

# Exhibit No. 64

**Exhibit No.:** 064  
**Issue:** Depreciation  
**Type of Exhibit:** Surrebuttal  
**Witness:** John J. Spanos  
**Sponsoring Party:** Ameren Missouri  
**Case No.:** GR-2021-0241  
**Date:** November 5, 2021

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. GR-2021-0241**

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**SURREBUTTAL TESTIMONY OF**

**JOHN J. SPANOS**

**ON BEHALF OF**

**AMEREN MISSOURI**

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**Camp Hill, Pennsylvania**

**November 5, 2021**

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**I. INTRODUCTION AND PURPOSE**

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

2 A. My name is John J. Spanos. My business address is 207 Senate Avenue, Camp Hill,  
3 Pennsylvania.

4 **Q. ARE YOU THE SAME JOHN SPANOS THAT PREVIOUSLY FILED**  
5 **REBUTTAL TESTIMONY IN THIS CASE?**

6 A. Yes. My rebuttal testimony was filed in October 2021.

7 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 A. The purpose of my testimony is to respond to the Office of Public Counsel (“OPC”)  
9 witness John A. Robinett’s position related to the calculation of amortization expense  
10 related to General Plant Accounts utilizing amortization accounting.

**II. PROPER CALCULATION OF AMORTIZATION EXPENSE FOR GENERAL  
PLANT AMORTIZED ACCOUNTS**

11 **Q. WHAT IS THE SUBJECT OF YOUR REBUTTAL TESTIMONY?**

12 A. The subject of my testimony is the proper calculation of general plant amortization  
13 expense. Specifically, I will address OPC’s position that assets outside of the  
14 amortization period for specific general plant accounts, which utilize amortization  
15 accounting, should continue to accrue amortization expense once they have achieved  
16 an attained age that exceeds the amortization period.

17 **Q. WHAT IS OPC’S POSITION RELATED TO THE CALCULATION OF**  
18 **AMORTIZATION EXPENSE FOR GENERAL PLANT ACCOUNTS**  
19 **UTILIZING AMORTIZATION ACCOUNTING?**

20 A. OPC witness, John A. Robinett, believes all assets recorded to amortized General Plant  
21 Accounts should be subject to the calculated amortization rate regardless of their

1 attained age and any future intergeneration inequities produced. This includes the  
2 assets that are scheduled to be retired as part of the full implementation of amortization  
3 accounting.

4 **Q. DO YOU AGREE WITH OPC WITNESS JOHN A. ROBINETT'S POSITION**  
5 **RELATED TO THE CALCULATION OF AMORTIZATION EXPENSE FOR**  
6 **GENERAL PLANT ACCOUNTS UTILIZING AMORTIZATION**  
7 **ACCOUNTING?**

8 A. No. The very nature of amortization accounting allows the utility to more efficiently  
9 maintain the proper recording of these types of assets which tend to be voluminous in  
10 number but have small dollar values.

11 **Q. PLEASE EXPLAIN HOW AMORTIZATION ACCOUNTING WORKS.**

12 A. Amortization Accounting allows for the recovery of the asset's costs over a specific  
13 amortization period established for specific groups of assets (i.e., Amortized  
14 Accounts). Once an amortization period is established for a specific account, the  
15 asset's costs should be recovered from ratepayers during this period. For example, if  
16 the period for an amortized account is 10 years, 1/10<sup>th</sup> (or 10%) of the asset costs  
17 recorded in this account should be recovered each year of its service life until the asset  
18 cost is fully recovered. At this point in time, the asset is considered fully accrued and  
19 should no longer accrue additional amortization expense. The depreciation study  
20 segregates these assets with a zero rate because the assets will be retired once the full  
21 implementation is agreed upon. These amortization rates as well as the depreciation  
22 rates are to be applied to assets that are expected to be in service beyond the period  
23 studied (through December 31, 2019).

