

Exhibit No.:  
Issue: Revenue Requirement  
Witness: Greg R. Meyer  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: Missouri Industrial Energy Consumers  
Case No.: ER-2011-0028  
Date Testimony Prepared: April 15, 2011

**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 Annual ) **Case No. ER-2011-0028**  
Revenues for Electric Service ) **Tariff No. YE-2011-0116**  
\_\_\_\_\_)

Surrebuttal Testimony and Schedule of

**Greg R. Meyer**

**Revenue Requirement**

On behalf of

**Missouri Industrial Energy Consumers**

**REDACTED VERSION**

April 15, 2011



**BRUBAKER & ASSOCIATES, INC.**  
CHESTERFIELD, MO 63017

Project 9371

**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 Annual Revenues for Electric Service	) ) ) ) ) ) ) )	Case No. ER-2011-0028 Tariff No. YE-2011-0116
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STATE OF MISSOURI      )  
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COUNTY OF ST. LOUIS    )           SS

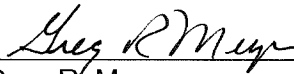
**Affidavit of Greg R. Meyer**

Greg R. Meyer, being first duly sworn, on his oath states:

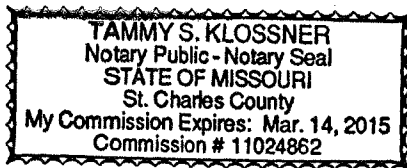
1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.


2. Attached hereto and made a part hereof for all purposes is my surrebutal testimony and schedule which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2011-0028.

3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.

  
\_\_\_\_\_  
Greg R. Meyer

Subscribed and sworn to before me this 14<sup>th</sup> day of April, 2011.



  
\_\_\_\_\_  
Notary Public

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

<b>In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service</b>	) ) ) ) ) ) ) )	<b>Case No. ER-2011-0028</b> Tariff No. YE-2011-0116
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**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

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**In the Matter of Union Electric  
Company, d/b/a Ameren Missouri's  
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\_\_\_\_\_

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**Case No. ER-2011-0028**  
Tariff No. YE-2011-0116

**Surrebuttal Testimony of Greg R. Meyer**

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

2    A    Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,  
3    Chesterfield, MO 63017.

4    **Q    ARE YOU THE SAME GREG R. MEYER WHO HAS PREVIOUSLY FILED**  
5    **TESTIMONY IN THIS PROCEEDING?**

6    A    Yes. I have previously filed direct testimony on revenue requirement issues.

7    **Q    IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN ANY**  
8    **PRIOR TESTIMONY?**

9    A    Yes. This information is included in Appendix A to my direct testimony on revenue  
10    requirement issues.

11   **Q    ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

12   A    This testimony is presented on behalf of the Missouri Industrial Energy Consumers  
13   ("MIEC"). These companies purchase substantial quantities of electricity from  
14   Ameren Missouri.

**Greg R. Meyer**  
**Page 1**

1            Their cost of electricity would increase approximately 11% if Ameren Missouri  
2            were granted the full amount of the increase it has requested. This proceeding will  
3            have a substantial impact on these companies' cost of doing business, and thus they  
4            are vitally interested in the outcome.

5    **Q        WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

6    A        The purpose of my surrebuttal testimony is to address the rebuttal testimony of  
7            Ameren Missouri witness Mark Birk regarding steam production maintenance  
8            expense. In addition, I address the rebuttal testimony of Ameren Missouri witness  
9            Gary Weiss regarding property taxes and the rebuttal testimony of Ameren Missouri  
10          witness David Wakeman regarding the vegetation management and infrastructure  
11          inspection tracker. Finally, I address the rebuttal testimony of Ameren Missouri  
12          witness Michael Adams regarding the collection lag and the rebuttal testimony of  
13          Ameren Missouri witness Lynn Barnes regarding storm expenses.

14    **Normalization of Steam Production Maintenance Expense**

15    **Q        PLEASE EXPLAIN THE ISSUE AS IT RELATES TO STEAM PRODUCTION**  
16          **MAINTENANCE EXPENSE.**

17    A        The Company and MIEC continue to disagree on the annualized level of steam  
18          production maintenance expense. Company witness Mark Birk continues to support  
19          an annual level of steam production maintenance expense of \$113 million. I continue  
20          to support a level of \$110.2 million.

1 Q WHAT IS THE SOURCE FOR YOUR RECOMMENDED LEVEL OF \$110.2  
2 MILLION?

3 A The Commission found in Ameren Missouri's last rate case that \$110.2 million was a  
4 reasonable level of steam production maintenance expense based on testimony  
5 provided by Mr. Birk under cross-examination regarding normal expected outages.

6 Q WHAT LEVEL OF EXPENSE FOR STEAM PRODUCTION MAINTENANCE  
7 EXPENSE WAS INCURRED BY AMEREN MISSOURI FOR THE 12 MONTHS  
8 ENDING FEBRUARY 2011?

9 A Mr. Birk testifies that the amount spent on steam production maintenance expense for  
10 the 12 months ending February 2011 was \$111.6 million.

11 Q DO YOU BELIEVE THAT \$110.2 MILLION CONTINUES TO BE A REASONABLE  
12 LEVEL?

13 A Yes, I do. In fact, I believe \$110.2 million to be a conservative level.

14 Q WHY DO YOU BELIEVE THAT THE LEVEL OF \$110.2 MILLION SHOULD BE  
15 ADOPTED INSTEAD OF THE \$113 MILLION PROPOSED BY MR. BIRK OR THE  
16 ACTUAL 12 MONTHS ENDING FEBRUARY 2011 LEVEL OF \$111.6 MILLION?

