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 Annual Revenues for Electric Service	))))	**File No. ER-2022-0337**

STAFF'S REPLY BRIEF

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COMES NOW Staff of the Missouri Public Service Commission and submits the following Reply Brief in reply to the initial briefs of the other parties to this case pursuant to the schedule previously ordered by the Commission.

INTRODUCTION

Rather than replying to every individual statement made by the other parties to this case in their respective initial briefs, having presented and argued its positions in its initial brief, Staff is limiting its replies to those matters which Staff believes will most aid the Commission. Therefore, the failure of this Reply Brief to address any matter raised in the initial briefs of the other parties to this case should not be construed as agreement in any way therewith.

ISSUE 1 -- Class Cost of Service, Revenue Allocation, Rate Design and Rate-Switching Tracker

I. There is a long-standing, though unwritten, maxim for non-Staff participants in utility regulation proceedings that when the facts support your case, argue the facts; when the law supports your case, argue the law; and when neither support your case, attack the Staff. In their initial briefs, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), Missouri Industrial Energy Consumers ("MIEC"), and Midwest Energy Consumers Group ("MECG") spend much of their time attacking Staff

with various inflammatory statements. Staff is confident that the Commission will recognize these statements for what they are, and give them the weight they deserve – none. However, of particular note is the amount of time Ameren Missouri spends in its initial brief attempting to assign motive to Staff, claiming that Staff is attempting to shift cost responsibility from small customer classes to large customer classes. Such accusation by Ameren Missouri is particularly egregious given that Staff is the only party that has presented a class cost of service study ("CCOS") in this case – including Ameren Missouri – which has no vested interest in the outcome of such study and, as such, is the only truly unbiased party submitting a CCOS. As testified by Ms. Lange in her surrebuttal testimony,

> **Q.** On page 3 of his rebuttal testimony, Mr. Hickman presupposes that customer interest groups will oppose a study that does not produce the results that are most favorable to them. Is this a reasonable prediction? Is this a useful prediction?
>
> **A.** Staff agrees that it is likely that customers will likely support results that favor the class in which they are served, and that groups representing the interests of groups of customers will likely support the results that they deem to most favor the customers whose interest they represent. **Staff unequivocally has no interest in the results of a CCoS with regard to favoring or disfavoring a given class [of] customers**. **However, Ameren Missouri does have an interest in the results of a CCOS**. Ameren Missouri would prefer to see revenue diverted to areas of growth (residential customer charges) and away from areas of loss (large customers). The revenue requirement in a given rate case is calculated for a fixed operational year, including billing determinants, but neither costs nor determinants are static in reality. Simply put, over time Ameren Missouri has tended to have increasing numbers of residential customers, and decreasing sales of kWh of energy to industrial customers, so when Ameren Missouri chooses how it wants to divide its revenue requirement by its billing determinants, it only makes sense that it would choose to recover more profit from a growth area, and less from a shrinking sales base of industrial and large commercial energy sales.[1] (Emphasis added)

[1] Ex. 138, Sarah Lange Surrebuttal, p. 13 line 10 – p. 14 line 3.

Staff simply has no motive as alleged by Ameren Missouri.

II. Ameren Missouri incorrectly alleges that Staff used an energy allocator for distribution allocations. As Ms. Lange testified, "In this case, it worked out that the allocators are very similar. However, this is not always going to be the case, and the method I relied on is a reasonable allocation of the network distribution facilities."[2] She then provided a version of the Staff CCOS that used Mr. Hickman's classification by voltage for the distribution accounts (although there is no evidence to support his classification), and the results indicated above system-average increases would be appropriate for the SPS and LPS classes.[3] Furthermore, although Ameren Missouri talks at length in its brief about Staff's interest in customer-specific infrastructure, Ms. Lange also provided the results of modifying the Staff's direct-filed CCOS to ignore the presence of customer-specific infrastructure in the distribution accounts and relying on the Company's voltage classifications and allocators for the distribution accounts; the results of this approach indicated above system-average increases would be appropriate for the LGS class.[4] Finally, combining both modifications, the results would indicate that no revenue neutral shifts are necessary.[5]

III. Although Ameren Missouri, MIEC, and MECG all criticize Staff's study as "novel" or something similar, it must be recognized that only Staff's study is in compliance with the NARUC manual. Remember that the recommendations/studies of MIEC and MECG's witnesses are based on, i.e. derived from, Ameren Missouri's study.[6] Therefore,

