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Maintenance, True-Up
Witness: Paul K. Amenthor
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal / True-Up Direct
Testimony
Case No.: GR-2019-0077
Date Testimony Prepared: July 10, 2019

MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

PAUL K. AMENTHOR

Staff Exhibit No. 122P
Date 8-15-19 Reporter COT
File No. GR-2019-0077

UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI

CASE NO. GR-2019-0077

Jefferson City, Missouri
July 2019

** Denotes Confidential Information **



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PAUL K. AMENTHOR
UNION ELECTRIC COMPANY,
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1 SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

2 OF

3 PAUL K. AMENTHOR

4 UNION ELECTRIC COMPANY,
5 d/b/a AMEREN MISSOURI

6 CASE NO. GR-2019-0077

7 Q. Please state your name and business address.

8 A. Paul K. Amenthor, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

9 Q. By who are you employed and in what capacity?

10 A. I am employed by the Missouri Public Service Commission ("Commission") as
11 a member of the Commission Staff's ("Staff") Auditing Department.

12 Q. Are you the same Paul K. Amenthor who contributed to Staff's *Revenue*
13 *Requirement Cost of Service Report* filed April 19, 2019 in this case?

14 A. Yes.

15 Q. What is the purpose of your surrebuttal/true-up direct testimony in this
16 proceeding?

17 A. My surrebuttal testimony will address the rebuttal testimony of Ameren
18 Missouri witness Laura M. Moore regarding non-labor distribution maintenance expense as
19 well as describe Staff's true-up direct position regarding that issue.

20 My true-up direct testimony will provide Staff's true-up position regarding gas storage
21 inventory, materials & supplies, plant in service, accumulated depreciation reserve,
22 prepayments, customer advances, customer deposits, interest on customer deposits, customer
23 growth for revenue, other revenues, capitalized depreciation and uncollectible expense.

1 **NON-LABOR DISTRIBUTION MAINTENANCE**

2 Q. On page 23, lines 4-11 of Ameren Missouri witness Moore's rebuttal she
3 discusses how the increase in distribution maintenance expense is due to legacy cross-bore and
4 valve maintenance programs implemented to enhance the safe operation of the gas system.
5 What are these programs, when did these programs begin, and are they required by law?

6 A. Trenchless technology is used to install natural gas mains and services that may
7 inadvertently transect another underground utility, specifically a sewer line or septic system.
8 The legacy cross bore program exists to evaluate the risk to the gas distribution system due to
9 the threat of excavation damage such as consideration of potential or existing cross bores in
10 sewers. This project is intended to be completed only one time and then results are to be
11 retained as a record documenting the mitigation of the legacy cross bore risk. This project began
12 on June 1, 2017 and has a projected end date of 2029.

13 The valve maintenance program is designed to identify valves that are not locatable,
14 create quality and consistent valve drawings, and provide sub-foot GPS of the locations. The
15 new data derived from the program will be integrated into Ameren Missouri's GIS system to
16 show valves that are active in the gas system, but cannot currently be found quickly or operated.
17 After the system is evaluated and necessary valves are operational, a maintenance plan will be
18 created for the common valves. Ameren Missouri will also implement a process to GPS locate
19 newly installed valves. This project allows field workers to respond to emergencies and isolate
20 areas with a smaller impact on system reliability. This program began on June 4, 2019 and
21 consists of three phases. Ameren Missouri is currently in the first phase of record verification and
22 field identification of the project which is expected to complete by the end of 2019. The second
23 phase of the project is to conduct an engineering analysis of the valving system to identify and plan

1 field work which is necessary to optimize operational performance. This is followed by execution
2 of that field work. The final phase of the valve maintenance program is to establish and execute an
3 on-going routine maintenance plan for the gas valving system. This work will be performed on a
4 rotating cycle with no end date.

5 These programs are used to comply with both federal and state pipeline
6 integrity-management requirements. The legacy cross bore program has already been
7 underway prior to the test year and the valve program started after the true-up cutoff date in
8 this current gas rate case. Staff understands the importance of these programs and the necessity
9 of federal and state law being met.

10 Q. On page 22, lines 18-22, of Ameren Missouri witness Laura M. Moore's rebuttal
11 testimony she discusses how Staff proposed a normalization adjustment for non-labor
12 distribution maintenance expense and how that type of adjustment is appropriate for costs that
13 fluctuate over time, however the forecast for these particular costs shows no fluctuation but
14 rather increasing costs. Does Staff include forecasted amounts in its cost of service?

15 A. Staff does not include forecasted or estimated costs in its cost of service
16 calculation. It is Staff's position that costs in rates must be known and measurable. Known in
17 the sense that the amount is an actual incurred cost; measurable meaning that the cost can be
18 calculated with a high degree of accuracy. Forecasted or budgeted costs are not known and
19 measurable as those costs have not yet been incurred. While it is more than likely that there
20 will be costs incurred, Staff cannot say whether the level of these forecasted costs will actually
21 materialize.

1 Q. Has Staff included some level of the costs associated with the legacy cross-bore
2 and valve maintenance programs in its proposed normalization?

3 A. Yes and no. Staff maintains that historical levels of this type of maintenance
4 expense have fluctuated over time and, as such, normalization is appropriate. The legacy cross
5 bore program was initiated before the test year in this case so some level of the cost of this
6 program is included in Staff's proposed three year average. However, the valve maintenance
7 program did not start until after Staff's true-up cut-off date of May 31, 2019; this cost would
8 not be included in Staff true-up recommendation in this case.

