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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2019-0335

SURREBUTTAL TESTIMONY

OF

LAURA MOORE

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

**St. Louis, Missouri
February, 2020**

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SURREBUTTAL TESTIMONY

OF

LAURA MOORE

FILE NO. ER-2019-0335.

1 **Q. Please state your name and business address.**

2 A. Laura Moore, Union Electric Company d/b/a Ameren Missouri ("Ameren
3 Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri
4 63103.

5 **Q. Are you the same Laura Moore that filed direct and rebuttal testimony**
6 **in this proceeding?**

7 A. Yes, I am.

8 **I. PURPOSE OF TESTIMONY**

9 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

10 A. I will be responding to the rebuttal testimony of Office of Public Counsel
11 ("OPC") witness Robert E. Schallenberg regarding affiliate transactions.

12 **Q. Do you have any schedules supporting your surrebuttal testimony?**

13 A. No.

14 **II. AFFILIATE TRANSACTIONS¹**

15 **Q. Please explain the issues that Mr. Schallenberg has discussed in his**
16 **rebuttal testimony regarding affiliate transactions**

¹ My discussion of this topic addresses Mr. Schallenberg's ratemaking disallowance proposal for costs incurred by Ameren Missouri in the test year for services provided by Ameren Services Company. In this testimony I am not addressing the very minor level of transactions Ameren Missouri had with other affiliates in the test year.

1 A. Mr. Schallenberg discusses many issues and implies many things regarding
2 affiliate transactions and my direct testimony in his rebuttal testimony. I will discuss each
3 issue individually below. There are also additional affiliate transaction issues that I will
4 not address that will be addressed by Company witnesses Tom Byrne and John Reed.

5 **1. My Direct Testimony.**

6 **Q. Mr. Schallenberg claims that there is a lack of support in my testimony**
7 **or supporting schedules for costs included in the revenue requirement arising from**
8 **the affiliate transactions. Do you agree that these costs are not supported?**

9 A. No, I do not. The Company's filing and its support for the justness and
10 reasonableness of the revenue requirement it proposed in this case does not depend solely
11 on my direct testimony. Mr. Schallenberg completely ignores the fact that Company
12 witnesses John Reed and Kelly Hasenfratz provide direct evidence that Ameren Missouri's
13 costs for the significant services it needs and obtains from Ameren Services Company
14 ("AMS") both reflect the market and AMS' cost in providing the services.² As Mr. Reed
15 discusses in his surrebuttal testimony, Mr. Schallenberg also completely ignores both the
16 expert opinions and quantitative analyses presented in Mr. Reed's direct testimony which
17 also supports the reasonableness of these costs. That Mr. Schallenberg ignores the entirety
18 of the Company's direct case filing does not mean that the filing did not exist, nor does it
19 mean that the filing did not provide appropriate support for the costs Ameren Missouri

² A majority of the cost of services obtained from AMS consist of labor-related costs.

1 incurred. The only party to this case who performed a full audit of the filing, the Staff, has
2 expressed no such concern.³

3 I should also note that while not filed as part of my direct testimony, there were
4 many supporting schedules provided in this case to the parties, including OPC. I will
5 discuss the other information provided below.

6 **Q. Mr. Schallenberg also states that your direct testimony does not**
7 **identify the affiliate transactions. How do you respond?**

8 A. These costs are billed to Ameren Missouri as incurred, recorded on Ameren
9 Missouri's books, and included in the financial results of the Company. When the
10 Company calculates the revenue requirement, it starts with the actual costs recorded to its
11 General Ledger. Since the AMS costs are properly recorded to the General Ledger and
12 included in the Company financial results, they are necessarily reflected in the starting
13 numbers for the revenue requirement and they are visible in the General Ledger.

