

Exhibit No.:	
Issue(s):	Abandoned Projects/ Materials and Supplies Inventory Balances
Witness/Type of Exhibit:	Payne/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	EF-2024-0021

REBUTTAL TESTIMONY

OF

MANZELL PAYNE

Submitted on Behalf of the Office of the Public Counsel

UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI

CASE NO. EF-2024-0021

February 23, 2024

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REBUTTAL TESTIMONY
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MANZELL M PAYNE
UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI
CASE NO. EF-2024-0021

1 **INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. Manzell Payne, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public
4 Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. What are your qualifications and experience?**

6 A. Please refer to the Schedule MMP-R-1 attached hereto.

7 **Q. Have you testified previously before the Missouri Public Service Commission?**

8 A. Yes, I have previously testified before the Missouri Public Service Commission. Please refer
9 to the schedule MMP-R-2 attached hereto.

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. I respond to Ameren Missouri’s (“Company”) direct testimony on energy transition costs.
12 More specifically, I address abandoned projects in construction work in progress (“CWIP”)
13 and inventories, and the Company’s inclusion of these costs as energy transition costs in this
14 securitization case.

15 **ABANDONED PROJECTS**

16 **Q. What is your understanding of what Ameren Missouri is proposing to do with
17 Abandoned Projects in relation to Rush Island in this securitization case?**

18 A. Ameren Missouri is intending to include abandoned projects recorded in construction work
19 in progress in the energy transition costs for this securitization case.

1 **Q. What is CWIP?**

2 A. CWIP is Construction Work in Progress, which refers to ongoing costs incurred by utilities
3 for unfinished construction of new facilities or upgrading the facilities they currently have.
4 These costs are capitalized, not expensed; however, these costs are not included in rate base
5 until the construction projects are finished. At that time the assets are eligible to be placed
6 into the utility's cost-of-service used to design rates.

7 **Q. What is the abandoned projects in CWIP amount that Ameren Missouri is requesting**
8 **to be included in the energy transition costs to be securitized in this case?**

9 A. According to Company witness, Mitchell Lansford, the amount will be \$12,968,798.¹

10 **Q. What Rush Island projects has Ameren Missouri abandoned for which it has included**
11 **CWIP as an "energy transition cost" to be securitized?**

12 A. The below table, obtained from the Company (Ameren Missouri Response to OPC DR1200),
13 details the abandoned projects in CWIP.

¹ EF-2024-0021, Lansford Direct, Page 5, Line 17.

work_order_number	Description	Charges as of June 30, 2023	Initial Objectives/Scope	First charge month	Latest charge month	Estimated % complete
15441	RI - U1 & U2 FGD REPL	\$ 9,032,645.86	Preliminary engineering and design costs for possible construction of a flue gas desulfurization (scrubber) system for Units 1 & 2 at Rush Island energy center should final regulations require it.	Jun-2008	Jul-2021	67.41%
16428	RI - 316B Compliance	\$ 1,806,365.91	Complete Non Pollutant Discharge Elimination System (NPDES) permit requirements for Clean Water Act section 316(b) requirements including necessary intake structure modifications.	Mar-2005	Nov-2023	81.28%
J0K6J	RI U1 Warmup Guns & Igniters REPL	\$ 502,329.99	Replace aging and obsolete igniter systems on Rush Island Unit 1	Oct-2019	Jan-2022	62.80%
14410	RUSH MCC REPL OB13 & OB14	\$ 436,987.86	Replace Motor Control Centers (MCCs) 0B13 and 0B14 with new (MCCs) with NEMA 12 rated enclosures.	Jul-2019	Feb-2022	62.66%
J0K6K	RI U2 Warmup Guns & Igniters REPL	\$ 427,658.39	Replace aging and obsolete igniter systems on Rush Island Unit 2	Nov-2019	Jan-2021	55.54%
J0M6W	RI U2 Flame Scanner UPGR	\$ 268,917.36	Replace all 20 aging and obsolete flame scanners on Rush Island Unit 2. This upgrade includes replacing all flame scanner head assemblies, new electronics to sense flame scanners, and new sub panel assemblies.	Nov-2020	Nov-2023	65.96%
J0V11	RI Intake Heat Trace Repl	\$ 249,187.04	Engineering, procurement, construction and start-up of a new Intake Heat Trace System, replacing obsolete, unreliable and unsupported equipment.	May-2021	Jul-2022	57.72%
J0T5Z	RI 2B TBSF Fire Trip Door	\$ 192,471.52	Install new Rush Island Unit 2 Turbine Bay Supply Fan Fire Trip Door.	Aug-2021	Nov-2023	65.63%
J0R5T	RI U1 HEP HRH Elbow Repl	\$ 43,323.92	Replace high energy piping (HEP) elbows and reducers on Rush Island Unit 1 hot reheat (HRH) lines.	Apr-2021	Jan-2023	1.28%
J0VV6	RI Renovations	\$ 5,980.95	Preliminary engineering and design costs to renovate Rush Island Offices.	Oct-2021	May-2022	11.81%
J0K6P	RI HPRW System Repl	\$ 2,929.44	Preliminary engineering and scope development costs related to upgrades on the Rush Island High Pressure Raw Water system.	Apr-2021	Jul-2021	5.86%
Total		\$ 12,968,798.24				

