

Exhibit No. 235

Commission Staff – Exhibit 235
Keith Majors
Surrebuttal Testimony
File Nos. ER-2021-0240 & GR-2021-0241

Exhibit No.: Facilities
Issues: Keith Majors
Witness: MoPSC Staff
Sponsoring Party: Surrebuttal Testimony
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MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KEITH MAJORS

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

CASE NO. ER-2021-0240

Jefferson City, Missouri
November 2021

Surrebuttal Testimony of
Keith Majors

1 A. I have been employed by the Commission as a Regulatory Auditor for
2 14 years, and have submitted testimony on ratemaking matters numerous times on a variety of
3 subjects before the Commission. I have participated in in-house and outside training, and
4 attended seminars on technical and general ratemaking matters while employed by the
5 Commission.

6 Q. Are you familiar with the direct testimony that Mr. Jason Kunst submitted in
7 this case on behalf of the Staff?

8 A. Yes, I am. Mr. Kunst is no longer employed at the Commission as of
9 September. I am adopting portions of his direct testimony filed in Staff's Cost of Service
10 Report on September 3, 2021. I am specifically adopting the sections in the table below:

11

Issue	COS Report Page Number
Saint Louis University ("SLU") Donation	Page 70-71
Storm Restoration Costs -- Annualization	Page 165
Vegetation Management & Infrastructure Inspections	Page 164-165

12
13 Other Staff witnesses have adopted various sections of Mr. Kunst's direct filed testimony in
14 the cost of service report.

15 Q. Please summarize your surrebuttal testimony.

16 A. I will respond to Ameren Missouri witness Laura Moore's rebuttal testimony
17 concerning a 2019 donation of utility property to St. Louis University ("SLU").

18 **ST. LOUIS UNIVERSITY DONATION**

19 Q. Please describe this issue, as identified by witness Moore in her rebuttal
20 testimony on page 4.

21 A. Ameren Missouri owned a two acre parcel of vacant land near downtown
22 St. Louis that was the former site of a substation. Ameren Missouri donated the land to

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1 SLU in late 2019. Prior to the donation, the land was for sale and Ameren Missouri received
2 an offer from SLU to purchase the land. Staff recommends the foregone sale proceeds should
3 reduce the book value of the land purchased to construct the replacement substation. Ameren
4 Missouri recommends no adjustment. Ameren Missouri did receive a tax deduction of
5 \$957,000 for the net value of the property. This tax deduction had no effect on the cost of
6 service and did not inure to the benefit of customers. Charitable donations are not reflected in
7 the cost of service so ratepayers would not receive their tax benefits. If the proceeds were
8 reflected as a reduction to the cost of the replacement land then ratepayers would see a benefit
9 from the gain on the sale.

10 Q. On page 5 of her rebuttal testimony, Ms. Moore comments concerning the
11 return on investment versus the return of investment on land included in a utility's cost of
12 service. How long had this land been included in cost of service?

13 A. Since 1960. It was last included in rate base in the 2016 rate case and was
14 included in the cost of service through April 1, 2020, the effective date of rates in Case No.
15 ER-2019-0335. Although ratepayers did not pay any depreciation expense they did pay a
16 return on the land in the cost of service for 59 years.

17 Land is not completely unique in that shareholders do not receive a return of the
18 investment through depreciation but do receive a return on that investment. Other examples
19 include basemat¹, materials and supplies inventory, and other fuel inventories.

20 Q. On page 5 of her rebuttal testimony, Ms. Moore refers to a "hypothetical sale".
21 Was this property sold?

¹ Basemat is the bottom 18 inches of coal in the coal pile at every coal burning generation facility. Although its ability to be burned is suspect, Staff includes a level of basemat in rate base.

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1 A. No, it was not sold, though Ameren Missouri had been in negotiations with
2 SLU to purchase the land at a market price prior to the donation. Ameren Missouri was
3 approached by several other business owners that expressed interest in acquiring the property.
4 If Ameren Missouri wanted to sell the property for a market rate it could have.
5 “Hypothetical” implies that disposition of the property was something imaginary; I would
6 characterize it as “probable”.

7 Q. On page 6 of her rebuttal testimony, Ms. Moore states that property was “just
8 a vacant parcel that the Company was never going to use for service again”. Is that an
9 accurate statement?

10 A. No. Staff requested Data Request 297.1 in Case No. ER-2019-0335, which
11 requested all communication between SLU and Ameren Missouri concerning the land sale
12 and ultimate donation. Ameren Missouri retained the property since its remediation in 2012
13 as a potential staging and laydown area for frequent projects in downtown St. Louis. Ameren
14 Missouri initially requested to lease back the property after the sale to SLU, demonstrating the
15 importance and ability of the property to Ameren Missouri and that the property was used and
16 useful for utility service.

17 Q. On page 6 of her rebuttal testimony, Ms. Moore refers to the new Central
18 Substation. Explain the replacement of the old substation.