17 A There are a number reasons why the 12 months ending February 2011 level of  
18 \$111.6 million and Ameren Missouri's proposed level of \$113 are excessive. First,  
19 the \$111.6 million included more planned outages than the number of planned  
20 outages contemplated in Ameren Missouri's normal planned outage policy. As such,  
21 the amount incurred by Ameren Missouri during the 12 months ending February 2011  
22 represents an unusually high level of expense. Second, one of the planned outages

1 incurred by Ameren Missouri during 2010 was described as “unique non-recurring”  
2 and “not normal” because it was performed as a tie-in related to a major capital  
3 addition to the Sioux power plant. Third, the number of days needed for planned  
4 steam generator outages in 2010 was significantly greater than the average level of  
5 anticipated outage days in 2011 and 2012.

6 **Q PLEASE EXPLAIN YOUR BELIEF THAT THE AMOUNT INCURRED IN THE 12**  
7 **MONTHS ENDING FEBRUARY 2011 CONTAINED MORE OUTAGES THAN THE**  
8 **NUMBER OF OUTAGES AMEREN MISSOURI DESCRIBES AS AN ONGOING**  
9 **LEVEL OF PLANNED OUTAGES.**

10 A On page 13 of Mr. Birk’s rebuttal testimony he describes Ameren Missouri’s current  
11 normal planned outage cycle. Mr. Birk’s rebuttal testimony was directed at rebutting  
12 MIEC witness James R. Dauphinais regarding the decreased availability of the  
13 Ameren Missouri generating units.

14 Mr. Birk’s testimony regarding the normal planned outage cycle is included  
15 below.

16 “...However, starting in 2010 we were able to get back on cycle and  
17 are taking approximately two major planned outages each year.”

1 **Q WHAT PLANNED OUTAGES OCCURRED DURING 2010?**

2 A Referring to Mr. Birk's rebuttal testimony on page 16, he lists the following planned  
3 outages:

<u>Ameren Missouri's Generating Unit</u>	<u>Overhaul Type</u>
Meramec Unit 2	Mini Overhaul
Labadie Unit 2	Mini Overhaul
Labadie Unit 4	Mini Overhaul
Rush Island Unit 2	Major Overhaul
Meramec Unit 4	Major Overhaul
Sioux Unit 2	Major Overhaul
Sioux Unit 1	Scrubber Tie-In Outage

4 As can be seen from the above table, Ameren Missouri conducted three major  
5 overhauls of generating units in 2010. Three major overhauls exceed the number of  
6 overhauls contemplated by Ameren Missouri's normal planned outage cycle as  
7 described by Mr. Birk in the above referenced testimony.

8 As such, the \$111.6 million incurred by Ameren Missouri for performing  
9 planned outages in the 12 months ending February 2011 does not represent a normal  
10 expense level, because more outages were performed during that period than are  
11 anticipated by Ameren Missouri's normal planned outage cycle.

12 **Q PLEASE EXPLAIN YOUR CONTENTION THAT ONE OF THE OUTAGES WHICH**  
13 **OCCURRED IN 2010 WAS NOT NORMAL.**

14 A On page 7 of Mr. Birk's rebuttal testimony, he again addresses Mr. Dauphinais'  
15 testimony on the availability of Ameren Missouri's generators, stating:

16 "As mentioned earlier, there were two unique, non-recurring EFOR  
17 events that occurred during just the last 12 months, and there have  
18 also been several planned outages, such as those associated with the  
19 tie-in of the Sioux scrubbers, that would not be considered "normal."



1 It should also be noted that Mr. Birk describes the length of the outage as  
2 “about three weeks” when in reality the outage lasted approximately “30 days.”

3 **Q DO YOU HAVE ANY FURTHER EVIDENCE THAT WOULD SUGGEST THE LEVEL**  
4 **OF MAINTENANCE EXPENSE IN 2010 WAS EXCESSIVE?**

5 A Yes. On page 14 of Mr. Birk’s rebuttal testimony, he makes the following statement:

6 “I would also note that 2010 was a good year to take planned outages  
7 given the low power prices we saw during that period. In other words,  
8 a lower EAF during a low power price period means any reduction in  
9 off-system sales experienced because of the lower EAF will have a  
10 lesser impact on our overall net fuel costs.”

11 The above statement by Mr. Birk supports MIEC’s position that the level of steam  
12 production maintenance expense incurred by Ameren Missouri in 2010 was greater  
13 than the expenses it will incur in 2011 and 2012.

14 In response to Mr. Dauphinais, Mr. Birk concludes that the outages associated  
15 with the Sioux scrubbers are “unique, non-recurring” and “not normal,” which  
16 accounts for the unusually high expense levels incurred by the Company in 2010; yet  
17 simultaneously, Mr. Birk attempts to persuade the Commission that the level of steam  
18 production maintenance expense incurred (\$111.6 million) actually needs to be  
19 increased to \$113 million. Ameren Missouri cannot have it both ways.

