

Exhibit No. 504

Exhibit No.:
Issues: Depreciation
Witness: Brian C. Andrews
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2021-0240
Date Testimony Prepared: November 5, 2021

**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) **Case No. ER-2021-0240**
Its Revenues for Electric Service.)
_____)

Surrebuttal Testimony of
Brian C. Andrews

On behalf of
Missouri Industrial Energy Consumers

November 5, 2021



**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)
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_____)

Case No. ER-2021-0240

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS) SS

Affidavit of Brian C. Andrews

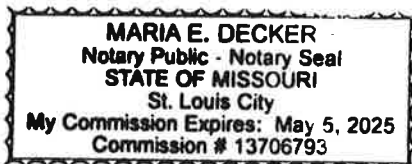
Brian C. Andrews, being first duly sworn, on his oath states:

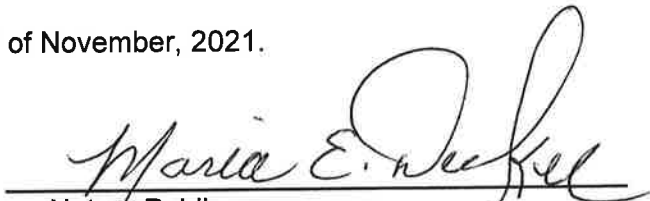
1. My name is Brian C. Andrews. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2021-0240.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.



Brian C. Andrews

Subscribed and sworn to before me this 5th day of November, 2021.





Notary Public

**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
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**BEFORE THE PUBLIC SERVICE COMMISSION
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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
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Surrebuttal Testimony of Brian C. Andrews

INTRODUCTION AND SUMMARY

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Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Andrews. My business address is 16690 Swingley Ridge Road, Suite 140,
Chesterfield, MO 63017.

**Q ARE YOU THE SAME BRIAN C. ANDREWS WHO FILED DIRECT TESTIMONY ON
BEHALF OF MISSOURI INDUSTRIAL ENERGY CONSUMERS ("MIEC") ON
SEPTEMBER 3, 2021?**

A Yes, I am.

Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A The purpose of my surrebuttal testimony is to respond to the rebuttal testimonies of Mr.
Cedric E. Cunigan of the MPSC Staff and Mr. John J. Spanos on behalf of Ameren
Missouri with respect to their criticisms of the Callaway depreciation rates that I
proposed in my direct testimony.

1 **Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

2 A The depreciation rates proposed by Ameren Missouri result in excessive depreciation
3 expense to be paid by Ameren Missouri's customers. As I demonstrated in my direct
4 testimony, Ameren Missouri intends to operate the Callaway Nuclear plant longer than
5 its current license and at least until 2050. I demonstrated in my direct testimony that if
6 the depreciation rates were calculated assuming a 2050 retirement date for Callaway,
7 there would need to be a \$16.4 million depreciation expense decrease. To be
8 reasonable, I recommended that there be no change to the currently approved
9 depreciation rates for Callaway, which is an \$8.3 million reduction from what Ameren
10 Missouri proposed. I will highlight two important facts in this testimony; first, Ameren
11 continues to assume that Callaway will operate past 2050 with its most recent IRP
12 update that Ameren Missouri published in October 2021. Second, the currently
13 approved depreciation rates, which I am recommending retaining, are based on
14 2044 retirement date. Both of these facts support the reasonableness of my
15 recommended depreciation rates for the Callaway Nuclear Plant.