14 **Q. Is some kind of adjustment to the Company's books needed, as**
15 **suggested by Mr. Schallenberg?**

16 A. No. The context of Mr. Schallenberg's suggestion arises from the following
17 statement in his rebuttal testimony,

18 If Ameren Missouri wants its electric customers to pay for affiliate
19 transactions costs, the correct approach would have been to make

³ Mr. Schallenberg's criticism of Ameren Missouri witness Warren Wood's claimed lack of justification is equally suspect, first because there *is* documentation as I just explained, and second, because Mr. Schallenberg completely mischaracterizes the question OPC asked and the Company's objection to that question. Mr. Schallenberg did not request documentation to support the revenue requirement. Instead, he requested "all the documentation related to UEC's *decision to file this case...*" (emphasis added). The Company's attorneys objected, pointing out that the request was so broad that it clearly sought privileged information. I'm not a lawyer, but it clearly did seek the information that was prepared in anticipation of the litigation of this case and as written sought communications between Company personnel and the Company's attorneys.

1 adjustments to its books to reflect these costs and support the costs in its
2 direct testimony....⁴

3 First of all, electric customers are not "paying" the AMS costs, any more than they are
4 paying for the costs associated with employees at the Company's power plants, its field
5 employees, etc. Instead, the Company incurs costs for the things it needs to provide service
6 and then customers pay rates based upon a normalized level of those costs to obtain that
7 service. As Ameren witnesses Reed and Byrne have pointed out in their rebuttal
8 testimonies, Mr. Schallenberg's AMS cost adjustment implicitly presumes that Ameren
9 Missouri doesn't need any of the services AMS provides in order to provide electric service
10 to customers, and that is false. Second, there is no "adjustment" to make since these costs
11 are included in the starting amounts used for the revenue requirement. One makes
12 adjustments when it is adding or removing an item from the actual test year figures, or
13 normalizing an item.

14 **Q. Is Mr. Schallenberg implying that the AMS costs should not have been**
15 **recorded on the books of Ameren Missouri?**

16 A. I am not sure what he is implying but failure to record the costs would reflect
17 improper accounting. Both Generally Accepted Accounting Principles ("GAAP") and
18 Federal Energy Regulatory Commission ("FERC") accounting requirements dictate that
19 expenditures incurred by the Company (affiliated and non-affiliated) be recorded to the
20 Company's books. I believe it likely that Mr. Schallenberg's approach here is just another
21 cryptic way of claiming that if there were a violation of the Affiliate Transaction Rule (20
22 CSR 4240-20.015), the remedy should be ignoring both the need for the service and the fact

⁴ Robert E. Schallenberg Rebuttal Testimony, Pages 1-2.

1 that to obtain the service Ameren Missouri had to incur a cost. Ameren witnesses Byrne
2 and Reed have addressed the inappropriateness of such a remedy and the issue of a rule
3 violation in their rebuttal and surrebuttal testimonies.

4 As noted, GAAP requires that these costs be recorded on the Company's books.
5 See Financial Accounting Standards Board Concept Statement 6: *Elements of Financial*
6 *Statements*, which states the following:

7 A liability has three essential characteristics: (a) it embodies a present duty
8 or responsibility to one or more other entities that entails settlement by
9 probable future transfer or use of assets at a specified or determinable date,
10 on occurrence of a specified event, or on demand, (b) the duty or
11 responsibility obligates a particular entity, leaving it little or no discretion
12 to avoid the future sacrifice, and (c) the transaction or other event obligating
13 the entity has already happened.

14 Generally, AMS costs provided to the Company meet the definition of a liability and
15 therefore should be recorded as both a liability and expense in the Company's books and
16 records at the time products and services are provided.

17 With respect to FERC, the Uniform System of Accounts ("USoA") is clear that
18 affiliate transactions should be recorded to the proper FERC accounts of the Company.
19 General Instruction 14: Transactions With Associated Companies states

20 Each utility shall keep its accounts and records so as to be able to
21 furnish accurately and expeditiously statements of all transactions with
22 associated companies. The statements may be required to show the general
23 nature of the transactions, the amounts involved therein and the amounts
24 included in each account prescribed herein with respect to such transactions.
25 *Transactions with associated companies shall be recorded in the*
26 *appropriate accounts for transactions of the same nature.* Nothing herein
27 contained, however, shall be construed as restraining the utility from
28 subdividing accounts for the purpose of recording separately transactions
29 with associated companies (emphasis added).