20 **Q PLEASE DISCUSS YOUR LAST ARGUMENT THAT AMEREN MISSOURI’S**  
21 **STEAM GENERATORS WERE OFF-LINE FOR MORE DAYS IN 2010 THAN THEY**  
22 **WILL BE IN 2011 AND 2012.**

23 A In calendar year 2010, the steam generators were off-line or down for approximately  
24 \*\*\*\*\* In 2011, the anticipated level of planned outages equals  
25 approximately \*\*\*\*\* In 2012, Ameren Missouri has planned outages that

1 total approximately \*\*\*\*\* Thus, the average number of planned days for  
2 years 2011 and 2012 is \*\*\*\*\*  
3 \*\*\*\*\* Therefore, Ameren Missouri will incur on average  
4 significantly less expenditure for steam production maintenance in years 2011 and  
5 2012 than it did in 2010.

6 **Q PLEASE SUMMARIZE YOUR TESTIMONY REGARDING STEAM PRODUCTION**  
7 **MAINTENANCE EXPENSE.**

8 A The level of steam production maintenance expense (\$110.2 million) is a reasonable  
9 level of maintenance expense for Ameren Missouri. The number of planned outages  
10 in 2010 was greater than Ameren Missouri's normal planned outage cycle.  
11 Furthermore, one of the planned outages of 2010 was not normal as it involved a  
12 major capital improvement of the Sioux power plant. Finally, the average number of  
13 days for planned outages in 2011 and 2012 is significantly less than the number of  
14 days for planned outages in 2010. Moreover, Mr. Birk's testimony directed at  
15 addressing Mr. Dauphinais on unit availability is inconsistent with his other testimony  
16 directed at seeking an annual level of maintenance expense greater than the 12  
17 months ending February 2011. These above factors and Mr. Birk's inconsistent  
18 testimony should not be ignored, and the level of maintenance expense proposed by  
19 MIEC should be adopted by this Commission.

1 **Property Taxes on Sioux Scrubbers**  
2 **and Taum Sauk Rebuild**

3 **Q PLEASE DESCRIBE THE PROPERTY TAX ISSUE THAT YOU HAVE WITH**  
4 **AMEREN MISSOURI.**

5 A I am proposing to disallow the property taxes that Ameren Missouri will pay for the  
6 addition of the Sioux scrubbers and the Taum Sauk rebuild. Ameren Missouri has  
7 increased its revenue requirement for the **estimated** increase in these taxes by \$10  
8 million.

9 **Q WHY ARE YOU PROPOSING TO DISALLOW THESE PROPERTY TAXES?**

10 A As I stated in my direct testimony, Ameren Missouri is requesting in this case to  
11 include property taxes which will not be paid until five months after the operation of  
12 law date, and ten months beyond the true-up in this case.

13 **Q IN REBUTTAL TESTIMONY, DOES AMEREN MISSOURI ATTEMPT TO CLAIM**  
14 **THAT THESE TAXES ARE KNOWN AND MEASURABLE?**

15 A Ameren Missouri witness Gary Weiss states as follows on page 3 of his rebuttal  
16 testimony:

17 "In other words, the Staff applied the known tax rates from 2010 to the  
18 known updated plant-in-service balances for the Sioux and Taum Sauk  
19 Plants."

20 As can be seen from the above statement, Mr. Weiss and the Staff applied the  
21 2010 known tax rates to the Sioux scrubbers and the Taum Sauk rebuild. Neither  
22 Ameren Missouri nor the Staff could have predicted what the 2011 tax rates will be  
23 when they prepared their rebuttal (Ameren Missouri) or their direct (Staff) testimonies.

1 Q DO YOU AGREE THAT THESE PROPERTY TAXES ARE KNOWN AND  
2 MEASURABLE?

3 A I agree that property taxes are known, in that they must be paid by December 31 of  
4 each year. However, in this instance, the incremental taxes for the Sioux scrubbers  
5 and the Taum Sauk rebuild are not measurable. I could find no statements in Mr.  
6 Weiss' rebuttal testimony where he claims that Ameren Missouri knows the increased  
7 property taxes associated with the Sioux scrubbers and the Taum Sauk rebuild.

8 Q COULD AMEREN MISSOURI HAVE TAKEN A DIFFERENT APPROACH TO MAKE  
9 SURE THESE TAXES WERE INCLUDED IN A RATE CASE?

10 A Yes. If Ameren Missouri believed these taxes needed to be included in their cost of  
11 service, it should have filed its rate case in a more timely manner such that these  
12 taxes would have either been included in a test year or true-up period in the rate  
13 case. Quite frankly, Ameren Missouri filed its case prematurely and is now requesting  
14 that this Commission accept an isolated adjustment without addressing all relevant  
15 factors.

16 Q AMEREN MISSOURI'S RATE CASE REQUESTED A \$263 MILLION INCREASE.  
17 ON WHAT BASIS DO YOU BELIEVE THIS CASE WAS FILED PREMATURELY?

18 A I want to be very clear. Ameren Missouri filed its case prematurely if it wanted to  
19 include the increased estimated property taxes associated with the Sioux scrubbers  
20 and the Taum Sauk rebuild in its cost of service

21 In his direct testimony, Ameren Missouri's President and Chief Executive  
22 Officer, Warner Baxter, stated:

23 "The most significant investments we will be placing into service during this  
24 period are the new wet flue gas desulfurization units (commonly referred to as

1 “scrubbers”) at our Sioux Plant, which will significantly reduce sulfur dioxide  
2 and other emissions from the Sioux Plant. This project alone accounts for  
3 approximately \$110 million (or 42%) of our proposed rate increase. The  
4 portion of our request that addresses infrastructure investment also includes  
5 approximately \$15 million associated with investment in the new upper  
6 reservoir at the Taum Sauk Plant.