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Q. When was the oldest of these projects started?

3

A. 2005 and 2008 are the oldest abandoned projects included in this case, work order numbers 16428 and 15441, respectfully.

4

5

Q. Why is it important to highlight the age of these projects?

6

A. They have been ongoing for more than 10 years, and still not completed. To be more exact, work order number 15441 went on for 13 years and was abandoned when about 67.41% complete, while work order number 16428 went on for 18 years and was abandoned when about 81.28% complete.

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1 **Q. What amount do you believe should be included as energy transition costs for these**
2 **abandoned projects?**

3 A. I believe that the amount of recovery in this securitization case for abandoned projects in
4 CWIP for Rush Island should be \$0. In other words, I believe that the recovery of these
5 projects should be excluded from energy transition costs for this case.

6 **Q. Why?**

7 A. As I explain later, while Ameren Missouri's retail customers should reimburse it for its CWIP
8 totals, they should not pay interest on those totals or the additional amount to cover the income
9 taxes (tax gross up) to pay that interest. If securitized, Ameren Missouri's retail customers
10 would not only bear the burden of repaying Ameren Missouri for its investment in the
11 abandoned projects, they would also pay for the bond interest associated with those totals
12 during the 15 years of the bonds plus the tax gross up required to fund that interest.² It is just
13 not economical or beneficial for Ameren Missouri's customers to pay for the abandoned
14 projects this way.

15 **Q. Are you suggesting that Ameren Missouri recover nothing from its retail customers for**
16 **its investments in these projects?**

17 A. No. The recovery of Ameren's Investments in these projects should be reviewed for prudence
18 and recovered in a different manner, such as a future general rate case.

19 **Q. Has the Commission ruled on the recovery of cancelation costs for projects at Rush**
20 **Island before?**

21 A. Yes. In case No. ER-77-154, the Commission permitted Ameren Missouri to recover its
22 cancelation costs for two Rush Island generating unit projects through a 5-year amortization
23 period. Ameren Missouri recovered for these costs in its retail rates with no return on the
24 unamortized balance.³ From the Commission's Report & Order:

² Loan interest would be \$5,613,190 at 5.1% interest rate over 15 years.

³ Report and Order, Case Nos. ER-77-154, page 23.

1 In case No. ER-77-154, Union Electric (Ameren Missouri) was seeking the
2 recovery of cancellation costs related to the Rush Island III and IV. Company
3 forecasts prior to 1973 indicated the need for an additional 1200 megawatts in
4 the 1978-1980 period and Company had the alternative of selecting either oil-
5 fired peaking capacity or coal-fired baseload capacity. The difference between
6 the two is that the former has relatively low capital costs to install but high fuel
7 costs over the life of the plant, while just the opposite applies to the latter. Staff
8 Exhibit 6, Schedule 1, indicates that the peaking capacity alternative offers the
9 least expensive combination of capital and operating costs and Company was
10 favoring that alternative until the Arab oil embargo of 1973 threatened the future
11 availability of oil. Company then decided to build the coal-fired baseload Rush
12 Island units 3 and 4 and preliminary work began in 1974.