[2] Id. at p. 34 lines 10-12.
[3] Id. at p. 35 lines 1-2.
[4] Id. at lines 6-10.
[5] Id. at p. 36 lines 3-5. See also Table on page 38 beginning on line 7.
[6] Ex. 137, Sarah Lange Rebuttal, p. 22 lines 12-13.

any flaws in Ameren Missouri's study are carried-over to the studies of MIEC and MECG. As discussed in some detail in Staff's initial brief, Ameren Missouri's distribution study is unreasonable and is not consistent with NARUC guidance, nor did Ameren Missouri make reasonable adjustments to better align with NARUC guidance. Ameren Missouri chose to perform what it describes as a minimum distribution system study. The minimum-size classification method inherently assumes that each account contains infrastructure that is sized to serve the smallest customers at the lowest loads possible.[7] However, Mr. Hickman's selected "minimum" components operate at primary voltages[8] while most Ameren Missouri customers take service at secondary voltage, at 120 or 240 volts, with a demand of 20 kW or less.[9]

Since the minimum size used by Ameren Missouri for component infrastructure operates at primary voltage, if those components are to be used for determining the "customer" portion for all classes, the customer counts by class should be weighted by the relationship of the class average maximum hour to the Small Primary Service (SPS) class average maximum hour.[10] This step is necessary to attempt to overcome the Ameren Missouri decision to use primary plant components as the foundation of its minimum size study, despite the fact that primary voltage infrastructure is significantly oversized for service to the majority of Ameren Missouri's customers, and is discussed in the NARUC Manual.[11] Review of relevant load data indicates that the average SGS customer has a demand not quite twice that of the average residential customer,

[7] Id. at pp. 35-37, *see also* NARUC manual at pp. 95, 138.
[8] Id. at p, 37.
[9] Id. at pp. 35-36.
[10] Id. at p. 48.
[11] Id. at p. 47.

and that the average LPS customer served at transmission voltage is not quite 1,500 times the size of a residential customer.[12] These basic facts are ignored by Ameren Missouri.

Ameren Missouri also failed to account for the demand-serving capability of the selected "minimum"-size infrastructure.[13] The NARUC Manual at page 95 clarifies that when using the minimum-size method "the analyst must be aware that the minimum size distribution equipment has a certain load-carrying capability, which can be viewed as a demand-related cost."[14] Ameren Missouri made no attempt to identify or allocate customer-specific substations and other infrastructure in the major distribution accounts.[15] This deviation from reasonable classification of the distribution system impacts not only CCoS study results, but due to this critical failure, the Ameren Missouri study is not reliable for valuing reasonable credits under Rider B, nor for reliance on estimating the revenue to be reasonably collected from various elements of classes' rate structures. [16] Although they criticize Staff for failing to comply with the NARUC manual, these examples demonstrate that Staff is actually the only party that did in fact comply with the NARUC manual when conducting its study.

IV. Regarding Ameren Missouri's improper classification of essentially all distribution devices as customer related, Ameren Missouri's own witness, Craig Brown, admits in his surrebuttal at page 12 that "I can see Staff's point that devices such as lightning arrestors and switches should be considered demand related and are part of

[12] Id. at p. 48.
[13] Id. at p. 40.
[14] Id. at pp. 40-41.
[15] Id. at p 41 L 17 – 43 L 3.
[16] Id. at p 41 L 17 – 43 L 3.

'balance of plant.'" The value of these items comprise approximately $813.5 million dollars of Accounts 364 – 368.[17] Further, at hearing, Ameren Missouri witness and CCOS study sponsor, Mr. Hickman, admitted that 70 percent of Smart Energy Plan spending is being allocated under the Ameren Missouri study to small customers, and that he is "reviewing and considering modifications in future cost of service studies" to revise Ameren Missouri's current approach to "identify devices as being driven by customers."[18] Despite this recognition that 70 percent of Smart Energy Plan spending is being allocated under the Ameren Missouri study to small customers and that this requires review and potential modification, Ameren Missouri stubbornly sticks to its claim that its study is accurate, despite all evidence to the contrary.