7 \*\*\*

8 While approximately \$200 million of our proposed increase relates to  
9 infrastructure investment and related costs, approximately \$70 million of the  
10 proposed increase is related to simply rebasing our net fuel costs that would  
11 otherwise, in the absence of this rate case, have been reflected in  
12 adjustments to customer rates pursuant to our existing fuel adjustment  
13 clause.”

14 Furthermore, on page 7 of Mr. Baxter’s direct testimony, he states that  
15 operation and maintenance expenses have decreased since the last case.

16 Mr. Baxter lists the three major reasons why the Company is seeking rate  
17 relief. However, Mr. Baxter fails to acknowledge that existing regulatory mechanisms  
18 could have addressed two of the reasons the Company cites in its prayer for relief. In  
19 other words, Ameren Missouri could have filed a more timely rate case that  
20 addressed the property taxes at issue if it had only employed the regulatory  
21 mechanisms at its disposal.

22 First, Ameren Missouri enjoys the benefit of a fuel adjustment clause that  
23 allows it to recover any differences in fuel expense between what is actually incurred  
24 and the net base fuel expense that was established in Ameren Missouri’s last rate  
25 case. Therefore, Ameren Missouri was protected from any ongoing fuel expense  
26 increase that may have occurred.

27 Second, as part of Ameren Missouri’s last rate case, a Stipulation and  
28 Agreement was negotiated which allowed Ameren Missouri to capture depreciation  
29 and return on the Sioux scrubbers from the time the scrubbers were placed in service

1 until December 31, 2011. Therefore, Ameren Missouri again had regulatory or  
2 earnings protection on the Sioux scrubbers until December 31, 2011.

3 **Q COULD YOU PROVIDE THAT PORTION OF THE STIPULATION AND**  
4 **AGREEMENT WHICH YOU REFERRED TO IN YOUR PREVIOUS ANSWER.**

5 A Yes. I have included that portion of the Stipulation and Agreement below:

6 **“AFUDC ON SIOUX SCRUBBERS**  
7

8 5. AmerenUE shall be allowed to continue to accrue Allowance for  
9 Funds Used During Construction (“AFUDC”) on the wet flue gas  
10 desulfurization units (“scrubbers”) AmerenUE is presently installing  
11 on the No. 1 and No. 2 generating units at AmerenUE’s Sioux  
12 generating station, with the rate of return on equity (“ROE”)   
13 adopted by the Commission in this case to apply to the equity  
14 component of that AFUDC. AmerenUE shall also be allowed to  
15 defer the depreciation expense (but no other Sioux scrubber-  
16 related expense) of the Sioux scrubbers during the period  
17 commencing when the costs of the Sioux scrubbers are booked to  
18 plant-in-service and ending the earlier of: (a) the effective date of  
19 new rates in AmerenUE’s next general rate proceeding or (b)  
20 January 1, 2012.” (First Nonunanimous Stipulation and  
21 Agreement, MO PSC Case No. ER-2010-0036, pages 3-4.)

22 **Q YOU MENTIONED EARLIER THAT AMEREN MISSOURI IS REQUESTING AN**  
23 **ISOLATED ADJUSTMENT FOR THESE PROPERTY TAXES. DO YOU BELIEVE**  
24 **AN ISOLATED ADJUSTMENT IS WARRANTED IN THESE CIRCUMSTANCES?**

25 A No, I do not. First of all, this adjustment is not known and measurable. In fact, no  
26 party has claimed that these taxes are known and measurable today. Second,  
27 isolated adjustments must be proposed for a period before the operation of law date.  
28 These property taxes will not be paid until five months beyond the operation of law  
29 date. Finally, even if one were to accept that property taxes should be considered in  
30 Ameren Missouri’s cost of service, the Company has failed to provide an analysis of

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1 all relevant factors to determine if these property taxes were truly an isolated  
2 adjustment.

3 **Q HAS THE COMMISSION ISSUED ANY ORDERS INVOLVING AMEREN MISSOURI**  
4 **WHICH ADDRESSED THE ALL RELEVANT FACTOR ANALYSIS?**

5 A Yes. On Page 10 of the Commission's Report and Order Regarding Interim Rates in  
6 Case No. ER-2010-0036, the Commission held, "In deciding whether a proposed rate  
7 is just and reasonable, the Commission must consider all relevant factors."<sup>28</sup> [Footnote  
8 omitted.]

9 **Q PLEASE SUMMARIZE YOUR POSITION.**

10 A Ameren Missouri is requesting to include property taxes in its revenue requirement  
11 which is five months beyond the operation of law date in this case. Ameren Missouri  
12 had in effect a regulatory mechanism to more timely file its rate case to seek recovery  
13 of these expenses. Ameren Missouri has failed to present evidence addressing the  
14 all relevant factor analysis required for an isolated adjustment. This adjustment  
15 should be disallowed by the Commission.

16 **Infrastructure Inspections and**  
17 **Vegetation Management Trackers**

18 **Q PLEASE DESCRIBE THE ISSUE.**

19 A Company witness David Wakeman in his rebuttal testimony argues for a continuation  
20 of the trackers for vegetation management and infrastructure inspection expenses.  
21 The MIEC is opposed to continuing the trackers.

