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Witness/Type of Exhibit: Robertson/Surrebuttal

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Case No.:

ER-2012-0166

SURREBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

**UNION ELECTRIC COMPANY D/B/A
AMEREN MISSOURI**

CASE NO. ER-2012-0166

September 7, 2012

OPC Exhibit No. 408
Date 9-27-12 Reporter KF
File No ER-2012-0166

**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 Electric Service)

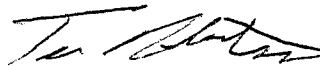
File No. ER-2012-0166

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Chief Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




Ted Robertson, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 7th day of September 2012.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2013
Cole County
Commission #09754037



Jerene A. Buckman
Notary Public

My Commission expires August, 2013.

TABLE OF CONTENTS

Testimony	Page
Introduction	1
Purpose of Testimony	1
Plant-In-Service Accounting	1
Rate Case Expense	4

**SURREBUTTAL TESTIMONY
OF
TED ROBERTSON**

**UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI
CASE NO. ER-2012-0166**

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, P. O. Box 2230, Jefferson City, Missouri 65102.

Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED
DIRECT AND REBUTTAL TESTIMONY IN THIS CASE?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of this Surrebuttal Testimony is to address the Rebuttal Testimony
of Company witness, Ms. Lynn M. Barnes, regarding Company's request for
ratemaking treatment of plant-in-service accounting and rate case expense.

III. PLANT-IN-SERVICE ACCOUNTING

1 Q. WHAT IS THE FUNDEMENTAL UNDERLYING BASIS OF COMPANY'S
2 REQUEST FOR PLANT-IN-SERVICE ACCOUNTING?

3 A. The basis is that Company believes regulatory lag, with regard to its capital
4 investment, is an excessive detriment to its earnings potential and therefore the
5 historical ratemaking process in Missouri is flawed.
6

7 Q. WHAT IS MEANT BY THE TERM "REGULATORY LAG?"

8 A. Under the cost of service (i.e., rate of return) regulatory ratemaking model utilized in
9 the state of Missouri, regulatory lag refers to the time gap between when a utility
10 undergoes a change in cost or sales levels and when the utility can reflect the
11 change in new rates.
12

13 Q. IS THE COMPANY OPPOSED TO THE PREMISE OF REGULATORY LAG?

14 A. Yes and no. Apparently, Ms. Barnes is not opposed to the effects of regulatory lag
15 as long as, in her opinion, the detriment to the utility is not excessive. Beginning on
16 page 18, line 16, of Ms. Barnes's testimony, she states, "No, we are not against the
17 premise of regulatory lag, unless it is excessive, as long as it is applied consistently
18 and in a balanced way." Ironically, she does not address in her testimony what the
19 Company's balanced position is if benefits afforded by regulatory lag to the utility are
20 "excessive."

1
2 Q. IS THE HISTORICAL RATEMAKING PROCESS IN MISSOURI FLAWED TO THE
3 POINT THAT COMPANY'S REQUEST TO MODIFY IT BECOMES
4 REASONABLE?

5 A. No. Granted the cost of service ratemaking model utilized in Missouri is not perfect,
6 but no ratemaking model that I'm aware of is. There are definitely inherent benefits
7 and detriments associated with its usage; however, it has been utilized in this State
8 for many decades and quite successfully at that. I'm completely unaware of any
9 utility in the State, large or small, that has not benefited from the stability provided by
10 the usage of the model. No utilities, in this State, have filed for bankruptcy or failed
11 on an operational level to provide their essential services at just and reasonable
12 rates as authorized by the Commission. That is not to say that some utilities have
13 not, at one time or another, experienced financial and/or operational problems, but
14 more often than not those problems, if severe or terminal, were the result of poor
15 management and/or a utility's foray into unregulated services or activities.
16

17 Q. ISN'T ONE OF THE PRIMARY BENEFITS OF REGULATORY LAG THAT IT
18 INCENTS A UTILITY TO CONTROL ITS COSTS?

19 A. Yes. Economic theory predicts that the longer the regulatory lag, the more incentive
20 a utility has to control its costs. That is, uncertainty about the exact length of the

1 lag can serve as an incentive for cost-containment. Furthermore, regulatory lag
2 can be either a benefit or a detriment to a utility because changes in its cost
3 structure, whether increasing or decreasing, are not reflected in rates charged
4 ratepayers until the authorization of new rates occur.