19 A. The new substation was constructed approximately 1,000 feet from the old
20 substation on a larger parcel of land. The cost of land purchased for the new substation is
21 confidential and referenced within Staff’s direct filed Cost of Service Report.

22 Q. On page 6 of her rebuttal testimony, Ms. Moore states “I see no basis for a
23 claim that it was necessary or useful in providing service.” Do you agree with that statement?

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1 A. No. On the contrary, the land was so important to Ameren Missouri that it
2 requested SLU to leaseback the property after the initial sale transaction with SLU.

3 The space was being used as a potential laydown and staging area which would clearly
4 make it used and useful for the provision of utility service. I would compare it to many
5 properties owned by utilities. The natural extension of Ms. Moore's argument is that any
6 portion of the land adjacent to any facility that is not explicitly used for a structure, for
7 example a parking lot or a vacant field adjacent to a building, is non-utility property. An
8 example of this is Evergy Metro's Kansas City 52 acre Front and Manchester facility which
9 stores transmission and distribution supplies and is a basis of fleet operations. The 52 acres
10 includes substantial undeveloped greenspace. Using Ms. Moore's logic, Evergy Metro could
11 arbitrarily declare a 5 acre greenspace "non-utility" property and sell it to a housing developer
12 for a substantial profit. This simply does not make sense.

13 If Ms. Moore truly believes undeveloped portions of utility-owned land are not part of
14 Ameren Missouri's "franchise, works, or system" and "necessary or useful" in providing
15 service, then Ameren Missouri should remove the value of all such land from rate base. To
16 accomplish this, a ratio method could be used comparing the square footage of the land from
17 each and every utility-owned parcel that Ms. Moore now considers non-utility property to the
18 overall square footage of the parcel, multiplied by the net book value of the land. This would
19 amount to perhaps hundreds of adjustments over Ameren Missouri's service territory.

20 Q. Did Ameren Missouri seek approval for the sale or donation of the
21 SLU property?

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1 A. No. Staff raised this issue in the 2019 rate case but at that time the donation
2 had not been completed. This is the first case the Commission will have had the opportunity
3 to fully review the transaction.

4 Q. On page 6 of her rebuttal testimony, Ms. Moore references in *In Re: Kansas*
5 *City Power & Light Co.*, 1986 WL 1301283 (Mo. P.S.C.), 75 P.U.R.4th, Report and Order.
6 Are the circumstances in that case the same as those in this land disposition?

7 A. No. I have read that section of the Report and Order. It is not clear in that case
8 whether or not the property at issue was “used and useful”; in this case the SLU property was
9 used and useful and included in rate base immediately preceding the disposition.

10 Another key difference in the SLU property is its direct replacement 1,000 feet from
11 its location. The proceeds from the disposition should offset the cost of the replacement
12 substation. This is analogous to any replacement of property; for example a truck. If a truck
13 needs to be replaced the old truck is auctioned or otherwise sold and those proceeds would be
14 accounted for as net salvage. The SLU property was not some “orphaned” property that was
15 waiting to be sold; it was utility property that was used and useful immediately prior to
16 disposition.

17 Q. At what point was this property converted from a sale to SLU to a donation to
18 SLU?

19 A. The earliest date Staff can identify is October 19, 2018. SLU pursued a
20 purchase of the property as late as June 18, 2018 and a contract had circulated between SLU
21 and Ameren Missouri. An email from a SLU employee to Mr. Marty Lyons, Chairman and
22 President of Ameren Missouri, on October 19 requested the donation of the property in
23 exchange for naming rights on a SLU campus property which was ultimately a cafeteria.

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1 There was no obvious reason for this change other than SLU not outlaying cash to purchase
2 the property but rather receiving it for free.

3 Q. Does Staff take issue with the donation versus sale of the property?

4 A. No. Ultimately, Ameren Missouri can dispose of its property in the manner it
5 chooses barring any Commission authority over the transfer. However, ratepayers financed
6 what was essentially investment activity under the guise of utility activity. If Ameren
7 Missouri truly believed the property was not used and useful, it could have removed the land
8 from above-the-line accounts in either 2012 when the new substation was completed or in
9 2018 when the property was considered for sale. Ameren Missouri considered the
10 property non-utility only when Staff inquired as to why the property was still included in
11 above-the-line accounts. In the meantime, the property was included in cost of service through
12 April 2020.

13 Q. Has SLU subsequently developed the property?

14 A. No. The property is located in an industrial district and is landlocked by
15 railroad tracks, a truck dealership, a parking lot, and a school bus depot. As noted in the
16 appraisal report, the property would be far more valuable if the adjacent properties were
17 purchased and developed as one plot of land. The donation of the property was essentially a
18 transfer of used and useful utility property to SLU to hold as an investment.

19 Q. If SLU had not received the property or purchased it, would Ameren Missouri
20 have still owned the property?

21 A. Possibly. Ameren Missouri did not actively market the property but it had been
22 approached to sell it by multiple entities at a market rate.

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1 Q. After the retirement of the substation, did Ameren Missouri incur any costs
2 related to the maintenance of the vacant property?