1 **Q WHY DO YOU PROPOSE TO DISALLOW THE TRACKERS?**

2 A The trackers were initially established because the Commission was not sure what  
3 the costs would be to comply with new Commission rules on vegetation management  
4 and infrastructure inspections. The trackers for these expenses were established in  
5 Ameren Missouri's 2008 rate case, Case No. ER-2008-0318. The trackers were  
6 again approved in Ameren Missouri's last rate case, Case No. ER-2010-0036.

7 I propose to disallow the trackers in this case because the expenses incurred  
8 by Ameren Missouri to comply with the Commission rules have shown little volatility  
9 since the trackers were first established.

10 I have included two tables below which show the level of expense for both the  
11 vegetation management and infrastructure inspections.

<b>Historical Expense Comparison of Vegetation Management Costs</b>		
<b><u>Case No.</u></b>	<b><u>True-Up Level (\$/Millions)</u></b>	<b><u>Difference from Previous Case (\$/Millions)</u></b>
ER-2008-0318	49.7	
ER-2010-0036	50.4	.7
ER-2011-0028	52.2	1.8

<b>Historical Expense Comparison of Infrastructure Inspections</b>		
<b><u>Case No.</u></b>	<b><u>True-Up Level (\$/Millions)</u></b>	<b><u>Difference from Previous Case (\$/Millions)</u></b>
ER-2008-0318	5.6	
ER-2010-0036	7.6	2.0
ER-2011-0028	7.8	.2



1           As these tables clearly show, the volatility of these expenses is not material  
2 and the need for a tracker no longer exists. The Company has enough operating  
3 history to establish normal levels of expense for these activities.

4   **Q     HAS THE COMMISSION INDICATED THAT THESE TRACKERS SHOULD**  
5   **CONTINUE INDEFINITELY?**

6   A     No. On page 41 in its Report and Order in Case No. ER-2008-0318, dated  
7 January 27, 2009, the Commission issued the following statement regarding the use  
8 of trackers.

9           “The Commission does not intend to allow the overuse of tracking  
10 mechanisms in this case, or in future rate cases.”

11        In a subsequent part of the Order (page 41), the Commission stated:

12           “This is a limited tracker that will have only a limited effect on  
13 AmerenUE’s business risk.”

14        In addition, on page 68 of the Commission’s Report and Order in Case  
15 No. ER-2010-0036, dated May 28, 2010, the Commission stated the following:

16           “As the Commission has previously indicated, trackers should be used  
17 sparingly because they tend to limit a utility’s incentive to prudently  
18 manage its costs. If all such costs can simply be passed on to  
19 ratepayers, there is a natural incentive for the company to simply incur  
20 the cost. If the company must consider whether it will be able to  
21 recover a cost, it is more likely to think before it spends and maximize  
22 any possible cost savings.”

23   **Q     PLEASE SUMMARIZE YOUR TESTIMONY.**

24   A     The use of trackers for vegetation management and infrastructure inspections is no  
25 longer necessary. I have shown that the expenses have not shown a great deal of  
26 volatility. Further, I have provided Commission orders which describe the  
27 Commission’s intent to not rely heavily on trackers.

**Greg R. Meyer**  
**Page 14**

1 Q YOU TESTIFIED EARLIER THAT THE FLUCTUATIONS IN THE EXPENSE LEVEL  
2 WAS NOT MATERIAL. ARE YOU AWARE WHAT CONSTITUTES MATERIALITY  
3 FOR AMEREN MISSOURI?

4 A Yes. The Controller for Ameren Missouri, Lynn Barnes, has stated that materiality for  
5 Ameren Missouri is 1% - 2% of operating revenues.<sup>1</sup> Applying this percentage to  
6 Ameren Missouri's operating revenues would clearly show that the expense  
7 fluctuation and, in particular, the total expense for infrastructure inspections is not  
8 material to Ameren Missouri.

9 Ameren Missouri's retail revenues presented in their direct testimony listed  
10 retail revenues at \$2.2 billion. Applying the 1% - 2% materiality test to those  
11 revenues produces a total of \$22.3 million to \$44.5 million. This range is substantially  
12 greater than the fluctuations listed in the above tables.

### 13 **Cash Working Capital "(CWC)"**

14 Q PLEASE DESCRIBE THE ISSUE RELATING TO CWC.

15 A The sole remaining issue relating to CWC between Ameren Missouri and the MIEC  
16 relates to the revenue collection lag.

---

<sup>1</sup>Ms. Barnes' cross-examination testimony in Case No. EO-2010-0255, Hearing Transcript, Volume 2, page 157.

1 **Q IN YOUR DIRECT TESTIMONY, YOU TESTIFIED TO THE EXPENSE LAG FOR**  
2 **GROSS RECEIPTS TAX AND THE PAYMENT PROCESSING LAG FOR**  
3 **REVENUES. HAVE THESE LAGS BEEN RESOLVED?**

4 A Yes, it is my understanding that Ameren Missouri has decided not to pursue these  
5 issues. These issues have been resolved to the satisfaction of the Staff and the  
6 MIEC.

7 **Q PLEASE DESCRIBE THE COLLECTION LAG ISSUE.**

8 A Ameren Missouri has included a collection lag of 27.44 days in its lead lag study. The  
9 MIEC has proposed a collection lag of 21.01 days.