30 **Q. Earlier you indicated that in addition to the totality of the Company's**
31 **direct case filing, Mr. Schallenberg and other parties to this case receive and have**

1 **ready access to additional supporting information regarding the AMS costs incurred**
2 **by the Company in the test year. Please elaborate.**

3 A. There were many other items of supporting documentation provided to OPC
4 and other parties to this case through a variety of means. This additional documentation
5 includes:

- 6 • Copies of monthly transactions in the General Ledger;
- 7 • CAM Reports showing every single AMS transaction with every single
8 affiliate;
- 9 • Allocation factor calculations;
- 10 • A list of all contracts with affiliates;
- 11 • Description of Basis Summary report;
- 12 • The General Office Building space study;
- 13 • Benchmarking information;
- 14 • Relevant policies, including the Joint Planning and Procurement Policy
15 (applicable to Ameren Missouri's service needs from AMS), and a
16 Procurement Policy applicable to all affiliates, including Ameren
17 Missouri;
- 18 • A list of all service request projects and intercompany billing projects;
- 19 • A report of monthly allocation percentages by allocation factor;
- 20 • Copies of current and prior General Service Agreements between
21 Ameren Missouri and AMS;
- 22 • All intercompany bills to and from Ameren Missouri and their
23 approvals;

- 1 • AMS' annual budgets;
- 2 • Information regarding the Company's joint planning with AMS;
- 3 • The AMS Product and Services catalog detailing AMS services by
- 4 functional owner; and
- 5 • Ameren Missouri and AMS time sheets.

6 Additional documentation that has also been provided includes the annual CAM
7 filings, substantial documentation provided in the currently suspended CAM case, File No.
8 EO-2017-0176, and in the recently completed Ameren Missouri gas rate proceeding, File
9 No. GR-2019-0077.

10 In summary, while my direct testimony does not literally contain highly detailed
11 information regarding AMS costs, the Company filed other testimony that supports the
12 need for and reasonableness of the costs, and the parties, including Mr. Schallenberg, have
13 access to a tremendous amount of information in addition to the direct case filing, which
14 allows them to audit those costs as they see fit.

15 **Q. Along similar lines, Mr. Schallenberg claims that "auditing affiliate**
16 **transactions is not feasible" How do you respond? ⁵**

17 A. That statement is patently false. The Company's filing together with the
18 other information I just outlined allows the transactions to be audited. Staff certainly is
19 (and has been) able to audit them. As Mr. Byrne points out in his surrebuttal testimony,
20 Mr. Schallenberg's claim is all the more suspect given that for more than a decade, when
21 Mr. Schallenberg was a leader in the Staff's auditing department, no such claim was ever
22 made. Since that time, AMS/Ameren Missouri's structure has not materially changed and

⁵ Robert E. Schallenberg's Rebuttal Testimony, Page 2, Line 20.

1 the available information also has not materially changed. In fact, enhancements in our
2 affiliate transaction reporting should have made it easier to audit the transactions than
3 might have been the case several years ago. As Mr. Byrne also points out, Staff audited
4 the costs in this case, as confirmed by Staff's responses to Company data requests on this
5 topic after Mr. Schallenberg made his claim that the costs are not auditable.⁶

6 **2. Asset Retirement Obligations Issues.**

7 **Q. While it is not clear to me what this has to do with affiliate transactions,**
8 **Mr. Schallenberg's rebuttal testimony states, or at least implies, that the Company is**
9 **not in compliance with the USoA regarding its accounting for Asset Retirement**
10 **Obligations ("ARO"). Do you agree that the Company is not compliant with the**
11 **USoA?**

12 A. Absolutely not. The USoA includes Account 374, "Asset Retirement costs
13 for distribution plant." While the Company does not have any AROs for distribution plant,
14 it could in fact record distribution plant retirement costs in that Account in its General
15 Ledger if it had any. In addition, its financial statements are prepared based on the final
16 entries in that USoA account. The issue Mr. Schallenberg apparently has is that the
17 Company also treats Account 374, for *managerial* accounting purposes, as a place to
18 *temporarily* record overhead costs.