13 However, as stability returned to the oil markets, even though the price of oil
14 had increased dramatically, Company's calculation still showed the cost
15 advantage to be with oil-fired peakers (combustion turbines) and the Rush
16 Island Units were canceled. Company's total costs of construction on the two
17 units up to the point of cancellation and after all usable items had been taken
18 elsewhere included \$5,900,000 of engineering work, site work, some materials,
19 etc. and \$3,000,000 representing the costs of canceling the various contracts
20 involved with the project. The net after taxes amounts to \$4,500,000, the
21 Missouri portion of which is \$3,045,000. Company has worked out an
22 arrangement with the Federal Power Commission (now the Federal Energy
23 Regulatory Commission) and the States of Iowa and Illinois to amortize these
24 costs over a five-year period and Staff recommended that the Commission do
25 the same for the Missouri portion at the rate of \$609,000 per year.

26 **Q. How does the Commission's ruling on cancellation costs in 1977 for Ameren Missouri**
27 **projects at Rush Island relate to this case?**

28 **A.** In this case, Ameren Missouri is attempting to include in energy transition costs, the costs of
29 abandoned projects or costs associated with construction before, ultimately, the projects were

1 cancelled. The cancellation is due to the Company retiring their coal plant 15 years early
2 instead of adding a scrubber to reduce sulfur dioxide. Ameren Missouri had similar costs
3 related to Rush Island and abandoned projects or cancelled costs that it wanted to include in
4 its 1977 rate case. The Commission allowed Ameren Missouri to recover its canceled projects
5 costs in that case through a 5-year amortization period with no return allowed on the
6 unamortized balance, as stated above. Through this method, both Ameren Missouri's
7 customers and its shareholders benefited economically.

8 **Q. Should Ameren Missouri be allowed a return on the money it spent on the projects at**
9 **Rush Island that it abandoned?**

10 A. As I pointed out before, Ameren Missouri should be allowed a return of its investment and
11 capitalized costs in the abandoned projects, but that return should not be part of this current
12 securitization case. By allowing Ameren Missouri to receive a return of its capital, but not a
13 return on it, both its retail customers and Ameren Missouri share the burden of the costs
14 associated with the abandonment of these projects.

15 **Q. Are there any other reasons that support your view that Ameren Missouri should not**
16 **be allowed a return on its abandoned projects?**

17 A. Yes. The projects were never used and useful for providing service to Ameren Missouri's
18 customers.

19 **Q. What is your understanding of the effect of Missouri's anti-CWIP statute?**

20 A. Missouri's anti-CWIP statute is Section 393.135, RSMo. My understanding is that it means
21 that CWIP cannot be included in an electric utility's rates before the capital project is
22 completed, fully operational, and used for service.⁴

⁴ Section 393.135, RSMo.

1 **Q. Are the abandoned projects in this case used and useful?**

2 A. No. These abandoned projects were either never completed and/or never used. See the chart
3 above for completion percentages of each project.

4 **Q. Does the USOA chart of accounts address the treatment of abandoned projects?**

5 A. Yes. Accounts 182.2 and 182.3 address the procedure for recovering unfinished projects by
6 debiting expense accounts (407 or 426.5) for a period specified by the Commission.