V. In its initial brief, Ameren Missouri – with the apparent support of MIEC and MECG – continues its fight to avoid having to provide useful, relevant, and necessary information to Staff. Basically, their argument boils down to "we don't need it for our study, why does Staff need it for Staff's study?" Preventing Staff access to information necessary to perform a study other than a study which supports the position set forth by Ameren Missouri/MIEC/MECG, if that turns out to be the result, may also explain MIEC and MECG's support for Ameren Missouri on this issue; otherwise, one would expect MIEC and MECG to support the full disclosure by Ameren Missouri of all information. As stated by Chairman Rupp at the evidentiary hearing in response to Mr. Wills' continued objection to providing useful, relevant, and necessary data:

[17] Ex. 138, Sarah Lange Surrebuttal, p. 28.
[18] Transcript Vol. 7 p 164.

> So see, I would take the opposite side of we don't want to – we shouldn't do it because, A, nobody else is doing it so you're just perpetuating the status quo. And **rarely in my life have I found that more data to identify, you know, cost drivers and things produces a worse outcome**. Now, yes, you can have an overload of data, but if you're going to – if you're going to go to – even, you know, if you kind of have an idea of what you're looking for and you can do that, more data tends to drive, you know, you know, a better process.
>
> Now, I am not saying that we would like the outcome. I'm not saying that Missouri would gather all this data and it might show stuff that we would be an outlier. And it might be something that, you know, from a policy perspective that the Commission would not choose to move forward with. But I don't see us getting out of this what I see as a perpetual pattern of future of saying, Well, you got the large customers, so we can't use this. This is the way we've done it and this is the way NARUC's done it and they got the 1992 manual and we're using it this way. And then if people approach it with a different – saying, Hey, we want more data, we have all this technology, we – we can do that. **I don't see the negative of getting more data and at least giving the Commission the option, you know, to weigh it and let's argue over the data rather than argue over assumptions**.
>
> And so there's not really a question there, but just – I'm just. I just don't want to have another rate case three years from now, six years from now where we're having the same – the same, you know, concept when the cost to the company would only be man hours and – you know, and they would have plenty of time before the next rate case.[19]
> (Emphasis added)

Chairman Rupp is correct. The Commission should have the option of weighing the results of studies based on full and complete data, rather than just the data on which Ameren Missouri, MIEC, and MECG want to base their studies.

As stated earlier in this brief, Staff is limiting its replies to those matters which Staff believes will most aid the Commission. Therefore, the failure of this Reply Brief to address any matter raised in the initial briefs of the other parties to this case should not be construed as agreement in any way therewith. If Staff were to even attempt to reply to

[19] Tr. Vol. 7 page 256 line 23 – page 258 line 8.

each incorrect, misleading or inflammatory statement made in the initial briefs of Ameren Missouri, MIEC, or MECG, the time allotted by the procedural schedule for filing reply briefs after the filing of initial briefs would need to be extended exponentially, and with a statutory time limit for deciding rate cases, that would not be possible. However, Staff is confident that the Commission will be able to separate the wheat (which is scarce) from the chaff (which is plentiful) when reviewing the initial briefs of the other parties.

ISSUE 2 – DEPRECIATION/CONTINUING PROPERTY RECORD ("CPR")

I. Ameren Missouri's Initial Brief begins with misdirection. The Company states:

> Staff suggests the Company may not have complied with 20 CSR 4240-3.175(1)(A)(2) which requires that the database submitted with the depreciation study contain certain information. However, the Company in this case, as it has in at least the nine other rate cases it has had over the past roughly 17 years, submitted a depreciation study and the required database."[20]

Staff is not "suggesting" anything. Staff is saying straight out that it has now come to light that the Company's depreciation studies are unreliable for any of their intended purposes because the Company's data base is unreliable.[21] The data base, in turn, is unreliable because it is based upon a wholly fictional plant account. The plant account in question

[20]Ameren Missouri's Initial Brief, 46-47.

