

*Exhibit No.:*  
*Issue:* Demand-Side Investment  
Mechanism  
*Witness:* Mark L. Oligschlaeger  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal to Supplemental Testimony  
*Case No.:* EO-2015-0055  
*Date Testimony Prepared:* July 15, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**UTILITY SERVICES - AUDITING**

Filed  
July 31, 2015  
Data Center  
Missouri Public  
Service Commission

**MARK L. OLIGSCHLAEGER**

**REBUTTAL to SUPPLEMENTAL TESTIMONY**

**UNION ELECTRIC COMPANY, d/b/a AMEREN MISSOURI**

**CASE NO. EO-2015-0055**

*Jefferson City, Missouri*  
*July 2015*

*Staff* Exhibit No. 707  
Date 7-22-15 Reporter M  
File No. EO-2015-0055

1 MARK L. OLIGSCHLAEGER

2 REBUTTAL to SUPPLEMENTAL TESTIMONY

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

5 CASE NO. EO-2015-0055

6 Q. Please state your name and business address.

7 A. Mark L. Oligschlaeger, P.O. Box 360, Suite 440, Jefferson City, MO 65102.

8 Q. Are you the same Mark L. Oligschlaeger who previously submitted rebuttal  
9 and supplemental direct testimony in this proceeding?

10 A. I am.

11 Q. What is the purpose of this rebuttal to supplemental testimony?

12 A. I will address the supplemental testimony filed by Union Electric Company,  
13 d/b/a Ameren Missouri ("Ameren Missouri" or "Company") witness Lynn Barnes on June 30,  
14 2015 concerning the accounting implications of the Non-Unanimous Stipulation and  
15 Agreement ("Utility Stipulation") filed by Ameren Missouri and other parties that same day.

16 **EXECUTIVE SUMMARY**

17 Q. Please summarize your rebuttal to supplemental testimony in this proceeding.

18 A. I will address why the Staff cannot concur at this time with Ms. Barnes' claims  
19 in her supplemental testimony that the type of proposed treatment of throughput disincentive  
20 recovery provided for in the Non-Utility Stipulation filed on July 8, 2015 would necessarily  
21 result in an earnings loss to Ameren Missouri due to current accounting rules.

1 DSIM

2 Q. At page 4 of her supplemental testimony in this proceeding, lines 1 – 4,  
3 Ms. Barnes states "...a retrospective review and true-up of the TD-NSB share that is approved  
4 for use in this case, as proposed by Mr. Oligschlaeger, simply cannot be done without causing  
5 the Company to violate GAAP and SEC requirements." Do you agree with this assertion?

6 A. No. First, and obviously, there is nothing in generally accepted accounting  
7 principles (GAAP) or Securities and Exchange Commission (SEC) accounting requirements  
8 that would prohibit the Commission from setting rates based upon a retrospective review and  
9 true-up of the TD-NSB share, if the Commission finds that to be a reasonable course of  
10 action. If, in fact, Ms. Barnes is implying that the Staff or the Signatory parties to the Non-  
11 Utility Stipulation are recommending that Ameren Missouri violate GAAP or SEC  
12 requirements in how it accounts for the Commission's ordered rate treatment of throughput  
13 disincentive recovery, she is quite incorrect.

14 Second, at this time I do not interpret the relevant GAAP requirements regarding  
15 throughput disincentive recovery in the same way as Ameren Missouri. I will explain this  
16 contention in this testimony.

17 Q. What are Ameren Missouri's "accounting concerns" in this case regarding  
18 throughput disincentive rate recovery?

19 A. Within Ms. Barnes' surrebuttal and supplemental testimony filed in this case,  
20 as well as in the surrebuttal testimony of Ameren Missouri witness Clifford Hoffman,  
21 Ameren Missouri claims that performance of any retrospective true-up for the projected  
22 throughput disincentive amounts included upfront in customer rates would result in  
23 prohibition under GAAP of Ameren Missouri recording throughput disincentive revenues in

1 any amount until such time as the true-up process took place. If this scenario is accurate,  
2 Ameren Missouri would suffer a temporary loss of earnings due to the impact of its MEEIA  
3 programs on customer sales until such time as the true-up was conducted. The Company  
4 witnesses base this conclusion on their interpretation of the accounting pronouncements  
5 contained within ASC 980-605-25, a copy of which is attached to Ms. Barnes' surrebuttal  
6 testimony as Schedule LMB-1.

7 Q. Do you agree with Ms. Barnes' interpretation of ASC 980-605-25 regarding  
8 the accounting impact of the Commission ordering a retrospective true-up of TD-NSB values  
9 incorporated into customer rates?

10 A. No, I do not. I believe a more reasonable interpretation of ASC 980-605-25 is  
11 that it sets out standards for utilities to record regulatory assets to track the impact on their  
12 sales of energy efficiency initiatives on their financial results. Stated another way, I interpret  
13 this accounting pronouncement as governing when a utility can recognize revenues associated  
14 with throughput disincentive recovery when such amounts are not being currently billed to  
15 customers and collected in rates.

16 However, that is not the situation facing the Company under either of the  
17 stipulations in front of the Commission in this proceeding. Both stipulations call for Ameren  
18 Missouri to collect concurrently in rates the amounts intended to compensate it for throughput  
19 disincentive assumed to be occurring over time.<sup>1</sup> To my knowledge, Ameren Missouri has  
20 not and will not record the revenues it receives in compensation for throughput disincentive as

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<sup>1</sup> Under both stipulations an estimate of the throughput disincentive value to be recovered is assumed for use in setting the MEEIA rider rate. Under the Utility Stipulation, that value is recorded by Ameren Missouri as revenue in a single lump-sum immediately upon measure installation, and the utility receives interest at its short term cost of debt as that amount is recovered through the MEEIA rider. Under the Non-Utility Stipulation, the throughput disincentive value is booked as incurred.