7 **Q. Would you summarize your position on Ameren Missouri recovering CWIP for the
8 projects it started but then abandoned at Rush Island through securitization?**

9 A. Yes. Ameren Missouri is attempting to recover the full amount of its CWIP for these
10 abandoned projects through securitization, which I believe that they should not be allowed to
11 do. These abandoned projects should not be included in energy transition costs in this case;
12 instead, these costs should be addressed in Ameren Missouri's next general rate case. The
13 Commission has previously ruled on CWIP costs for abandoned projects at Rush Island in
14 Case No. ER-77-154. In that case, the Commission allowed the Company to recover its costs
15 associated with the cancellation of the abandoned projects related to Rush Island Unit III and
16 IV; however, recovery of those cost was through a 5-year amortization period with no return
17 on the unamortized balance.

18 **MATERIALS AND SUPPLIES INVENTORY BALANCES**

19 **Q. What is your understanding of what Ameren Missouri is doing with its materials and
20 supplies inventory at Rush Island?**

21 A. It is my understanding that the Company has \$21,900,901 in inventory balances for Rush
22 Island. Of that \$21,900,901 balance, the Company is only transferring an estimated
23 \$3,596,459 to other facilities. That leaves \$18,304,442 in excess inventory balance on the
24 books for Rush Island. This is the amount that the Company is seeking to include in the energy
25 transition costs securitized for this coal plant.

1 **Q. Why is the company not transferring all of its inventory at Rush Island to other**
2 **locations?**

3 A. Per its response to OPC Data Request 1201, Ameren Missouri “will endeavor to transfer all
4 inventoried items or in service assets that can be utilized at another location, including items
5 that are not a part of the Company’s transfer estimates in this case.” The Company seems to
6 have investigated transferring some inventoried items, those in the transfer estimates, and now
7 will be looking to include additional items to be transferred. However, this does not seem to
8 be the case initially, as Ameren Missouri witness Jim Williams stated in his direct testimony
9 that items under \$1,000 in value are not useable at the other sites and will not be transferred.⁵

10 **Q. Do you believe that the inventoried balance for material and supplies that is left over**
11 **after Ameren Missouri has transferred to other sites all of the items it deems to be**
12 **transferable should be included in the energy transition costs for this securitization**
13 **case?**

14 A. No. I believe that the inventoried balance of material and supplies should not be included in
15 the amount securitized. Ameren has stated in its response to OPC DR 1201 that it will be
16 continuing to purchase materials when needed until the plant is closed. The inventory balance
17 amount is not only very high but could be even higher before Ameren Missouri retires Rush
18 Island. There is also the possibility that the inventory balance amount that the Company seeks
19 to include in the securitized amount could decrease, which would result in over recovery of
20 expenses due to inventory balances.

21 **Q. Do you believe the Ameren Missouri should not recover its material and supplies in**
22 **inventory balances?**

23 A. No, I am not suggesting that the Company not have the opportunity to recover these funds
24 associated with inventoried items. I believe that the Company can recover the balance left in
25 materials and supplies inventories through a future rate case. This will give Ameren Missouri
26 more time to assess the total amount of inventories truly leftover after additional transfers are

⁵ EF-2024-0021, Jim Williams, Page 10, Line 17.

1 made, any additional materials or supplies that are bought, and the closure of Rush Island.
2 Ultimately, I believe the Company can seek recovery of these costs through a future general
3 rate case.

4 **Q. Are the items Ameren Missouri has listed in the inventory balances for this case used**
5 **and useful?**

6 A. No, left over materials and supplies are not currently being used, and Ameren Missouri has
7 deemed them useless. The Company has stated as much in Company witness Jim Williams'
8 direct testimony where he testifies:

9 The remaining items are Rush Island inventory acquired for plant operations that
10 are not usable at other sites. After accounting for these 2 transfers, there will be
11 \$18.3 million of remaining inventory that cannot be used.⁶

12 Some of the remaining items do not even exist. The Company has included inventories on
13 their list that have a monetary balance, but do not have that actual item on hand. The dollar
14 amount of line items with zero quantities that are included in the inventory balances is
15 \$44,553.27. The Company has pointed to this amount in workpaper MJL-D1-D5, but appears
16 unsure what to do with the amount. I believe that this amount should be deducted from the
17 total inventory balance. This would leave the amount of material and supplies inventory to be
18 \$18,259,888.74.

