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Witness: *Paul K. Amenthor*
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MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

PAUL K. AMENTHOR

**UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri**

CASE NO. ER-2021-0240

*Jefferson City, Missouri
November 2021*

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1 Benefits, Pensions and OPEBs, Non-Qualified Pension Expense, Call Center Costs, Software
2 Rental Revenue and Expense, Software Maintenance Expense, and Cyber Security Expense.

3 **SURREBUTTAL TESTIMONY**

4 **Non-Qualified Pension Expense**

5 Q. Ameren Missouri witness Lansford states on page 22, lines 6-21 of his rebuttal
6 testimony that the qualified pension costs are accounted for and included in the revenue
7 requirement based on an actuarial analysis that determines the plan's normal level of annual
8 costs, and there is no reason that non-qualified pension costs should be treated differently. What
9 is the difference between qualified pension expense and non-qualified pension expense?

10 A. A non-qualified pension expense, such as the supplemental employee retirement
11 plan (SERP), provides a pension payment to select executives, chosen by Ameren's
12 management. In contrast, qualified pension expense is for pension plans generally available to
13 all employees. Another difference is that qualified pension plans are required under federal
14 law to be pre-funded, while SERP plans are not. While the accrual calculations of pension
15 expense generally form the basis for the amount of the utility's annual cash outlay for pension
16 expense, there is no cash outlay for Ameren Missouri related to SERP expense until amounts
17 due are actually paid to qualifying employees, which is typically many years after SERP
18 expense is booked. Finally, the amounts calculated on an accrual basis for qualified plans that
19 are contributed to an external trust fund can be deducted currently for income tax purposes,
20 while no tax deductions are available for SERP expense until amounts are paid out to
21 beneficiaries. For these reasons, Staff takes the position that non-qualified pension expense
22 should not be subject to a tracking mechanism, as the qualified plan is.

1 Q. Why shouldn't SERP expense be given rate recovery on an accrual basis, similar
2 to qualified pension expense?

3 A. As previously discussed, the accrual expense calculations for qualified plans are
4 the basis for the annual amounts contributed by Ameren Missouri to the trust funds, meaning
5 the utility has an annual cash outlay tied to its annual expense accrual. With SERP expense,
6 there is no cash outlay on the utility's part until the SERP benefits are actually paid to qualifying
7 employees, which can be many years after the associated accrual expense is booked. In this
8 regard, SERP expense accruals cannot be considered to be "known and measurable" cash
9 obligations in the same way that annual pension contributions for qualified plans are.

10 Q. What did Staff include for non-qualified pension expense in its direct testimony?

11 A. Staff included a five-year average for lump sum payments and the test year
12 amount for annuity payments. In general, Staff uses three to five year averages to smooth out
13 any fluctuations over time. However, Staff believes a five-year average of lump sum payments
14 and the test year amount for annuity payments are more reflective of the ongoing level moving
15 forward. This is subject to Staff's true-up audit as discussed later in this testimony.

16 **Pension & OPEB Trackers**

17 Q. Ameren Missouri witness Lansford disagrees on pages 12 and 13 of his rebuttal
18 testimony with Staff's proposal to only include the deferral of service costs in rate base. Does
19 Staff still maintain its position?

20 A. No. After reflection on the issue and further discussions with the Company,
21 Staff agrees that the tracking mechanism can accurately compare the amount of service and
22 non-service costs in rates to actual incurred service and non-service costs. Therefore, Staff

1 agrees with the Company's position that both the non-service and service cost elements of
2 Pensions and OPEBs should receive the same treatment and inclusion in rate base.

3 **Cybersecurity Costs**

4 Q. Ameren Missouri witness Lansford states on page 15, lines 1-6 of his rebuttal
5 testimony that the non-labor cybersecurity operation and maintenance ("O&M") costs during
6 the twelve months ended September 2021 were higher than the test year level. Is this true and
7 does Staff agree with a higher level of cybersecurity expense?

8 A. Yes, to both questions. Due to the current events surrounding this issue
9 (recent cyberattacks in the U.S.A. and abroad) and after thoroughly reviewing the cybersecurity
10 non-labor cost data Ameren Missouri provided as part its true-up filing, Staff has proposed an
11 adjustment to its cost of service study to include cyber security cost for the twelve months
12 ending September 30, 2021.

13 **Software Maintenance Expense**

14 Q. Ameren Missouri witness Lansford states on page 17, lines 1-11 of his rebuttal
15 testimony that had Staff properly considered the renewal of existing contracts or the execution
16 of new contracts, Staff would have discovered that non-labor software maintenance increased
17 since the test year. Did Staff thoroughly review existing and new contracts?

18 A. Yes. Staff reviewed existing contracts, renewals of existing contracts, as well as
19 new contracts entered into through June 2021, as part of its direct position. Staff only proposed
20 adjustments are to remove contracts that expired and were not renewed during the test year or
21 subsequent to June 30, 2021.