[21] Staff is respectfully declining to expound much on the astonishing argument that because Ameren Missouri has been violating the rule for 17 years in 9 previous rate case, it should be allowed to continue. Staff was not aware of the fact that Ameren was fabricating vintage years. Throughout this case, the Company has insisted that it is rule compliant because it is writing down a "vintage" year, albeit fictionalized, in the vintage year column. Is the Company actually relying on a "caveat emptor" argument? When Staff requested rule compliant records, Staff believed—*and had a right to believe*—it was getting rule compliant records, i.e., with actual vintage years. It was only in this case that it was made known that the data submitted, in the format staff requested, was being fabricated by the Company. And the error was doubly hidden, because the fabricated data was made to appear how Staff expected the data to appear.

is the Company's CPR. The CPR is unreliable because it is based upon fictionalized vintage years. Walking through that again with the rules in hand: The *depreciation study rule*, 20 CSR 4240-3.175(1)(A)(2), requires a "data base." The depreciation study rule requires that the data base "consist of dollar amounts, by *plant account*, representing- "A. Annual dollar additions and dollar retirements by vintage year and year retired, beginning with the earliest year of available data" [emphasis added]. The depreciation study rule, 20 CSR 4240-3.175(1)(A)(2), requires that information be recorded in compliance with the *plant account* rule. Rule 20 CSR 4240-20.030(3)(A) is the plant account rule. That rule, in turn, references Rule 18 CFR Part 101 Definitions 8.B for the definition of a CPR. That definition, in turn, is formulated in terms of what must go into a company's plant account CPR. It states that a CPR is to provide the following information:

> (1) A general description of the property and quantity;
> (2) *The quantity placed in service by vintage year;*
> (3) The average cost as set forth in Plant Instructions 2 and 3 of this part; and
> (4) The plant control account to which the costs are charged[22] [emphasis added]

In summary, the Staff is not just "suggesting" that the company "may not have complied with 20 CSR 4240-3.175(1)(A)(2) which requires that the database submitted with the depreciation study contain certain information." Staff is stating, unequivocally, that because of the Company's 20 CSR 4240-20.030(3)(A) violations, there is no way of telling whether the Company's CPR matches actual plant in service, no way of knowing how far or in what direction the CPR may be off, and no way to conclude that the Company's depreciation study is reliable for any of its intended purposes.

[22] Rule 18 CFR Part 1010 Definitions 8.B

II. The Company's next point continues its strategy of misdirection. The Company insists that "Staff's entire argument here rests on the premise that in order to provide an exact 'vintage year' of a specific asset being retired, the Company must keep record of the location of that exact asset." Staff has neither stated nor assumed any such thing. Indeed, the Company seeks to distract the Commission by accusing Staff of doing exactly what, in fact, the Company is doing here. Staff's contention could not be clearer. When retiring an asset, the Company must record the retired asset's actual vintage year. But doing what it accuses Staff of doing, the Company contends that that cannot be done without knowing the actual location of the asset. The Company, assuming that must be true, then asserts that Staff must assume it too. And the Company jumps from there to saying that it is Staff that is saying the Company must record a retired mass asset's actual location. Staff will address the "location" argument next when considering the Company's impracticability arguments. Suffice to say that "location" information is unnecessary to the process, and Staff does not contend that the Company must record (or know) information which the regulations do not require be recorded.

III. The Company contends that because of the nature of a lineman's work, it is simply impracticable for a lineman to record information from a tag when an asset is retired. In first instance, the Company's witness John Spanos admitted to having no knowledge of the Company's record keeping protocols or procedures for lineman working in the field.

> Q. Isn't it true, sir, yes or no, that under the procedure that you have described after a lineman or whoever has gone out and done an inspection, if there -- if he doesn't identify anything about the pole that's wrong, there's not going to be a record?

A. I don't know the procedure that he has to record what he's done. There is a guidance for inspections that have to happen, and they do their recording based on their inspection. But I don't know the degree that you're asking.

Q. Yes or no. I'm -- yes or no. Do you know what the procedure is that the Company follows, if any, for recording data when it goes out and inspects poles? Do you know that procedure?

A. Can you identify what data means?

Q. Whatever it might mean. There's -- you do not know what the procedure is?

A. Under the pole inspection process, I do not know what their specific procedure is for identifying that they've completed their work.

Q. Do you know whether they have a procedure for recording data, information observed during these inspections when nothing is done to the pole after the inspection?· Is there any procedure at all for that?