16 **RESPONSE TO MR. CUNIGAN**

17 **Q WHAT ARE MR. CUNIGAN'S CRITICISMS OF YOUR ADJUSTMENT FOR THE**
18 **DEPRECIATION RATES FOR THE CALLAWAY NUCLEAR PLANT?**

19 A Mr. Cunigan states that I am putting more weight on the anticipated renewal of the
20 operating license than Staff is comfortable with at this time, since Ameren Missouri has
21 not yet applied for, nor is it guaranteed to get a license extension. He also states that
22 Staff does not recommend extending plant closure dates until more information is

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1 known and disagrees with my recommendation to maintain the currently approved
2 depreciation rates.¹

3 **Q PLEASE RESPOND TO MR. CUNIGAN'S CRITICISM.**

4 A Ameren Missouri is in the best position for estimating the operating lives of its
5 generating assets. Ameren Missouri continues to assume that Callaway will be granted
6 a license extension and it will operate beyond 2050. Staff's discomfort with Ameren
7 Missouri's assumptions with respect to the operating life of Callaway is unfounded. I
8 demonstrated that assuming an operating life of 2050 for Callaway would result in a
9 depreciation rate decrease.² Since we do not know what the new operating life will be
10 and there is some uncertainty with whether or not the license extension will be granted,
11 I have recommended retention of the currently approved depreciation rates in order to
12 be conservative. Those depreciation rates assumed a 2044 retirement date and
13 therefore should alleviate Staff's concern with changing a retirement date at this time.
14 As discussed by Mr. Cunigan, Ameren Missouri can apply for license extension in 2024;
15 the Commission can require this to eliminate this uncertainty as soon as possible.
16 Further, Ameren Missouri can file another depreciation study in the future when more
17 information is known; the current license expiration date is still 23 years from now.

¹Rebuttal Testimony of Cedric E. Cunigan at page 3, lines 9-23.

²Direct Testimony of Brian C. Andrews, Schedule BCA-3.

1 **RESPONSE TO MR. SPANOS**

2 **Q WHAT ARE MR. SPANOS' CRITICISMS OF YOUR ADJUSTMENT FOR THE**
3 **DEPRECIATION RATES FOR THE CALLAWAY NUCLEAR PLANT?**

4 **A** Like Mr. Cunigan, Mr. Spanos disagrees with my recommendation to maintain the
5 currently approved depreciation rates for the Callaway nuclear plant. He states that

6 "The IRP does not lay out a specific end-of-life date for the Callaway
7 Energy Center nuclear facility, thus the currently approved life span of
8 2044 should continue to be utilized until the relicensing is confirmed or
9 at least initiated...The operating license date is currently the best
10 estimate of how long the plant will be in operation."³

11 He also claims there is an inconsistency in my recommendation because I have an

12 "opinion that Callaway Energy Center will be operating longer than the
13 year 2050, but he is supporting depreciation rates that were calculated
14 using 2044 as the life span date."⁴

15 **Q PLEASE RESPOND TO MR. SPANOS' CRITICISMS OF USING THE IRP**
16 **ASSUMPTIONS.**

17 **A** Mr. Spanos states that I am "relying on the IRP too literally instead of as a guide or a
18 plant for the future as it is intended."⁵ This criticism is without merit and I will show how
19 inconsistent Mr. Spanos is with this argument. First, the IRP represents Ameren
20 Missouri's best estimate for the future lives of its plants; Callaway is no exception to
21 this. The IRP is a guideline for what Ameren Missouri intends to do for the next
22 30 years as of today. These triennial filings do change, but they are our best indication
23 of what to expect for the future, with respect to the lives of Ameren Missouri's
24 generating assets. Second, Ameren Missouri' conducted its 2021 IRP Annual Update
25 Workshop on October 29, 2021. During that workshop, Ameren Missouri employee

³Rebuttal Testimony of John J. Spanos at page 13, lines 4-11.

⁴*Id.* at page 14, lines 2-4.

⁵*Id.* at page 12, lines 12-13.

1 Matt Michels confirmed that Callaway was still expected to operate beyond 2050.⁶
2 Third, and what is most problematic, is that Mr. Spanos relies on the IRP for the
3 retirement dates for the coal plants in order to shorten their estimated operating lives.⁷
4 It fundamentally is inconsistent for Mr. Spanos to rely on the IRP to justify changes that
5 would drastically increase depreciation expense, but to reject the IRP when the result
6 would be to decrease depreciation expense.