3 A. Yes. The substantial expense of demolishing a substation and returning the
4 property to usable land was charged to the depreciation reserve against the cost of removal
5 accrual. Fencing and concrete barriers were installed and minor polychlorinated bi-phenyls
6 ("PCB") remediation was performed. All of these costs was included in cost of service in
7 either rate base through salvage or through operations and maintenance expense.

8 Q. In summary, why should the Commission support Staff's recommendation and
9 offset the cost of the new substation by the foregone gain on the sale of the land of the old
10 substation by \$561,022?

11 A. Ameren Missouri had the opportunity to sell the land for a substantial gain.
12 The new replacement substation was constructed within 1,000 feet of the old substation. The
13 land was used and useful utility property immediately prior to the donation and had been in
14 cost of service for at the prior 59 years. The treatment should follow the accounting of other
15 proceeds from salvage operations.

16 **OTHER FACILITIES ISSUES**

17 Q. With reference to page 7 of her rebuttal testimony, Ms. Moore identifies
18 adjustments for the Eldon Transmission Building, the Sunset Hills Office, and the Edina
19 facility, and that adjustments for these properties have been included in the Company's books
20 and records. Are there any remaining concerns with these adjustments?

21 A. No.

22 Q. Does that conclude your surrebuttal testimony?

23 A. Yes.

Keith Majors
Educational and Employment Background and Credentials

I am currently employed as a Utility Regulatory Auditor IV for the Missouri Public Service Commission (Commission). I was employed by the Commission in June 2007. I earned a Bachelor of Science degree in Accounting from Truman State University in May 2007.

As a Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings as ordered by the Commission. In addition, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Cases I have been assigned are shown in the following table:

Utility	Case Number	Issues	Exhibit
Spire Missouri	GR-2021-0108	Corporate Allocations, Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
KCP&L & KCP&L GMO	ER-2018-0145 & ER-2018-0146	Synergy and Transition Costs Analysis, Transmission Revenue and Expense	Staff Report
Laclede Gas and Missouri Gas Energy	GR-2017-0215 & GR-2017-0216	Synergy and Transition Costs Analysis, Corporate Allocations	Staff Report, Rebuttal, Surrebuttal
KCP&L & KCP&L GMO	ER-2016-0156	Income Taxes, Pension & OPEB	Staff Report, Rebuttal, Surrebuttal
KCP&L & KCP&L GMO	EC-2015-0309	Affiliate Transactions, Allocations	Surrebuttal Testimony
KCP&L	ER-2014-0370	Income Taxes, Pension & OPEB, Revenues	Staff Report, Rebuttal, Surrebuttal
KCP&L	EU-2015-0094	DOE Nuclear Waste Fund Fees	Direct Testimony
KCP&L	EU-2014-0255	Construction Accounting	Rebuttal Testimony
Veolia Kansas City	HR-2014-0066	Income Taxes, Revenues, Corporate Allocations	Staff Report
Missouri Gas Energy	GR-2014-0007	Corporate Allocations, Pension & OPEB, Incentive Compensation, Income Taxes	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2013-0391	ISRS	Staff Memorandum
KCP&L & KCP&L GMO	ER-2012-0174 & ER-2012-0175	Acquisition Transition Costs, Fuel, Legal and Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2011-0269	ISRS	Staff Memorandum
Noel Water Sale Case	WO-2011-0328	Sale Case Evaluation	Staff Recommendation
KCP&L & KCP&L GMO	ER-2010-0355 & ER-2010-0356	Acquisition Transition Costs, Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
KCP&L Construction Audit & Prudence Review	EO-2010-0259	AFUDC, Property Taxes	Staff Report
KCP&L, KCP&L GMO, & KCP&L	ER-2009-0089, ER- 2009-0090, & HR-	Payroll, Employee Benefits, Incentive Compensation	Staff Report, Rebuttal, Surrebuttal

GMO – Steam	2009-0092		
Trigen Kansas City	HR-2008-0300	Fuel Inventories, Rate Base Items, Rate Case Expense, Maintenance	Staff Report
Spokane Highlands Water Company	WR-2008-0314	Plant, CIAC	Staff Recommendation
Missouri Gas Energy ISRS	GO-2008-0113	ISRS	Staff Memorandum

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to Adjust Its)
Revenues for Electric Service) Case No. ER-2021-0240

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

COMES NOW KEITH MAJORS, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Keith Majors*; and that the same is true and correct according to his best knowledge and belief.

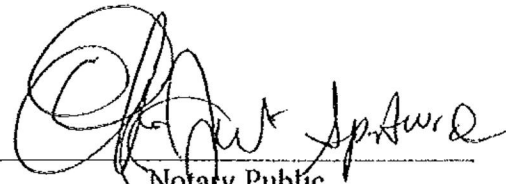
Further the Affiant sayeth not.



KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 3rd day of November, 2021.



Notary Public



EBONEY JACKSON-SPOTWOOD
My Commission Expires
April 8, 2023
Clay County
Commission #19865798