A. I don't know, but I'm not sure how this relates to the property records….[23]

In the second instance, Staff replies that the Company's argument simply beggars belief. How could it possibly be impracticable to record information from a tag if it was practicable to record the information on the tag to start with? Flipping that question over:

[23] Hearing Transcript, pp. 513 – 514. Here is how it relates to property records: Witness Spanos' theme was that Staff's position was wholly incompatible with the way linemen had to work in emergency circumstances. Are we to understand that in crises situations when investor owned utilities, rural electric cooperatives and other electric districts are called upon to team up and send out many linemen to take care of perhaps hundreds of downed-poles, etc., the Company does not know exactly where to send their own linemen and direct other utilities' linemen, i.e., to exactly which affected poles and facilities? How do these linemen know where exactly to go? Do they just go out into the storm and wander around? Are we to understand that the Company does not know exactly what assets may be about to be retired and do not send linemen to those assets, waiting only for a lineman to confirm the removal, the "retirement"—where the Company will also know that that pole has been retired and must now be replaced in inventory to ensure that enough poles are there for the next crisis? Once again, the Company is misdirecting the Commission. Is this really an issue about what *linemen* do? While location may not be essential to the CPR retirement records, what do linemen have to do with that issue if their dispatchers know exactly which pole may need replacement /"retirement" before they even dispatch a lineman? The Company calls out the fact that a Staff witness speaking to these issues is not an accountant. Is this case actually about a disconnect back at the Company's office between the Company's accountants, on the one hand, and the folks, on the other hand, who know exactly where things are, when they were put there, and when they are "re-put" there, i.e., replaced after a retirement?

Why would one record information on a tag to start with, knowing it would be impracticable to use it exactly when it was supposed to be used?

Returning to the "location" theme: The Company is insisting that Staff's position is that the location of each pole or asset needs to be tracked. Staff has consistently stated that it is vintage that is the important piece to track and record as it is vintage which relates to cost and estimated life, used for rule 20 CSR 4240-3.175(1)(A)(2) depreciation studies. Each pole put in service in a given year could have the same asset/tag number for accounting purposes and the location would not need to be tracked.

Moreover, the rule does not require that each individual pole thus tagged would have to be tracked and recorded. The rule defines "continuing plant inventory record" as plant records recording the "quantity placed in service by vintage year" "[f]or each *category* of mass property." Chapter 1, Subchapter C, Part 101. 8.B (2) [emphasis added]. To the extent that 50,000 poles all have a vintage year of 1995, then the retirement of any one or more of that "category of mass property" would be recorded as the retirement of a vintage year 1995 pole. Finally, while tagging might be impractical in some instances, the Company's response to Staff DR 440[24] illustrated other methods to track the information—far superior to the Company's current survival curve vintage year "estimation."

IV. In its brief, as in its testimony, the Company again invokes a picture of big numbers: 900,000 poles, 900,000 cross arms, a hundred million feet of overhead conductor, millions of feet of underground conductor, and millions of units of other mass property. And the Company "estimates" the cost to develop a "brand-new" system to

[24] Hearing Exhibit 186.

allow tracking to be "many millions of dollars."[25] Once again, the Company has resorted to misdirection: First of all, the Company's evidence nowhere addressed the cost of using a corrected system *after* a new one was developed. If expense is relevant *in this rate case* at all, only the cost of using an already existing correct system is relevant. As fully developed in Staff's Initial Brief and reiterated above, the Company is already tagging many of its 900,000 poles and, per Exhibit 186, has other means for acquiring asset age/vintage data for system hardening, substation CBM, underground cable grid resiliency, and UG revitalization. The Company, however, has put up no evidence showing how using the already existing tagging and other vintage year recording systems for the mass assets would present a financial challenge. Second, if the expense of developing a "brand-new" system to correct a Company's intentional violation of a rule is relevant at all, it is not one for this rate case. The expense of developing the system required to correct intentional rule violations will be one for a future case that will look at expenses then actually incurred (not "estimated").

Third, and more globally, the Company's argument here actually amounts to an attack on the rule itself. The Company is stating that where there are 900,000 poles, 900,000 cross arms, a hundred million feet of overhead conductor, millions of feet of underground conductor, and millions of units of other mass property, then by virtue of these high numbers standing alone, rules 20 CSR 4240-20.030(3)(A) and 18 CFR Part 101 Definitions 8.B for the definition of a CPR allow the Company to fictionalize vintage years. The rules allow no such thing. Part 101. Electric Plant Instructions, 10.D states:

[25] Ameren Missouri's Initial Brief, pp. 50-51.

> When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, *an appropriate average book cost of the units*, with due allowance for any differences in size and character, shall be used as the book cost of the units retired [emphasis added].

