

FILED  
April 30, 2024  
Data Center  
Missouri Public  
Service Commission

# Exhibit No. 208

OPC – Exhibit 208  
Riley  
Surrebuttal  
File No. EF-2024-0021

**Exhibit No.:**  
**Issue(s):**  
**Witness/Type of Exhibit:**  
**Sponsoring Party:**  
**Case No.:**

---

NPV of ADIT  
Riley/Surrebuttal  
Public Counsel  
EF-2024-0021

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN S. RILEY**

Submitted on Behalf of the Office of the Public Counsel

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

CASE NO. EF-2024-0021

March 22, 2024

**SURREBUTTAL TESTIMONY**  
**OF**  
**JOHN S. RILEY**  
**UNION ELECTRIC COMPANY**  
**D/B/A AMEREN MISSOURI**  
**CASE NO. EF-2024-0021**

1 **Q. What is your name and business address?**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. Are you the same John S. Riley who prepared and filed rebuttal testimony in this case**  
4 **on behalf of the Office of the Public Counsel?**

5 A. Yes.

6 **Q. What is the purpose of your surrebuttal testimony?**

7 A. I will be responding to Staff witness Mr. Keith Major’s rebuttal conclusion on the Net Present  
8 Value (“NPV”) of the Rush Island Accumulated Deferred Income Tax balances (ADIT &  
9 EDIT), specifically illustrating his inconsistency with Ms. Kimberly Bolin’s testimony  
10 concerning the NPV of ADIT in Case No. EO-2022-0193. I will also point out his conflict  
11 with the Commission’s Amended Report and Order as clarified in that case as well as the  
12 Commission’s position in the Appellate case where the Court specifically reviewed the issue  
13 of ADIT in that report and order.<sup>1</sup>

---

<sup>1</sup> [Empire Dist. Elec. Co. v. PSC, 672 S.W.3d 868.](#)

1 **NPV OF RUSH ISLAND ADIT**

2 **Q. What is the net present value of the Rush Island accumulated deferred income tax**  
3 **balances?**

4 A. Using the Company's \$136,696,234 as the starting point and applying a discount rate of an  
5 expected 5.59% over a 15-year period produces an NPV of the ADIT balances of  
6 \$87,311,890<sup>2</sup>.

7 **Q. What amount does Mr. Majors include in the securitization costs for the NPV of the**  
8 **ADIT balances?**

9 A. Mr. Majors agrees with Ameren's witness Mr. Lansford and only reduced the securitization  
10 balance by \$49,178,167 for the NPV of the ADIT balances.

11 **Q. Is the methodology Staff witness Mr. Majors and Ameren Missouri witness Mr.**  
12 **Lansford used to calculate the NPV of the ADIT balances consistent with the**  
13 **methodology Staff witness Ms. Kimberly Bolin used in The Empire Electric Company's**  
14 **d/b/a Liberty securitization case for its Asbury generating plant?**

15 A. No. I've included Ms. Bolin's rebuttal testimony and the corresponding workpaper that  
16 provides the calculation of Staff's NPV of the Asbury ADIT as JSR-S-01. Essentially, Ms.  
17 Bolin calculated the NPV of the Asbury ADIT by way of discounting the annualized payments  
18 by the expected bond rate and tallied the balance. She argued that Liberty discounted the

---

<sup>2</sup> I agree with Mr. Lansford's NPV calculation as it applies to the \$136 million, as this produces the NPV of ADIT equaling \$87,311,890. I do not agree with the double discounting to arrive at \$49,384,345.

1 Asbury ADIT balance twice. Liberty discounted the payments once and then discounted the  
2 balance again.

3 Ameren Missouri essentially did the same procedure for Rush Island. The Company  
4 workpapers indicate that Ameren Missouri's \$49 million balance is the result of starting with  
5 the original deferred tax balance (\$136,696,234) from which it subtracted the NPV of ADIT  
6 (\$87,311,890) to produce its interpretation of the NPV of Tax Benefits (\$49,384,345).  
7  $\$136,696,234 - \$87,311,890 = \$49,384,345$ . See Lansford workpaper attached as JSR-S-02.

8 **Q. Did Mr. Majors provide any schedules or workpapers to support his agreement with**  
9 **Ameren Missouri's NPV of the ADIT balances methodology?**

10 A. Mr. Majors used Mitchell Lansford's NPV ADIT Excel spreadsheet and made a slight  
11 adjustment to the beginning ADIT balance but left all the functions in that spreadsheet  
12 untouched. His totals are slightly different due to the initial balance adjustment, but otherwise  
13 he adheres to Lansford's conclusion of \$49 million. I also started with Mr. Lansford's  
14 spreadsheet.