5
6 Q. WOULDN'T COMMISSION AUTHORIZATION OF MS. BARNE'S REQUEST
7 SHIFT RISK TO RATEPAYERS AND LESSEN COMPANY'S INCENTIVE AT
8 COST CONTAINMENT?

9 A. Yes. The ultimate effect of the proposal, if authorized by the Commission, is that
10 the associated risk would be shifted to ratepayers and Company's managers would
11 have less incentive to contain costs. I believe that would be inappropriate because
12 the Commission is not in the business of micro-managing the utility's operations
13 between rate cases. That is the job of the Company's hired managers.
14 Authorization of the Company's proposal would alleviate some of the risk that is
15 inherently incorporated into the duties of those job positions and relax or eliminate
16 some of their associated responsibilities towards shareholders and ratepayers.
17 Thus, the regulatory ratemaking model utilized in the state of Missouri is not
18 "broken" and does not require to be "fixed" as proposed by Ms. Barnes.

19
20 IV. RATE CASE EXPENSE

1 Q. DID MS. BARNES SUMMARIZE THE PUBLIC COUNSEL'S POSITION
2 ACCURATELY IN HER TESTIMONY?

3 A. No. Beginning on page 35, line 6, of her testimony, she states,
4

5 OPC takes the same position that it did in the last rate case that
6 rate case expenses should be borne in whole or in part by the
7 shareholder, although OPC applies this somewhat differently than it
8 did in the last rate case. Instead of proposing a 50-50 split of those
9 costs, OPC proposes here that the Commission adopt a sliding
10 scale for sharing rate case expenses based upon how the
11 Commission ultimately resolves the Company's rate increase
12 request.
13
14

15 Ms. Barnes's testimony describes the alternative position I presented in my Direct
16 Testimony. Public Counsel presented the alternative to the Commission for its
17 consideration, but our primary position is that once the prudent, reasonable and
18 necessary rate case expenses are determined they should be shared evenly
19 between ratepayers and shareholders. Her testimony incorrectly characterizes
20 the Public Counsel actual recommendation.
21

22 Q. MS. BARNES STATES ON PAGE 30, LINE 23, OF HER TESTIMONY THAT
23 THE COMPANY HAS A "RIGHT" TO HAVE RATE CASE EXPENSE
24 REFLECTED IN THE DETERMINATION OF ITS REVENUE REQUIREMENT.
25 IS SHE CORRECT?

1 A. I know of no such "right" to recover a cost just because the utility decides to
2 make an expenditure; but, to the extent that the costs are determined prudent,
3 reasonable and necessary, by authorization of the Commission, Company is
4 permitted the opportunity to recover those costs from ratepayers.

5 Q. MS. BARNES STATES ON PAGE 33, LINE 9, OF HER TESTIMONY THAT THE
6 COMPANY HAS A "RIGHT" TO UTILIZE THE RESOURCES IT NEEDS TO
7 RESPOND TO ISSUES RAISED AND ARGUMENTS MADE BY PARTIES
8 OPPOSED TO THE REQUEST TO INCREASE RATES. IS SHE CORRECT?

9 A. I agree wholeheartedly that the Company can make use of its resources anyway
10 it sees fit; however, I also believe that Company should not get any recovery of
11 the costs associated with expending those resources unless they are determined
12 to be prudent, reasonable and necessary, by authorization of the Commission,
13 and that the costs authorized are shared between shareholders and ratepayers.