19 **Q. Should Ameren Missouri's customers have to pay for the useless, leftover inventory over**
20 **the next 15 years?**

21 A. No. Ameren Missouri's retail customers should not bear the burden of repaying the
22 inventories balance leftover after the closure of Rush Island, or the additional interest related
23 to those costs over a 15-year period.

⁶ EF-2024-0021, Williams Direct, page 10, line 22.

1 **Q. Should these inventory balances be recovered in a shorter time period than 15 years?**

2 **A.** Yes. The materials and supplies that will be left over after the closure of Rush Island have
3 varying lifespans. Having retail customers fund items for 15 years that in theory would not
4 last for another 15 years plus pay interest on those items for that same 15 years is not just and
5 reasonable. The recovery of the material and supplies inventory balances can occur over a
6 shorter period through a general rate case. That period does not need to be determined at this
7 time. However, I believe that 15 years is too long.

8 **Q. Can you summarize your position on including inventory balances in the amount to be**
9 **securitized in this case?**

10 **A.** Yes. Ameren should not be allowed to recover the \$44,553.27 amount it lists for nonexistent
11 assets. Further, I believe that the Company should not be allowed to recover the inventory
12 balance related to materials and supplies of the \$18,259,888.74 (amount excluding zero
13 quantities items) it lists for inventory that is neither used nor useful after it retires Rush Island.
14 The total inventory balance can fluctuate by the time the Company closes Rush Island, which
15 means the amount could be over or under what the Company is currently wanting to include
16 in this case. In addition to these items being unusable⁷, Ameren Missouri's retail customers
17 should not have to repay Ameren Missouri for these items over 15 years, with interest. Instead
18 of securitization, the Company should wait and ask for recovery of these inventory balances
19 in a future general rate case. After it closes Rush Island the Company will have a more precise
20 number for the materials and supplies inventory balances. Further, it is likely that the recovery
21 period of the materials and supplies inventory balances will be much shorter than fifteen years.

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

23 **A.** Yes, it does.

⁷ EF-2024-0021, Jim Williams, Page 10, Line 17.

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

In the Matter of the Petition of Union Electric)
Company d/b/a Ameren Missouri for a Financing)
Order Authorizing the Issue of Securitized Utility) Case No. EF-2024-0021
Tariff Bonds for Energy Transition Costs related)
to Rush Island Energy Center)

AFFIDAVIT OF MANZELL PAYNE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

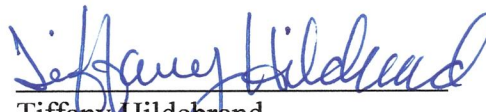
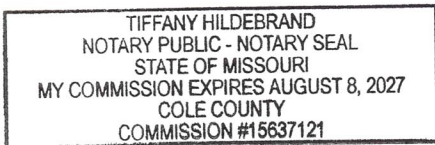
Manzell Payne, of lawful age and being first duly sworn, deposes and states:

- 1. My name is Manzell Payne. I am a Utility Regulatory Auditor 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.



Manzell Payne
Utility Regulatory Auditor

Subscribed and sworn to me this 22nd day of February 2024.



Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.

Educational Background and Work Experience of Manzell M. Payne

My educational background includes a Bachelor of Arts degree in Accounting from Westminster College in Fulton, Missouri.

Prior to joining the Office of Public Counsel in July 2023, I worked as an analyst and auditor in the banking industry for four and half years. The responsibilities included in my time as an analyst included risk analysis, tracking/monitoring expenditures, auditing of business financial statements and business plans. Through my various analysis and auditing in the banking industry, I had the opportunity to review an individual or company's credit worthiness.

Since joining the Office of Public Counsel, I have attended the National Association of Regulatory Utility Commissioners ("NARUC") Rate School.

Manzell M. Payne

Summary of Case Participation

Company Name	Case No.	Topics	Party
Raytown Water Company	WR-2023-0344	Rebuttal, Surrebuttal and Live Testimony, Rate Case Expense, Payroll Expense	OPC