7 **Q PLEASE ELABORATE ON MR. SPANOS' RELIANCE ON THE IRP FOR**
8 **DETERMINING HIS PLANT LIVES.**

9 A On page 10 of Mr. Spanos' direct testimony, he makes the following statement:

10 "The life spans for the Labadie and Rush Island Energy Centers result
11 in probable retirement dates that are many years in the future."⁽¹⁾

12 ⁽¹⁾The life span for the Rush Island Energy Center, consistent with the
13 Company's 2020 IRP, now reflects a somewhat shorter life than
14 previously used, based on an expected retirement date of 2039 instead
15 of 2045."

16 I find it ironic and totally inconsistent for Mr. Spanos to criticize me for using a projected
17 retirement date for Callaway that was confirmed less than eight days ago (October 29,
18 2021) while relying on the IRP to reflect a shorter life for Rush Island.

19 **Q PLEASE EXPLAIN WHY YOU ARE RECOMMENDING USING THE CURRENTLY**
20 **APPROVED DEPRECIATION RATES THAT WERE CALCULATED WITH A 2044**
21 **RETIREMENT DATE.**

22 A I am recommending maintaining the currently approved depreciation rates for Callaway
23 because the plant will most likely operate past 2050 and Ameren Missouri's proposed

⁶Maurice Brubaker asked Mr. Michels if the operations of Callaway was still projected to extend beyond 2050 and Mr. Michels confirmed that was still the plan.

⁷Direct Testimony of John J. Spanos at page 10, lines 16-17 and footnote.

1 depreciation rates would result in an unreasonable burden for its customers. In my
2 direct testimony, I presented an illustrative set of depreciation rates assuming Callaway
3 retired in 2050 which showed the depreciation expense should be approximately
4 \$8 million less than the depreciation expense calculated under the current depreciation
5 rates and \$16.4 million less than what Ameren Missouri is proposing. This is a very
6 conservative calculation. When Ameren Missouri files for a license extension, it will
7 surely request a life extension longer than 2050. It would make no sense to spend
8 hundreds of millions of dollars on upgrades to have the life extended by only six years.
9 This is why the IRP assumption is that it will operate beyond 2050; 2050 is simply the
10 last year in the IRP planning period. Since we do not yet know what the end date of
11 the license extension is, I have recommended simply maintaining the currently
12 approved depreciation rates. These depreciation rates were in fact calculated
13 assuming a 2044 retirement date; however, this is a reasonable adjustment to eliminate
14 an unnecessary rate increase.

15 **Q PLEASE RESPOND TO MR. SPANOS' CLAIM THERE IS AN INCONSISTENCY IN**
16 **YOUR RECOMMENDATION.**

17 **A** There is no inconsistency. I am of the opinion that Callaway will operate beyond 2050,
18 as Ameren Missouri's IRP continues to make this claim. If anything, the inconsistency
19 is in what the company is proposing; on one hand they expect Callaway to operate past
20 2050 and on the other, they want to recover all investment by 2044. I proposed a
21 reasonable ratemaking adjustment that would maintain the currently approved
22 depreciation rates. Mr. Spanos would have the Commission believe his proposed
23 depreciation rates are the only proper rates; this is far from the truth. Depreciation
24 rates and the studies that produce them are the result of many assumptions, forecasts,

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1 and judgement calls. The most up to date guidance from Ameren Missouri's IRP is that
2 Callaway will operate beyond 2050; this is not captured in Mr. Spanos' proposed
3 depreciation rates. The fact that the currently approved depreciation rates were not
4 developed with all the parameters and more recent plant in service balances does not
5 mean they are inadequate. Further, Ameren can file a new depreciation study in its
6 next rate case and propose updated depreciation rates whenever it chooses to do so
7 and with more information on the license extension.

8 **Q DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

9 **A** Yes, it does.

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