19 **Q. How did this managerial accounting use of Account 374 come about?**

20 A. Many years ago, before USoA Account 374 existed, the Company set up
21 managerial account 374, which in its chart of accounts was designated "Electric
22 Construction Overhead" and another managerial account, 379, which it designated as

⁶ The data requests and answers are attached to the surrebuttal testimony of Tom Byrne as Schedule TMB-S1.

1 "Miscellaneous Overhead Costs," to contain construction work in progress charges. Later
2 ARO accounting guidance was issued and FERC created USoA Account 374.⁷ The
3 Company created a managerial account in which the ARO amounts would be recorded and
4 reports these amounts to USoA account 374 when producing financial statements and
5 FERC forms.

6 **Q. Does the FERC USoA restrict the use of managerial accounts in a**
7 **Company's chart of accounts?**

8 A. No, it does not. In fact, General Instruction 2.D. addresses this issue and
9 states:

10 In addition to prescribed accounts, clearing accounts, temporary or
11 experimental accounts, and subdivisions of any accounts, may be kept,
12 provided the integrity of the prescribed accounts is not impaired.

13 **Q. Has the Company impaired the integrity of the accounts by using 374**
14 **and 379 for overhead costs?**

15 A. No. In the Company's FERC and SEC reporting, these managerial
16 accounting entries are "rolled up" to USoA Account 107, Construction Work In Progress
17 ("CWIP"). If the Company did have a balance for the distribution plant ARO, that amount
18 would roll up to USoA Account 374.

19 **Q. What do you mean by "rolled up."?**

⁷ The chart of accounts contains a listing and description of both USoA and managerial accounts. The chart of accounts is routinely provided to the parties in discovery in each rate case and this has been true of the Staff for as long as I can remember, including when Mr. Schallenberg was a manager for the Staff.

1 A. I am simply referring to the final reporting in the proper USoA accounts for
2 FERC and SEC reporting purposes when the temporary amounts for managerial accounting
3 reasons are included in the proper FERC USoA accounts.

4 **Q. Is the FERC aware of the Company's managerial accounts (managerial**
5 **account 374 and 379) and how it uses them, and of the ultimate roll-up to USoA**
6 **Account 374?**

7 A. I can't see how they would not be aware. The FERC has also audited
8 Ameren Missouri in the last ten years. The Company has used these managerial accounts
9 in this fashion for at least as long as I have been with Ameren (over 17 years) and based
10 on my inquiries of others, I believe for much longer than that. A review of the Company's
11 books reveals this use so I can't imagine the FERC did not observe it. There has never been
12 an adverse finding or even an expression of concern about the Company's compliance with
13 the USoA respecting USoA Account 374.

14 **Q. Mr. Schallenberg states that he first discovered this issue when**
15 **reviewing affiliate transaction costs in the Company's annual affiliate transaction**
16 **case, File No. EO-2017-0176. Do you understand why he was concerned by the**
17 **amounts in this account?**

18 A. I can understand why he asked questions so that he could understand how
19 the managerial accounts are used, but I do not understand at all why he has any concern.
20 The Company has taken multiple steps to address his questions in this area. The reports
21 that are provided in the Company's CAM filing explain the use of these managerial
22 accounts. As noted, the Company also provides its chart of accounts in every rate review
23 filing. This is not a new account and it has been used for many years. Also, when this issue

1 first came up in the affiliate transaction case, I sat down with Mr. Schallenberg and
2 explained how the Company was using these managerial accounts.

3 **Q. Why does the Company record sums in these managerial accounts first**
4 **instead of immediately recording them in USOA Account 107, "Construction Work**
5 **in Progress?**

6 A. For two reasons. First, that has been the Company's practice for a very long
7 time, and second, there are benefits to continuing to follow that practice. Since the practice
8 is fully compliant with the USoA, the Company has elected to continue to capture those
9 benefits.

10 **Q. Please explain the benefits of using these managerial accounts**

11 A. The Company's use of these managerial accounts was initiated to capture
12 the overhead costs related to capital projects. For example, when there is an engineer
13 working on a project for fire protection that includes assets that should be included in USoA
14 Account 311, Structures and Improvements and includes assets that belong in USoA
15 Account 312, Boiler Plant Equipment, the engineer does not need to identify how much of
16 his time is spent on the Account 311 assets or the Account 312 assets. Instead, the engineer
17 simply charges his/her time to the Company's managerial account 374 using a Construction
18 Work in Progress code and when the project is placed in service, the managerial account
19 is cleared and the proper amount is then recorded in USoA Accounts 311 and 312,
20 proportionately. This concept works for labor or other overhead costs.