14
15 In my Direct Testimony I made specific reference to the fact that the Commission
16 should not put itself into the position of telling the Company who it can and who it
17 cannot hire to process the rate case, but that does not limit the Commission from
18 making a determination of whether or not the expenditures incurred are
19 appropriate for recovery in rates. Company's "right" to expend its resources as it

1 desires does not also give it a "blank check" guarantee that the associated costs
2 should or will be passed on to its customers as Ms. Barnes desires.
3

4 Q. MS. BARNES STATES ON PAGE 33, LINE 19, OF HER TESTIMONY THAT
5 THE COMPANY HAS A "RIGHT" TO DIRECT ITS LEGAL DEFENSE AND
6 CHOOSE ITS LEGAL STRATEGY. DO YOU AGREE?

7 A. I do; however, I do not agree that ratepayers should be required to reimburse the
8 utility for the costs of any defense and strategy when the costs are not incurred in
9 a manner that is efficient and cost-effective. Company's decision to incur
10 significant costs for outside counsel and outside consultants when its own
11 employees could have processed and presented the case is not prudent,
12 reasonable or necessary. Therefore, ratepayers should not be held accountable
13 to reimbursement of those costs to the Company.
14

15 Q. MS. BARNES STATES ON PAGE 32, LINE 11, OF HER TESTIMONY THAT IT
16 IS "REASONABLE AND NECESSARY" TO USE OUTSIDE CONSULTANTS
17 AND OUTSIDE COUNSEL TO PROSECUTE THE CASE BEFORE THE
18 COMMISSION. DO YOU AGREE?

19 A. No. My response to that statement would be - Who knows more about the
20 Company and its operations than its own employees?

1
2 For example, the Company hired Mr. John Reed of Concentric Energy Advisors,
3 Inc. and CE Capital Advisors, Inc. to provide regulatory and economic policy
4 testimony. My reading of his Rebuttal Testimony indicates to me that most of
5 what he discussed concerned two issues, 1) plant-in-service accounting, and 2) a
6 two-way storm restoration cost tracker. Both of those issues are also discussed
7 extensively in the testimonies of various Company employee witnesses.

8
9 Company employee, Mr. David N. Wakeman, filed Direct Testimony and Rebuttal
10 Testimony discussing the storm tracker issue as did Ms. Barnes in her Direct
11 Testimony. Ms. Barnes also filed Direct Testimony and Rebuttal Testimony on
12 the plant-in-service accounting issue. In addition, Mr. Warner L. Baxter,
13 President and Chief Executive Officer of Ameren Missouri, filed Direct Testimony
14 on policy and also discussed both the plant-in-service accounting issue and the
15 storm tracker issue. In my opinion, the only thing I see that Mr. Reed added to
16 the process, other than his "name," was a significant increase in the cost for rate
17 case expense.

18
19 The same can be said about the Rebuttal Testimony of the outside consultant,
20 Mr. James K. Guest. His testimony deals with the accounting for plant and

1 depreciation issue raised by MPSC Staff witness, Mr. Guy C. Gilbert, in his Direct
2 Testimony. However, most, if not all, of the conclusions in his testimony rely on
3 "assumptions" that the work and testimony of Company witness and employee,
4 Ms. Laura M. Moore, is accurate. Ms. Moore discusses the issue extensively
5 and clearly in her own Rebuttal Testimony and exhibits extensive knowledge of
6 the area and issue. Again, the cost of rate case expense increases for the
7 benefit of the use of the consultant's "name" when, in my opinion, little else was
8 added to the process.

9
10 Lastly, Company outside consultant, Mr. James I. Warren, filed Rebuttal
11 Testimony on income taxes. So did Company employee, Mr. Gary S. Weiss, in
12 his Direct Testimony.

13
14 It is quite obvious to Public Counsel that Company has many competent
15 employees who if organized correctly could process its rate cases without the
16 need for outside counsel or outside consultants.

17
18 Q. DOES MS. BARNES BELIEVE THAT COMPANY HAS COMPETENT
19 EMPLOYEES?

1 A. Yes. Beginning on page 32, line 21, of her testimony, she states, "The
2 Company acknowledges that its employees are competent in many areas and
3 have provided competent testimony in support of Company's current and past
4 rate increase requests."
5

6 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

7 A. Yes.
8