10 **Q DID AMEREN MISSOURI FILE REBUTTAL TESTIMONY ON THIS ISSUE?**

11 A Yes. Ameren Missouri filed the rebuttal testimony of consultant Mr. Michael Adams.

12 **Q WHAT REPORTS OR ANALYSES DID MIEC AND AMEREN MISSOURI RELY ON**  
13 **TO DETERMINE THEIR COLLECTION LAGS?**

14 A Ameren Missouri relied on an Accounts Receivable Analysis Report to develop their  
15 collection lag. I used the "Cash Lag Study" known as the CURST246 report to  
16 develop my collection lags.

17 **Q DID MR. ADAMS PROVIDE ANY CRITIQUE OF THE CURST246 REPORT IN HIS**  
18 **REBUTTAL TESTIMONY?**

19 A Yes. Mr. Adams stated the following on page 8 of his rebuttal testimony regarding  
20 the CURST246 report:

21 "The CURST246 report would obviously produce a lower Collections  
22 Lag because it does not measure the payment of all customer bills.

1           The report measures only bills actually paid. Those receivables that  
2           remain unpaid would not be reflected in the CURST246 report.”

3           Mr. Adams’ critique of the CURST246 report actually highlights the reason the  
4           CURST246 report produces superior results than the Accounts Receivable Analysis  
5           Report. The CURST246 report does not contain any inclusion for accounts which are  
6           **not** paid.

7           When Mr. Adams realized that there was such a dramatic difference between  
8           the collection lags using these two reports, he should have attempted to reconcile the  
9           differences. The obvious difference between the two reports is that the report used  
10          by Mr. Adams contains uncollectibles.

11   **Q     WHY DO YOU NEED TO EXCLUDE UNCOLLECTIBLES FROM THE**  
12   **COLLECTION LAG?**

13   A     Uncollectibles represent revenue that the Company will never receive and are  
14           therefore non-cash and should be excluded from consideration in determining the  
15           cash working capital. Including uncollectibles serves only to unnecessarily lengthen  
16           the collection lag.

17   **Q     DID MR. ADAMS MAKE AN ADJUSTMENT TO THE ACCOUNTS RECEIVABLE**  
18   **ANALYSIS REPORT TO ATTEMPT TO QUANTIFY THE EFFECT OF**  
19   **UNCOLLECTIBLES?**

20   A     Yes. Mr. Adams adjusted the results of the Accounts Receivable Analysis Report in  
21           an attempt to exclude the effect of uncollectibles. However, after doing this, Mr.  
22           Adams’ collection lag was still substantially longer than the CURST246 report. At this  
23           point, Mr. Adams should have recognized that his adjustment for uncollectibles was  
24           insufficient and made further adjustments to the Accounts Receivable Analysis

1 Report. I will discuss the problems with Mr. Adams' handling of uncollectibles later in  
2 my testimony.

3 **Q DID MR. ADAMS REFINE HIS ADJUSTMENT FOR UNCOLLECTIBLES AFTER HE**  
4 **DISCOVERED THE LARGER DIFFERENCE BETWEEN THE ACCOUNTS**  
5 **RECEIVABLE ANALYSIS REPORT AND THE CURST246 REPORT?**

6 A I do not believe so. After Mr. Adams realized that there was a substantial difference  
7 between his proposed collection lag and the lag supported by the CURST246 report,  
8 he reached the conclusion that the CURST246 report should be dismissed because  
9 the report was 25 years old and no one had verified the accuracy of the report.  
10 However, the report has been used by Ameren Missouri to present their collection  
11 lags in rate cases before the Missouri Public Service Commission.

12 **Q YOU MENTIONED EARLIER IN YOUR TESTIMONY THAT YOU DO NOT BELIEVE**  
13 **MR. ADAMS MAY HAVE ACCOUNTED FOR UNCOLLECTIBLES CORRECTLY IN**  
14 **HIS ADJUSTMENT TO THE ACCOUNTS RECEIVABLE ANALYSIS REPORT.**  
15 **PLEASE DESCRIBE YOUR CONCERNS.**

16 A Mr. Adams applied the annual test year weighted average percentage of bad debt  
17 expense (.40%) to each of the aged buckets except the 90+ days bucket. I have a  
18 number of concerns with this method.

19 First, by applying the .40% to each bucket, Mr. Adams assumes that revenues  
20 which are included in the 0-29 days bucket (which Mr. Adams identifies as being  
21 uncollected) somehow get collected before they eventually proceed to the 30-59 and  
22 60-89 days buckets. This is simply false. Accounts receivables, which are deemed  
23 uncollectible in the 0-29 days bucket, will stay in the remaining buckets as

1 uncollectible. Applying .40% to the remaining buckets understates the level of  
2 uncollectibles in those buckets. The amount of uncollectibles identified in the 0-29  
3 days bucket should continue to be reflected in the subsequent buckets.

4 Secondly, because of the report configuration, whereby accounts receivables  
5 are measured on a weekly basis, customers who pay their bills within seven days  
6 may not be included in the Accounts Receivable Analysis Report. Their short  
7 payment lag will never be reflected in Mr. Adams' results.

8 **Q HAVE YOU DISCUSSED THESE CONCERNS WITH AMEREN MISSOURI?**

9 A Yes. I discussed these concerns with Ameren Missouri at the settlement conference  
10 which Mr. Adams personally attended. I can only assume Mr. Adams forgot these  
11 conversations after he left the settlement conference.