1 **Q. HOW DID YOU CALCULATE AMORTIZATION EXPENSE AND AN**  
2 **AMORTIZATION RATE FOR EACH GENERAL PLANT ACCOUNT**  
3 **UTILIZING AMORTIZATION ACCOUNTING?**

4 A. In order to properly implement general plant amortization and in turn establish full  
5 recovery consistent with the amortization period, the asset costs must be segregated  
6 by age (i.e., assets of an age greater than the amortization period and assets of an age  
7 within the amortization period) and a reserve segregation was required. The  
8 segregation required an assignment of each general plant account's book reserve.

9 **Q. EXPLAIN THE PROCESS REQUIRED TO SEGREGATE THE BOOK**  
10 **RESERVE BY ACCOUNT.**

11 A. First, one must understand the objective of the segregation that is performed in order  
12 to establish a depreciation rate that is consistent with the amortization period for assets  
13 in service today, as well as those expected to be added into the future. In other words,  
14 a 5-year amortization period will produce a 20 percent rate for today's plant in service  
15 as well as tomorrow's. Second, the actual book reserve must closely approximate to  
16 the theoretical reserve in order to match retirements and plant additions consistent  
17 with the theoretical recovery of the assets. Therefore, with an understanding of these  
18 two components, it is necessary to adjust the actual book reserve to match the ratio of  
19 the ages of the surviving plant in service.

20 Next, it was necessary to segregate the plant costs with attained ages  
21 outside of the amortization period and set the reserve amount associated with these  
22 assets equal to the plant costs. These assets are considered "Fully Accrued" or fully  
23 recovered and should no longer accrue amortization expense. The assets with attained  
24 ages within the amortization period are referred to as "Amortized" and should be

1 subject to an amortization rate consistent with the amortization period established for  
2 the account.

3 I will use Account 391.00, Office Furniture and Equipment, as an  
4 example of the process. Account 391.00 has a fifteen-year amortization period.  
5 Therefore, the plant costs were segregated by age into two groups. These two groups  
6 represent 1) assets with attained ages in excess of 15 years and 2) assets with attained  
7 ages of 15 years or less. Once this asset cost segregation was complete, the total  
8 account reserve of \$99,804 was also segregated. For the assets with attained ages in  
9 excess of 15 years, the book reserve is set equal to the plant cost (i.e., \$21,615), netting  
10 to zero. This step properly reflects the assets with attained ages of greater than 15  
11 years as fully recovered, or “Fully Accrued”, producing an amortization rate of 0.00%.  
12 These assets will be retired and should not reflect future recovery of assets in this  
13 class. The remainder of the book reserve recorded for the account, \$78,189, was  
14 assigned to the assets with attained ages within the amortization period. Based on the  
15 ages of the \$459,789.55 plant in service as of December 31, 2019, the book reserve  
16 should be \$171,800 in order to produce the 6.67 percent rate. Therefore, the current  
17 book reserve of \$78,189 should be segregated into the amortizable component of  
18 \$171,800 (for assets with attained ages of 15 years or less) and the unrecovered or  
19 over-recovered portion of (\$93,611). Since the second component is negative, it is an  
20 under-recovered amount. which means additional expense beyond the 6.67 percent  
21 rate. The under-recovered portion is amortized equally over 5 years. If the  
22 segregation does not occur, then the rate will be greater than 6.67 percent and future  
23 investment will be depreciated at the higher rate and not match the 15-year  
24 amortization period. Additionally, new assets will then be depreciated at a rate too  
25 high for the amortization period.

1 **Q. DOES THE ABOVE EXPLANATION PROVIDE THE PROPER**  
2 **CALCULATION OF THE AMORTIZATION EXPENSE AND**  
3 **AMORTIZATION RATE FOR A GENERAL PLANT ACCOUNT UTILIZING**  
4 **AMORTIZATION ACCOUNTING?**

5 A. Yes.

6 **Q. DOES THE DEPRECIATION STUDY SET FORTH THE APPROPRIATE**  
7 **DEPRECIATION RATE FOR THE APPROPRIATE ASSET BASE FOR**  
8 **EACH ACCOUNT GOING FORWARD?**

9 A. Yes.

10 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

11 A. Yes.