That rule explains the application of 18 CFR Part 101 Definitions 8.B, and allows for averaging the book cost of mass property units within each category of mass property with each of those categories then further broken down to show the quantity acquired in each vintage year. Thus, one might see a category of poles, with subcategories for vintage years with the added data showing the number of poles within each vintage year and their average cost. Per 10.D, any one of those categories might be further detailed to distinguish between 100 poles each with an average book value of $10,000 and 50 poles each with an average book value of $100. But entry into each category would, in the first instance, be controlled by the vintage year, i.e., the date when placed in service. No part of that system allows for a fictionalized vintage year chosen by an Iowa curve. Shorn to essentials, the Company here argues for a rule change. As with the cost of developing a "brand new" system, a *rate case* is not the place to try to change a rule.

V. The Company contends that Staff witness Cunigan, "who is not an accountant" erred in arguing that the Company's method would produce a difference in rate base upon which the Company would recover a return. The Company argues:

> Since the retired asset would be removed from the original plant in service account and the reserve account balance at the same amount, the net effect on rate base is zero. There would simply be no difference in rate base. This can be shown using Schedule MJL-TUR15 from Company witness Lansford's true-up rebuttal testimony, Exhibit 49. If one removes a retired asset value from Original Cost of Plant in Service at Line 1 of Schedule MJL-TUR15, the same value must be retired from the Reserves for Depreciation & Amortization at Line 2 on Schedule MJL-TUR15. So, the

> Net Original Cost of Plant in service balance is the same at Line 3 of Schedule MJL-TUR15, and there is no net change in Total Electric Net Original Cost Rate Base at line 23 of Schedule MJL-TUR15.[26]

So, the Company states, its books are consistent. First, this argument again distracts from the only real question before the Commission: Do the resulting internally consistent numbers resemble actual plant in service? The Company's argument drives the last nail into its own coffin. Endeavoring to make a vice into a virtue, the Company's argument amounts to stating that because its records do all the right things with the wrong numbers, all is well. Staff's Initial Brief called all this by its right name:

> The combined plant balance and book reserve for the accounts is $6,391,076,638 and <$2,945,110,727>, respectively.[27] The failure to accurately adjust gross plant will result in three subsequent issues impacting revenue requirements in future rate cases.
>
> First, the existing depreciation rate will be applied to the erroneous plant balance, resulting in an inaccurate level of depreciation expense to be reflected in revenue requirements.[28] Second, the improper depreciation expense will accrue to reserve, resulting in a difference between what the reserve should be with reasonable accounting practices, and what the reserve will be with the accumulated inaccurate depreciation expense.[29] This will result in a change in net plant balance from what would result with reasonable accounting practices, and, therefore, will impact subsequent revenue requirements.[30] Third, the erroneous retirements will result in calculation of an erroneous depreciation rate in a subsequent rate case.[31] This will further drive inaccuracy in the revenue requirement calculation, and compound the issue first identified, which will compound the second issue identified, and the errors in revenue requirement calculations will

[26] Company Initial Brief, p. 5
[27] Cedric Cunigan Rebuttal Testimony, p. 5.
[28] For example, the Account 364 poles and fixtures rate is 3.78 per the Stipulation and Agreement filed in this case on April 7, 2023, so for every $1 million in erroneous retirements depreciation expense would be $37,800.
[29] For example, for Account 364 poles and fixtures, for each $1 million of erroneous retirements for each year, the reserve balance will be off by $37,800 assuming no other changes to plant. For example, $1 million of erroneous retirements recorded each year for 3 years would result in $340,200 in reserve inaccuracy.
[30] For example, for Account 364 poles and fixtures, for each $1 million of erroneous retirements for each year, the net plant balance will be off by $37,800 assuming no other changes to plant. For example, $1 million of erroneous retirements recorded each year for 3 years would result in $340,200 in net plant inaccuracy.
[31] Staff has no means of estimating the impact of these errors.

compound. These compounding errors will affect whether rates are just and reasonable.

To reiterate here with a different example and in reply to the Company's Initial Brief: What the Company is stating is that the net cost of original plant would be the same when retiring an asset because the same amount is removed from plant in service and depreciation reserve. In the example below, if one subtracts 5,000 from then, then he ends up with the same net original cost in base.

