life span retirement date of 2027 for the
17 Meramec plant. Further, there appears to be no current change in
18 circumstance on which the parties can reasonably rely to support
19 changing this recent decision. Public Counsel intends to address this
20 issue further, as necessary, in surrebuttal testimony.

21

1 | Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

2 | A. Yes.

3 |