9 Ms. Moore states on page 23, lines 1-3, that the non-labor distribution maintenance costs
10 only increase and a normalized level is not sufficient to cover needed future maintenance costs.
11 If that occurs after rates are set in this case and the increased cost cannot be offset by (1) other
12 expenses lowering (2) revenues increasing or (3) flat investment then Ameren Missouri has the
13 option to initiate a rate case. The company can also request recovery of increased distribution
14 maintenance costs in a future rate case when all relevant factors are reviewed.

15 Q. What amount did Staff include for non-labor distribution maintenance expense
16 as part of its true-up audit?

17 A. Staff included a three year average ending May 31, 2019 as the ongoing level of
18 non-labor distribution maintenance expense.

19 **TRUE-UP DIRECT**

20 **Plant-in-service and Accumulated Depreciation Reserve**

21 Q. Has Staff updated plant-in-service and accumulated reserve as part of its true-up
22 filing?

1 A. Yes. Staff replaced the estimated balances from its direct testimony with actual
2 amounts through May 31, 2019 in order to include all additions and retirements.

3 **Natural Gas Storage**

4 Q. Has Staff updated the natural gas inventory quantities and corresponding prices
5 to include in rate base as part of its true-up audit?

6 A. Yes. Staff has included a 13 month average ending May 31, 2019, of natural
7 gas storage inventory in rate base.

8 **Prepayments**

9 Q. Has Staff updated its position on prepayments as part of its true-up filing?

10 A. Yes. Ameren Missouri has agreed with Staff's exclusion of certain items as
11 proposed in its direct testimony; however, Staff has updated the amount of prepayments
12 remaining to reflect a 13 month average ending May 31, 2019. This average includes the gas
13 portion of a new prepayment, a subscription service with SNOW enterprise. This prepayment
14 began in May 2019 and is a new program that monitors the different software licenses that are
15 loaded on employee computers. For some software programs, Ameren gets charged a licensing
16 fee per the number of computers that have certain software uploaded. This monitoring
17 determines what employees are using certain software and how often. If it is determined that
18 employees are not using some software programs, this service will remove that software
19 program so as to keep Ameren Missouri from paying for licensing on programs that some
20 employees are not using. This prepayment is allocated between electric and gas as it is utilized
21 by both operations.

Materials and Supplies

1
2 Q. Has Staff updated the level of materials and supplies inventory included in rate
3 base as part of its true-up audit?

4 A. Yes. Staff has included a 13 month average ending of May 31, 2019, of
5 materials and supplies inventory to rate base.

Customer Deposits

6
7 Q. Has Staff updated the customer deposits amount to be included in rate base as
8 part of its true-up?

9 A. Yes. Staff has included a 13 month average ending May 31, 2019, of customer
10 deposits in rate base.

Interest on Customer Deposits

11
12 Q. Has Staff updated the level of interest on customer deposits as part of its true-up?

13 A. Staff has recalculated interest on customer deposits by applying the tariffed
14 interest rate to the updated level of customer deposits.

Customer Advances

15
16 Q. Has Staff updated the level of customer advances included in rate base as part
17 of its true-up audit?

18 A. Yes. Staff has included a six month average ending May 31, 2019 of customer
19 advances as an offset to rate base. The six months of data between December 2018
20 and May 2019 no longer includes the advances related to CertainFeed, as that contract
21 has expired.

Revenues-Customer Growth

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2 Q. Has Staff proposed any adjustments to annualized customer levels as part of
3 its true-up audit?

4 A. Yes. Staff has reviewed customer counts through the May 31, 2019, true-up
5 date and either applied seasonality to the customer count or utilized the actual number of
6 customers that existed during the twelve months ending May 31, 2019.

Other Revenues

7
8 Q. Has Staff proposed any adjustments to other revenues for the true-up audit?

9 A. Staff has included an annualization of rental revenue received from Ameren
10 Services and Ameren Illinois, calculated by multiplying May 2019 revenue by twelve. This
11 reflects the most current rental arrangement amongst the affiliates.

12 Staff included the test year level of revenue for gas meters, other rentals, forfeited
13 discounts, disconnection/connection fees, customer installations, and miscellaneous billing
14 revenues because the actual revenue received during 2017 through 2019 is relatively consistent.

15 Staff has included the twelve months ending May 31, 2019 revenue for collection and
16 remittance revenue due to the fluctuation of this revenue stream over time.

Uncollectible Expense

17
18 Q. Has Staff updated its position on uncollectible expense as part of its
19 true-up filing?

20 A. Yes. Staff has included a two year average of actual net write-offs experienced
21 as the normalized level of bad debt expense to include in the cost of service. Staff utilized
22 the two year average due to Ameren Missouri changing ** _____

23 _____ **.

Capitalized Depreciation

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Q. Has Staff updated its position through the true-up date in this case?

A. Yes. Staff has updated the amount of capitalized depreciation to be removed from depreciation expense by applying the May 31, 2019 capitalization percentage to the updated plant balances as part of its true-up audit.

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

A. Yes, it does.

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 Increase)
its Revenues for Natural Gas Service) Case No. GR-2019-0077

AFFIDAVIT OF PAUL K. AMENTHOR

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

COMES NOW PAUL K. AMENTHOR and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-up Direct Testimony*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Paul K. Amenthor
PAUL K. AMENTHOR

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 9th day of July 2019.

LISA M. FERGUSON
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: June 08, 2020
Commission Number: 16631502

Lisa M. Ferguson
Notary Public