21 Another benefit of using these accounts is the FERC requirement to track the
22 overheard costs on a capital project. Electric Plant Instruction 4.C. states:

23 For Major utilities, the records supporting the entries for overhead
24 construction costs shall be so kept as to show the total amount of each

1 overhead for each year, the nature and amount of each overhead expenditure
2 charged to each construction work order and to each electric plant account,
3 and the bases of distribution of such costs.

4 Ameren Missouri can comply with this requirement easily with the managerial accounting
5 structure that it has put in place.

6 One last benefit that I will discuss is related to the lack of a need to use FERC
7 Account 106, Completed Construction Not Classified. FERC allows utilities to record all
8 CWIP charges to FERC Account 107, Construction Work in Progress and then when
9 projects are placed in service the costs are moved to FERC Account 106 until they can be
10 classified into the proper FERC 300 level accounts.⁸ Every reporting period, FERC
11 requires utilities to "report the balance in this account tentatively classified as accurately
12 as practicable according to the prescribed account classifications."⁹ Ameren Missouri has
13 this information when projects are placed in service because of our structure to record
14 CWIP to a 300 level account instead of moving them to the 300 level accounts after the
15 project is placed in service.¹⁰

16 **Q. Please summarize your position on this compliance issue.**

17 A. The Company is in compliance with the FERC USoA. If Mr. Schallenberg
18 would like to see our FERC Balance Sheet, I could provide one with all of the in service
19 assets in the proper FERC USoA 300 level accounts, including assets in FERC Account
20 374, Distribution Plant AROs, if the Company had any distribution plant AROs. I could
21 also produce a report that reflects our total FERC Account 107, Construction Work in
22 Progress balances. These balances are also properly reflected in the Company's annual

⁸ The USoA numbering system 300-399 is Plant Accounts.

⁹ FERC USoA, Balance Sheet account description for FERC Account 106.

¹⁰ Ameren Missouri has another field in its accounting system that segregates Plant In Service amounts and CWIP amounts apart even in the same account.

1 FERC Form 1 filing. Every balance that is required for FERC compliance can easily be
2 produced which supports that fact that the Company's use of managerial accounts has not
3 impaired the integrity of the accounts as required in FERC General Instruction 2.D. as
4 discussed above.

5 **3. Capitalized Expenses.**

6 **Q. What other issues does Mr. Schallenberg discuss related to charges in**
7 **these accounts?**

8 A. Mr. Schallenberg has expressed a concern that all of the charges in these
9 accounts are indirect overheads and that these amounts should be expensed instead of
10 capitalized. I will first address the indirect overheads concern. There is a footnote in a
11 report that is included in the Company's CAM filing that states the charges in managerial
12 Account 374 are indirect overhead charges. That footnote is not entirely correct and may
13 have caused Mr. Schallenberg to raise the issue. While there are overhead charges in this
14 account that are indirect, there are also overhead charges that are direct. In my example
15 above, I describe a situation where an engineer is working on a specific project and
16 charging that project directly through the 374 managerial account. Those charges are direct
17 charges for a specific project. The Company will correct the footnote in its future reporting.

18 **Q. Mr. Schallenberg has included a list of charges included in these**
19 **accounts that he believes are not eligible for capitalization. What is the Company's**
20 **response to this concern?**

21 A. While the Company does not agree that all of these amounts should not be
22 capitalized, having reviewed Mr. Schallenberg's testimony on this issue the Company
23 realizes that employees have mis-entered certain expenses. It appears that incorrect account

1 numbers were entered on expense reports for certain expenses and these incorrect accounts
2 were not caught or corrected in the review process. Consequently, I agree that
3 approximately \$37,000 should not have been capitalized. The Company will make an
4 adjustment to the General Ledger of approximately \$37,000 to correct for these amounts.¹¹

5 **Q. Since you are only partially adjusting for this issue, am I correct that**
6 **some of the amounts included in that list are appropriately charged?**

7 A. Yes. There were charges that were correctly capitalized. Some examples of
8 those amounts are related to mileage for traveling to operating centers in connection with
9 managing capital projects, mileage to meetings regarding the projects, and expenses to
10 attend a conference that is directly related to a specific capital project.