1 Q. Mr. Lansford states that non-labor software maintenance cost actually increased
2 through September 30, 2021. Do you have any updates or corrections for software maintenance
3 expense?

4 A. Yes. Staff received additional software maintenance agreements in response to
5 Staff Data Request No. 0346.2. After reviewing these renewed contracts, Staff still made an
6 adjustment to reduce software maintenance balance as of September 30, 2021.

7 **Call Center Costs**

8 Q. Ameren Missouri witness Laura Moore states on page 9, lines 12-17 of her
9 rebuttal testimony that the external call center hours were artificially low during the pandemic
10 and thus Staff calculating call center costs based on a three-year average is inappropriate. Does
11 Staff agree that a three-year average is not appropriate?

12 A. Yes. After further review, Staff examined the actual historical external call
13 center costs since November 2017 when Ameren Missouri switched outside vendors from
14 Convergent to First Contact. The costs trended downward from \$2,139,231 in June 2019 to
15 \$1,570,457 in June 2021. Therefore, using a three-average will not reflect the ongoing level of
16 this expense.

17 Q. Do you agree with Ameren Missouri witness Laura Moore's suggestion that call
18 volume in 2020 was reduced due to the pandemic?

19 A. It is possible, with moratoriums on service disconnections and late fees, that the
20 pandemic had an impact on the level of external call center costs. It also appears to be true that
21 the pandemic is continuing and it is not clear when it may end. The external call volume may
22 or may not return to pre-pandemic levels after our true up cut-off in this current rate case. It
23 may not even return to pre-pandemic levels in 2022 because of the tight current labor market.

1 However, Ameren Missouri ended its moratorium on disconnections and late fees in late
2 August 2021. Therefore, Staff recommends inclusion of the last twelve months of call volume
3 hours, priced out at the most current contract rate, as more reflective of the call center costs
4 going forward. This is subject to Staff's true-up audit as discussed later in this testimony.

5 **TRUE-UP DIRECT**

6 **Power Plant Operation and Maintenance ("O&M") Expenses**

7 Q. Has Staff reviewed power plant O&M expense as part of its true-up audit?

8 A. Yes. Staff has reviewed the power plant O&M expense through the
9 September 30, 2021 true-up cutoff point. Based upon this review, Staff proposes to normalize
10 power plant O&M expense for the Labadie, Sioux, and Rush Island energy centers using a
11 six-year average of these expenses during the period covering October 1, 2015 through
12 September 30, 2021. Staff witness Lisa Ferguson addresses the Meramec power plant
13 maintenance through a tracker.

14 **Payroll and Payroll Taxes**

15 Q. Has Staff updated payroll and payroll taxes calculation as part of its true-up
16 filing?

17 A. Yes. Staff updated its payroll and payroll taxes annualization to include the
18 actual permanent employee counts as of September 30, 2021.

19 **Employee Benefits**

20 Q. Has Staff updated the level of employee benefits as part of its true-up filing?

21 A. Yes. Staff updated its calculation to include the actual cost of employee benefit
22 expense that occurred during the true-up period ending September 30, 2021.

1 **Pensions and OPEBs**

2 Q. Has Staff updated qualified pension and OPEB expense, tracker amortizations,
3 and rate base balances?

4 A. Yes. Staff updated its Pension and OPEB expense calculation to include the last
5 known actuarial amounts. The pension and OPEB trackers have been reset and the net balances,
6 which are a regulatory liabilities, will be amortized over the next five years. Staff reduced the
7 rate base by the regulatory liability amounts.

8 **Non-Qualified Pension Expense**

9 Q. Has Staff updated non-qualified pension as part of its true up?

10 A. Yes. Staff updated its non-qualified expense to include a five-year average
11 ending September 30, 2021 for lump sum payments.

12 **Call Center Costs**

13 Q. Did Staff true up call center costs?

14 A. Yes. Staff trued-up the call center costs to include the current hourly rate applied
15 to the actual hours worked during the twelve months ending September 30, 2021.

16 **Software Rental Revenue and Expense**

17 Q. Has Staff updated software rental revenue?

18 A. Yes. Staff updated its annualized software rental revenue by using the last
19 known amount of the rental revenue at September 2021 multiplied by 12.

20 Q. Has Staff updated software rental expense?

21 A. Yes. Staff updated its annualized software rental expense to include the last
22 known amount at September 2021 multiplied by 12.

1 **Software Maintenance Expense**

2 Q. Did Staff true-up software maintenance cost?

3 A. Yes. Staff trued-up software maintenance cost by including the last known
4 amount of all existing or renewal contracts as well as new contracts entered into through
5 September 30, 2021.

6 **Cyber Security Expense**

7 Q. Did Staff true-up cybersecurity cost?

8 A. Yes. Staff trued-up cybersecurity cost by using the twelve months ending
9 September 30, 2021.

10 Q. Does this conclude your surrebuttal/true-up direct testimony?

11 A. Yes, it does.