12 **Q IN HIS REBUTTAL TESTIMONY, MR. ADAMS ASKS IF THERE IS ANY FURTHER**  
13 **EVIDENCE THAT MIEC'S COLLECTION LAG IS UNREALISTIC. WHAT WAS MR.**  
14 **ADAMS' RESPONSE?**

15 A Mr. Adams stated the following:

16 The Commission's billing rules state that a monthly-billed customer  
17 has at least twenty-one days from the rendition of the bill to pay the  
18 utility charge.<sup>22</sup> Staff's and the MIEC's Collections Lag implies that all  
19 customers pay their electric bills in accordance with the due date. The  
20 empirical evidence in this proceeding belies such a position. If all  
21 customers paid their electric bills on time, the Company would have no  
22 bad debt expense. [Footnote omitted.]

23 The statement by Mr. Adams highlights his complete misunderstanding of a  
24 collection lag. A collection lag is a lag which encompasses the **average** time  
25 customers take to pay their bills. Some customers pay quickly (0-10 days) while  
26 others pay beyond the 21-day delinquent period. On **average**, customers pay within

1 21.01 days. Mr. Adams' argument here raises concerns about whether Mr. Adams  
2 understands the purpose or meaning of a collection lag.

3 Mr. Adams' proposed collection lag of 27.44 days suggests that on average all  
4 of Ameren Missouri's customers pay their bills 6.44 days beyond the delinquent date.

5 **Q DID MR. ADAMS PROVIDE ANY ANALYSIS TO RECONCILE THE DIFFERENCE**  
6 **BETWEEN HIS PROPOSED COLLECTION LAG OF 27.44 DAYS AND THE**  
7 **21-DAY DELINQUENT DATE?**

8 A No.

9 **Q PLEASE SUMMARIZE YOUR POSITION.**

10 A Mr. Adams has admitted that the CURST246 report produces a lower collection lag  
11 because it measures actual bills paid, which is precisely what a collection lag is  
12 intended to do. I have also discussed the differences in the Accounts Receivable  
13 Analysis Report utilized by Mr. Adams to calculate the collection lag.

14 The CURST246 report has historically been used by Ameren Missouri to  
15 calculate collection lag and it should again be relied on to establish the collection lag  
16 in this rate case. The age of the report should not be a persuasive argument to not  
17 adopt the result. The Commission should adopt the 21.01 day collection lag  
18 proposed by the MIEC.

19 **Q DO YOU HAVE ANY OTHER RECOMMENDATIONS FOR THE COMMISSION?**

20 A Yes. I would ask the Commission to require that Ameren Missouri maintain the  
21 CURST246 report, as it is the best measure for calculating a collection lag. Mr.  
22 Adams has stated that Ameren Missouri has targeted this report for elimination.

1 **Storm Costs**

2 **Q DID AMEREN MISSOURI FILE REBUTTAL TESTIMONY REGARDING STORM**  
3 **COSTS?**

4 A Yes. Ameren Missouri witness Lynn Barnes filed rebuttal testimony on storm costs.

5 **Q PLEASE EXPLAIN THE STORM COST ISSUE.**

6 A Ms. Barnes is proposing to include a base amount of storm costs of \$7.1 million. The  
7 \$7.1 million is derived from calculating a 47-month average of all major storm costs.  
8 In addition, Ms. Barnes is proposing to amortize an additional \$1.0 million over five  
9 years to account for the preparation costs (\$8.1 million) associated with an  
10 anticipated severe storm which was predicted to strike Ameren Missouri's service  
11 territory in January/February 2011.

12 **Q DO YOU AGREE WITH AMEREN MISSOURI'S PROPOSED ADJUSTMENTS?**

13 A No. I believe Ms. Barnes has failed to adequately demonstrate that current customer  
14 rates have not covered the preparation expenses for the January/February 2011  
15 storm. Ms. Barnes' proposal to establish a separate amortization for the \$1.0 million  
16 of unrecovered costs is unnecessary. I will demonstrate that current customer rates  
17 during the test year (April 2009 - March 31, 2010) and the true-up period (April 1,  
18 2010 - February 28, 2011) provided sufficient revenues during that period to pay for  
19 the preparation costs of the January/February 2011 storm. Therefore, the proposal to  
20 establish another amortization is unnecessary.



1 **Q PLEASE DESCRIBE THE STORMS WHICH HAVE OCCURRED DURING THE**  
2 **TEST YEAR AND TRUE-UP PERIODS IN THIS CASE.**

3 A In May 2009, the Company incurred \$1.2 million of costs for a major storm which  
4 struck the service territory of Ameren Missouri. There has not been a major storm to  
5 strike the Ameren Missouri service territory since. In January/February 2011,  
6 meteorologists predicted a major winter storm which was anticipated to also strike the  
7 Ameren Missouri service territory. Ameren Missouri spent \$8.1 million in storm  
8 preparation costs.

9 **Q PLEASE DESCRIBE HOW MS. BARNES HAS FAILED TO ADEQUATELY**  
10 **DEMONSTRATE THAT CURRENT CUSTOMER RATES HAVE NOT COVERED**  
11 **RECOVERY OF THE EXPENSES YOU JUST DESCRIBED.**

12 A In Case No. ER-2008-0318, the normalized level of storm costs proposed by Staff  
13 witness John Cassidy was \$5.2 million. The effective date of rates in that case was  
14 March 1, 2009. In Case No. ER-2010-0036, on page 68 of the Commission's Report  
15 and Order, it stated the following:

16 "Staff's proposal to include the four-year average of \$6.4 million for  
17 storm restoration costs, ..."