11 **Q. Does the Company have any other comments regarding this issue?**

12 A. The Company is continuing to review the issue of inappropriate charges
13 being included in these capital overhead accounts. Additional controls or processes may
14 be implemented as a result of this issue. Additional training will also be developed to help
15 ensure these mistakes are not made in the future. Any process changes or training
16 implemented will also be reviewed with the Staff and OPC in order to get their input, as
17 agreed upon in the revenue requirement settlement reached among the parties.

18 **4. Accounting Policies.**

19 **Q. Mr. Schallenberg also expresses concern that Ameren Missouri does**
20 **not have any accounting policies. Do you agree this is a concern?**

21 A. No, I do not. Ameren Missouri has engaged AMS to provide accounting
22 services as have other Ameren affiliates. It makes perfect sense for AMS and Ameren

¹¹ Given the revenue requirement settlement reached in this case these mis-booked entries have no effect on the Company's rates but we will correct them so that they will not impact a future revenue requirement.

1 Missouri to follow the same policies. The fact that there is "one" policy instead of one
2 labelled as "AMS" and one labelled as "Ameren Missouri" does not mean Ameren Missouri
3 doesn't have and follow accounting policies. The common policies are designed to ensure
4 that all Ameren affiliates follow the FERC USoA and GAAP, as they should. And the use
5 of common accounting policies has nothing to do with whether Ameren Missouri maintains
6 separate books and records. Both Mr. Reed and I have already addressed that issue in our
7 rebuttal testimonies.

8 **5. AMC Share of AMS Costs.**

9 **Q. Mr. Schallenberg raises a concern with the level of AMS costs paid by**
10 **the regulated Ameren affiliates as compared to unregulated affiliates. Please address**
11 **this issue.**

12 A. Mr. Schallenberg is comparing the AMS amounts paid by Ameren
13 Corporation ("AMC") for 2005 through 2018 and since the AMC amounts are generally
14 lower in more recent years, he implies that there is some problem or unfairness at issue.

15 **Q. Is there?**

16 A. No, because the periods are not comparable due to significant changes in
17 the overall structure of the Ameren corporate family. During the divestiture of Ameren
18 Corporation's former merchant generation businesses, significant AMS costs associated
19 with the divestiture were all charged to AMC. This inflated AMC's share of AMS costs
20 during the period of time surrounding the divestiture which make the more current years
21 look like they have dropped off substantially.

22 **Q. Are there other reasons for the increase in AMS costs allocated to the**
23 **regulated companies?**

1 A. Yes. Capital spending at Ameren Missouri has been increasing and AMS
2 supports this additional work. AMS supports the Company's capital spending in multiple
3 ways. Ameren Missouri's capital spending in 2017 was approximately \$800 million. In
4 2019, Ameren Missouri's capital spending increased to \$1.1 billion. One would expect
5 AMS services related to capital projects at Ameren Missouri to increase given the increased
6 capital investment, and that is what the numbers show.

7 In addition, there is the direct support of capital projects such as digital or facilities
8 actually implementing new software projects or facilities upgrading Ameren Missouri's
9 operating centers. There is also indirect support of this increased capital spending. An
10 example of that may include support from sourcing to procure additional equipment and
11 services related to the projects

12 **6. Need for AMS Services.**

13 **Q. Mr. Schallenberg implies that the Company's needs are not taken into**
14 **consideration when it comes to obtaining services from AMS. Is that claim true?**

15 A. No. it is not. Joint planning would be an important process to address this
16 concern. Each year during the annual budget process AMS leaders and Ameren Missouri
17 leaders come together to discuss the needs of Ameren Missouri and what products and
18 services they wish to procure from AMS. This joint planning process is discussed in further
19 detail by Ameren Missouri witness Ben Hasse in his rebuttal testimony. This is just part of
20 the process. There are also quarterly reviews of the AMS costs and any variances from the
21 original budget with Ameren Missouri leaders.