A. TOTAL ELECTRIC NET ORIGINAL COST RATE BASE

1	ORIGINAL COST OF PLANT IN SERVICE	SCHEDULE MJL-TUR1	$	22,716,560	-5000	$22,711,560
2	LESS: RESERVES FOR DEPRECIATION & AMORTIZATION	SCHEDULE MJL-TUR2		9,084,597	-5000	9,079,597
3	NET ORIGINAL COST OF PLANT			13,631,963		13,631,963
4	AVERAGE FUEL AND MATERIALS AND SUPPLIES	SCHEDULE MJL-TUR3		596,945		596,945
5	AVERAGE PREPAYMENTS	SCHEDULE MJL-TUR4		15,552		15,552
6	CASH WORKING CAPITAL (LEAD/LAG)	SCHEDULE MJL-TUR5		(16,167)		(16,167)
7	FEDERAL INCOME TAX CASH REQUIREMENT	SCHEDULE MJL-TUR6		(184)		(184)
8	STATE INCOME TAX CASH REQUIREMENT	SCHEDULE MJL-TUR6		(64)		(64)
9	CITY EARNINGS TAX CASH REQUIREMENT	SCHEDULE MJL-TUR6		10		10
10	INTEREST EXPENSE CASH REQUIREMENT	SCHEDULE MJL-TUR6		(32,142)		(32,142)
11	INDIANA STATE TAX OFFSET	SCHEDULE MJL-TUR6		-		0
12	IOWA STATE TAX OFFSET	SCHEDULE MJL-TUR6		-		0
13	AVERAGE CUSTOMER ADVANCES FOR CONSTRUCTION	SCHEDULE MJL-TUR7		(432)		(432)
14	AVERAGE CUSTOMER DEPOSITS	SCHEDULE MJL-TUR7		(23,544)		(23,544)
15	PENSION TRACKER REG ASSET	SCHEDULE MJL-TUR8		(42,158)		(42,158)
16	OPEB TRACKER REG LIABILITY	SCHEDULE MJL-TUR8		(14,223)		(14,223)
17	PAYS REGULATORY ASSET	SCHEDULE MJL-TUR8		857		857
18	PISA REGULATORY ASSET	SCHEDULE MJL-TUR8		416,214		416,214
19	MERAMEC REGULATORY ASSET	SCHEDULE MJL-TUR8		50,765		50,765
20	UNDER COLLECT AMORTIZATIONS IN RATE BASE	SCHEDULE MJL-TUR8		161		161
21	PROPERTY TAX TRACKER REGULATORY ASSET	SCHEDULE MJL-TUR8		2,244		2,244
22	ACCUMULATED DEFERRED INCOME TAXES	SCHEDULE MJL-TUR9		(2,993,100)		(2,993,100)
23	**TOTAL ELECTRIC NET ORIGINAL COST RATE BASE**			**11,592,697**		**11,592,697**

The Company neglects the fact that the depreciation expense is calculated based on actual plant in service. An incorrect—fictional—plant in service creates an incorrect depreciation expense, which would then create an incorrect reserve balance. The resulting rate base would be incorrect as well, and the errors would continue to compound.

VI. Finally, returning again to the impression left by stating big numbers: The Company "estimates" the cost of developing "a brand-new system" to be "many millions of dollars." Beyond yet another "estimate", the Company put up no evidence of actual costs. Moreover, the Company put up neither an estimate, nor evidence (with foundation) of the actual costs of using a correct system – after it was developed and in place. In comparing costs with benefits, the Company missed that question. But critically and outcome determinative, the Company also missed the question of how the costs of developing and then using a system that complied with the rules would compare with a $6,391,076,638 mass asset CPR account that is just one percent, i.e., *$63,910,766.38*, off matching actual plant in service.

The Commission should order the Company, going forward, to change the manner that mass property retirements are recorded in its depreciation/continuing property record as follows: When retiring a mass asset, the Company should record in its CPR all data required by Rule 20 CSR 4240-20.030, including its vintage year and its book cost when acquired.

WHEREFORE, Staff respectfully submits this Reply Brief for the Commission's consideration, and for the reasons set forth in its initial brief and this reply brief, Staff requests the Commission issue an order adopting Staff's position on each of the issues in this case.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 15th day of May, 2023.

/s/ Jeffrey A. Keevil