18 The rates from Case No. ER-2010-0036 became effective June 21, 2010.  
19 During the test year (April 1, 2009 - March 31, 2010), and until July 1, 2010, Ameren  
20 Missouri collected in customer rates \$5.2 million on an annual basis, or approximately  
21 \$433,000/month, to cover major storm expenses. Applying that monthly figure from  
22 the beginning of the test year April 1, 2009 until July 1, 2010 (15 months) derives a  
23 total of \$6.5 million.

24 On June 21, 2010, new rates became effective which established the \$6.4  
25 million base level for storm restoration costs. The \$6.4 million annual figure equates

1 to a monthly total of approximately \$533,000. Applying the monthly figure of  
2 \$533,000 to the period July 1, 2010 - February 28, 2011 (true-up period) derives a  
3 total of \$4.3 million.

4 Therefore, from the beginning of the test year in this case (April 1, 2009)  
5 through February 28, 2011 (true-up period), Ameren Missouri ratepayers have paid  
6 \$10.8 million in rates for the repairs from major storms. During that time, Ameren  
7 Missouri has experienced one major storm and prepared for another storm, which  
8 totaled \$9.4 million in costs. In fact, customer rates through the true-up has provided  
9 \$1.4 million in additional revenues to cover possible storms which may occur prior to  
10 the operation of law date in the case. I have attached Schedule GRM-SR-1 which  
11 details the above figures. In addition, if Ameren Missouri experiences no major  
12 storms through the operation of law date (August 1, 2011), Ameren Missouri  
13 ratepayers will have provided \$4.4 million in additional revenues. Clearly, the amount  
14 paid in customer rates has exceeded those levels of costs, and Ms. Barnes' proposal  
15 to establish an additional amortization should be rejected by this Commission.

16 **Q DO YOU BELIEVE THE CURRENT LEVEL OF \$6.4 MILLION FOR NORMAL**  
17 **STORM COST REPAIRS SHOULD BE INCLUDED IN AMEREN MISSOURI'S**  
18 **CURRENT COST OF SERVICE?**

19 **A** No. I believe this amount is excessive when looking at the recent past levels of  
20 actual storm costs. I believe a normal level of expenses for storms should be \$4.9  
21 million per year. The \$4.9 million is the average annual storm costs level Ameren  
22 Missouri has experienced since the beginning of the test year in this case.

23 Therefore, I recommend that the Commission establish \$4.9 million for  
24 normalized storm costs and reject Ms. Barnes' additional amortization of storm costs.

**Greg R. Meyer**  
**Page 23**

1    **Q       DO YOU HAVE ANYTHING FURTHER REGARDING THIS AREA?**

2    A       Yes. I would like to state that since Ameren Missouri's (Case No. ER-2007-0002)  
3           rate case, Ameren Missouri has received through a normalized level of expense or  
4           via an amortization, every single dollar expensed for storms during that period. In  
5           other words, Ameren Missouri will be made whole for every single storm which has  
6           struck the service territory.

7    **Q       DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

8    A       Yes, it does.

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# AMEREN MISSOURI

Case No. ER-2011-0028

## Base Level of Storm Cost

<u>Case No.</u>	<u>Annual Amount</u>	<u>In Rates From</u>		<u>Monthly</u>
		<u>Beginning</u>	<u>Ending</u>	
ER-2008-0318	\$ 5,200,000 <sup>1</sup>	3/1/2009 <sup>2</sup>	6/30/2010 <sup>3</sup>	\$ 433,333
ER-2010-0036	\$ 6,400,000 <sup>1</sup>	7/1/2010 <sup>3</sup>	2/28/2011 <sup>4</sup>	\$ 533,333

Sources:

<sup>1</sup>Report & Order ER-2010-0036, Pages 66-69.

<sup>2</sup>Order Approving Compliance Tariff Sheets in Case No. ER-2008-0318.

<sup>3</sup>Order Approving Compliance Tariff Sheets in Case No. ER-2010-0036. Actual Effective Date For Tariffs Issued From ER-2010-0036 Was 6/21/2010. 7/1/2010 Used for Ease of Calculation.

<sup>4</sup>Using the End of the True-Up Period For Ease of Calculation Below.

## Base Level Compared to Ameren Missouri Storm Costs

<u>Description</u>	<u>Beginning</u>	<u>Ending</u>	<u>Storm Cost in Rates</u>
Test Year	4/1/2009	3/31/2010	\$ 5,200,000
End of TY - 6/30/2010	4/1/2010	6/30/2010	\$ 1,300,000
7/1/2010 - End of True-Up Period (ER-2011-0028)	7/1/2010	2/28/2011	<u>\$ 4,266,667</u>
Total Storm Costs Recovered Through Rates			\$ 10,766,667
Ameren Missouri Test Year Storms			\$ 1,233,628
Ameren Missouri Estimated February 2011 Storms			<u>\$ 8,133,738</u>
Total Ameren Missouri Storm Cost (April 2009 - February 2011)			\$ 9,367,366
Excess Recovery of Storm Costs (April 2009 - February 2011)			<u><u>\$ 1,399,301</u></u>

Source:

Workpaper Supporting Rebuttal Testimony of Ameren Missouri Witness Lynn Barnes, "Non-Labor Related Storm Restoration Costs Analysis".