1 **Q. Are there other processes that support the products and services that**
2 **Ameren Missouri receives from AMS?**

3 A. Yes, there are. Joint planning is just a part of the process. Ameren Missouri
4 also engages with AMS in a process called demand planning. In the demand planning
5 meetings, the main focus is the project work that is being done for Ameren Missouri by
6 AMS functions. While the focus is on capital work, any changes in operations and
7 maintenance costs ("O&M"), especially if it is the result of the capital projects, is discussed
8 as well. There are multiple meetings for demand planning during the budget season as we
9 work together to finalize the projects to be done in the following year and plan for the
10 future budget years. During these meetings, the AMS functions work with multiple groups
11 within Ameren Missouri to determine the projects that need to be done.

12 There are also quarterly or monthly follow up demand planning meetings held with
13 Ameren Missouri and AMS. In these meetings, the status of currently planned projects is
14 discussed. Emerging needs are also discussed and actions determined to analyze the
15 emerging needs and determine when and if the projects should move forward.

16 These meetings are the formal process meetings but there are also unplanned
17 meetings held throughout the year as needs or plans change. If an emerging need is
18 identified, there may also be meetings with multiple leaders from Ameren Missouri and
19 AMS to discuss the need and the proposed plans. If projects are not approved by Ameren
20 Missouri, the work is not done. Since Ameren Missouri can make the decision not to move
21 forward with work, it is incorrect to say our needs are not considered.

22 **Q. How else is Ameren Missouri involved in the costs that are allocated**
23 **from AMS?**

1 A. The Ameren Missouri Business Services group reviews the financial results
2 of Ameren Missouri monthly. These results include the AMS costs directly charged or
3 allocated to Ameren Missouri. The group works with AMS to understand all costs that are
4 allocated, as well as explaining any variances from the budget monthly and for the year.

5 The Business Services group is also involved in the review of the monthly
6 intercompany bill along with the Ameren Missouri CAM Team Manager. The bills are
7 reviewed monthly. If there are issues in the bill, the CAM Team Manager works with the
8 Controller's group to correct the issue and fix the bill in the next month. The monthly
9 intercompany bills are also approved by Warren Wood, Ameren Missouri Vice President
10 of Regulatory and Legislative Affairs.

11 **Q. Is this everything that is done by your group related to AMS costs?**

12 A. No. There are always other conversations and meetings that are happening
13 throughout the year. I talk to groups within AMS on a regular basis to answer questions
14 and discuss issues.

15 **7. Mr. Schallenberg's calculation.**

16 **Q. As Ameren witnesses Byrne and Reed addressed in their testimonies,**
17 **Mr. Schallenberg proposes completely ignoring the fact that Ameren Missouri**
18 **obtains needed services from AMS and incurs costs to do so. Is the figure he claims**
19 **should be ignored (over \$218 million) right?**

20 A. No.

21 **Q. Please explain why not.**

22 A. While to be clear there should be no disallowance at all given that Ameren
23 Missouri has proven the reasonableness and prudence of the AMS costs it incurs, it is

1 nonetheless important to address the several reasons why the amount claimed by Mr.
2 Schallenberg is incorrect. The total adjustment that was proposed included amounts that
3 were not included in the Company revenue requirement in the filing of this case. These
4 amounts include amounts charged to Ameren Missouri gas operations, amounts recorded
5 to balance sheet accounts that are not included in rate base, other amounts excluded from
6 the revenue requirement that were recorded below the line, and capital expenditures
7 associated with projects that are not in service as of the date rate base is established in this
8 case, which are recorded to construction work in progress and are not reflected in the
9 revenue requirement. Because of these substantial errors, Mr. Schallenberg's calculation
10 is incorrect and cannot be used as a basis for adjusting Ameren Missouri's revenue
11 requirement. If an adjustment was made for the items listed above, the proposed amount of
12 the adjustment would need to be reduced by more than \$80 million.

13 **Q. Does this conclude your surrebuttal testimony?**

14 **A. Yes, it does.**