1 a regulatory asset. The Staff does not believe that ASC 980-605-25 was intended to apply to  
2 concurrent rate rider collections of throughput disincentive.

3 Q. How is Ameren Missouri's interpretation of the accounting requirements of  
4 ASC 980-605-25 different from yours?

5 A. In essence, Ms. Barnes and Mr. Hoffman are arguing that the requirements of  
6 ASC 980-605-25 forbid utilities to recognize any throughput disincentive cash receipts from  
7 customers as revenue at the time when the amounts are billed and received from customers, if  
8 such amounts are subject to later updating through a retrospective true-up process. If this  
9 interpretation is valid, I would expect this point to be raised by utilities across the country in  
10 the context of proposals to recover throughput disincentive, as these accounting requirements  
11 would certainly pose a significant roadblock to allowing utilities relief for their lost revenues  
12 under normal regulatory approaches and procedures, including true-up of projected values  
13 used in setting rates.

14 Q. In this proceeding, has Ameren Missouri in its filed testimony cited examples  
15 of the actions of any other regulatory jurisdiction in response to the accounting concerns  
16 related to ASC 980-605-25?

17 A. No, they have not. In addition, Staff submitted Data Request No. 8 to Ameren  
18 Missouri seeking copies of all documentation reviewed by and relied upon by Ms. Barnes and  
19 Mr. Hoffman in their surrebuttal testimony in this proceeding. The listed documents for both  
20 witnesses did not include any material pertaining to other jurisdictions' treatment of the  
21 accounting and rate impacts of throughput disincentive.

1           Q.     Have you researched the questions of whether other utilities have raised similar  
2 or identical accounting concerns to the issues brought forward by Ameren Missouri in this  
3 case, and how state regulatory commissions have reacted to those concerns?

4           A.     Yes. I have reviewed some of the orders issued by other regulatory  
5 commissions in the past regarding rate recovery of throughput disincentive.<sup>2</sup> In all  
6 instances, accounting concerns identical or similar to those raised by Ameren Missouri  
7 were not addressed in any way in the orders, providing a reasonable indication that no party  
8 had raised them.

9           Q.     Based upon the above discussion, do you believe that Ameren Missouri  
10 has adequately supported its claims of negative accounting impacts from use of retrospective  
11 true-up procedures in the context of its throughput disincentive recovery?

12          A.     No, not at all. Ameren Missouri's testimony on this issue is long on broad  
13 assertions, very short on supporting evidence.

14          Q.     Even if Ameren Missouri had chosen to produce evidence in this proceeding to  
15 support its accounting claims, would the Staff recommend that the Commission tailor its rate  
16 treatment of throughput disincentive to take these alleged accounting concerns into account?

17          A.     No, for the reasons stated in my supplemental direct testimony in this case.

18          Q.     Absent further evidence on this issue, if the Commission is at all inclined to  
19 grant credence to Ameren Missouri's accounting concerns in this docket, do you have any  
20 further recommendations?

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<sup>2</sup> The orders I reviewed generally pertained to jurisdictions listed in Appendix 3 to Ameren Missouri's *2016-18 Energy Efficiency Plan*, dated December 22, 2014 and filed in this case, that were classified as approving lost revenue recovery mechanisms and ordering some sort of true-up procedure for the lost revenue recovery amounts.

1           A.    Yes. If, contrary to the provisions of the Non-Utility Stipulation, the  
2 Commission considers "deeming" any percentage of throughput disincentive recovery above  
3 the 66% amount reflected in the Non-Utility Stipulation, the Staff recommends that prior to  
4 ordering such treatment it mandate that Ameren Missouri produce evidence from accounting  
5 literature and other jurisdictions to support its accounting claims. This evidence should be  
6 provided so that the Commission can reasonably verify that the accounting restrictions  
7 Ameren Missouri cites in its testimony filed in this case are, in fact, applicable to other  
8 utilities in the same general circumstances currently facing the Company, and that these  
9 standards have been applied across the utility industry in a consistent manner.

10           Q.    What is the significance of this issue regarding the matter at hand?

11           A.    It is important that the customer pay the Company for recovery of  
12 the throughput disincentive based on actual benefits received, not expected benefits.  
13 If "expected benefits" are used, then the customer can be placed in a worse situation than  
14 if the programs were not implemented in the first place. This situation can occur if the  
15 actual benefits are significantly less than expected benefits. In addition, under its proposal  
16 the Company has no incentive to put forth the effort to generate the expected benefit level  
17 since the Company receives recovery regardless of actual results. The practice of ultimately  
18 relying on actual results for ratemaking purposes instead of forecasted results is a key  
19 safeguard that that should be applied by the Commission in this proceeding regardless of the  
20 accounting consequences.

21           Q.    Does this conclude your rebuttal to supplemental testimony?

22           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 2nd Filing to ) Case No. EO-2015-0055  
Implement Regulatory Changes in )  
Furtherance of Energy Efficiency as allowed )  
by MEEIA )

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

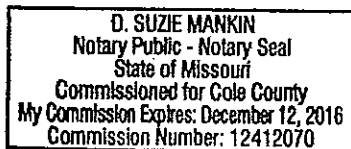
COMES NOW Mark L. Oligschlaeger and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Rebuttal to Supplemental Testimony; and that the same is true and correct according to his best knowledge and belief.

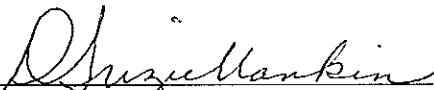
Further the Affiant sayeth not.

  
\_\_\_\_\_  
Mark L. Oligschlaeger

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 15<sup>th</sup> day of July, 2015.



  
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Notary Public