15 **Q. Does Mr. Majors explain why the Commission's Staff accepted a methodology for**  
16 **calculating the NPV of retired generating plant ADIT balances that it rejected in the**  
17 **last securitization case where it addressed the issue?**

18 A. No.

1 **Q. What is your opinion of the argument that the present value of ADIT is the summation**  
2 **of the discounted cash flows versus the present value of ADIT is subtracted from the**  
3 **original ADIT balance to produce the NPV of *the tax benefits*?**

4 A. I believe the Missouri Western District Court of Appeals was exactly correct when it said,  
5 “Asbury’s entire ADIT balance is, in fact, a 'tax benefit.’”<sup>3</sup> This statement is in agreement  
6 with the Commission’s Amended Report and Order in Case No. EO-2022-0193. (Schedule  
7 JSR-S-03) As it did in Case No. EO-2022-0193, Ameren Missouri is arguing that Missouri’s  
8 securitization statutes mean something different than what both the Commission and the Court  
9 said that they mean. As the Commission quoted in its Amended Report and Order:

10 Conclusions of Law

11 LL. Section 393.1700.2(3)(c)m requires a financing order to include:

12 [A] procedure for the treatment of accumulated deferred income taxes and  
13 excess deferred income taxes in connection with the retired or abandoned or to  
14 be retired or abandoned electric generating facility, or in connection with retired  
15 or abandoned facilities included in qualified extraordinary costs. The  
16 accumulated deferred income taxes, including excess deferred income taxes,  
17 shall be excluded from rate base in future general rate cases and the net tax  
18 benefits relating to amounts that will be recovered through the issuance of  
19 securitized utility tariff bonds shall be credited to retail customers by reducing  
20 the amount of such securitized utility tariff bonds that could otherwise be issued.  
21 The customer credit shall include the net present value of the tax benefits,  
22 calculated using a discount rate equal to the expected interest rate of the  
23 securitized utility tariff bonds, for the estimated accumulated and excess  
24 deferred income taxes at the time of securitization including timing differences  
25 created by the issuance of securitized utility tariff bonds amortized over the  
26 period of the bonds multiplied by the expected interest rate on such securitized  
27 utility tariff bonds.

---

<sup>3</sup> Missouri Court of Appeals, Western District Case No. WD85800, Last line of page 14 and top of page 15 attached as JSR-S-04

1           .....

2           Decision

3           The ADIT offset to the Asbury Energy Cost balance is properly calculated using  
4           the methodology used by Staff witness Kim Bolin.<sup>4</sup>

5           Nowhere in that statutory quote does the Legislature mention anything about revenue  
6           requirement calculations. It only specifies that the NPV of ADIT be deducted from the  
7           securitized utility tariff bonds. Based on my education and experience, I agree with the  
8           Commission and the Court that to read more into this section to argue that there should be  
9           some extra calculation is wrong.

10          To further understand that the ADIT balance is the tax benefit, one should realize that for  
11          regulatory purposes in Missouri ADIT is Accumulated Derived Income Tax provided to the  
12          company through the rate making process as an interest free loan. It is income tax expense  
13          the Company's customers pay to the Company in advance of that income tax anticipated to  
14          become due many years in the future. Income tax isn't calculated twice. ADIT is the  
15          difference between accelerated and straight-line depreciation, multiplied by the composite tax  
16          rate. The ADIT calculation is a rate base component but it is income tax, and in and of itself,  
17          it is *the whole tax benefit*.

18          **Q.    Would you summarize your position on the NPV of ADIT for purposes of securitization?**

19          A.    Yes. Mr. Major's total agreement with Ameren Missouri's double discounting of the NPV of  
20          ADIT is not only contrary to Ms. Kimberly Bolin's testimony in the Liberty securitization  
21          case, it is contrary to the Commission's Amended Report and Order in that case, the argument

---

<sup>4</sup> Case No. EO-2022-0193, Amended Report and Order, page 54.

1 the Commission’s attorney John Borgmeyer<sup>5</sup> made to Missouri Western District Court of  
2 Appeals and, more importantly, the opinion of the Missouri Western District Court of  
3 Appeals. Staff witness Majors provides no explanation for why he performs a complete 180  
4 to the Staff’s policy. The Commission should continue to use the methodology it adopted in  
5 Liberty’s securitization case for the NPV of ADIT to include as the reduction to the energy  
6 transition costs. Depending on the starting point of the ADIT balance, this should be  
7 somewhere near \$87,311,890.

8 **Q. Does this conclude your surrebuttal testimony?**

9 A. Yes.

---

<sup>5</sup> Mr. Borgmeyer’s Brief on behalf of the Commission is attached as JSR-S-05.



