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Witness:	Laura M. Moore
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MISSOURI PUBLIC SERVICE COMMISSION

Case No. ER-2012-0166

REBUTTAL TESTIMONY

OF

LAURA M. MOORE

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
August, 2012

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REBUTTAL TESTIMONY

OF

LAURA M. MOORE

CASE NO. ER-2012-0166

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Laura M. Moore. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom and in what capacity are you employed?

A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") as Managing Supervisor of Regulatory Accounting.

Q. Please describe your qualifications.

A. I received a Bachelor of Science degree in Accounting from the University of Missouri at Columbia in May 1991 and a Masters of Business Administration from St. Louis University in May 1997. I am a Certified Public Accountant, licensed to practice in the State of Missouri. From 1992 to 1994, I worked for Preferred Pipe Products, Inc., in St. Louis, Missouri, in various capacities, including Staff Accountant in 1992 and Accounting Manager from 1992 to 1994. I worked with Eagleton Enterprises in St. Louis, Missouri, as an Accounting Manager from 1994 to 1995. I worked with Merit Behavioral Care in St. Louis, Missouri, as an Accountant from 1995 to 1997. I worked with Clark Refining and Marketing in St. Louis, Missouri, as a Financial Analyst from 1997 to 1999. From 1999 to 2002, I worked at Emerson Tool Company in St. Louis, Missouri, in the Financial Analysis Department, first as an Analyst and then as the Manager. I have worked for Ameren from 2002 through the present.

In April 2011, I became a Vice Chairperson for the Edison Electric Institute's ("EEI") Property Accounting and Valuation Committee. Prior to that, I have been a member of the Leadership Committee for EEI's Property Accounting and Valuation Committee since May 2009.

Q. Please describe your employment history relating to your work for Ameren Missouri.

A. In June 2002, I began working in the Plant Accounting Department as a Financial Specialist at Ameren Services Company ("Ameren Services"). Ameren Services provides various corporate support services for operating companies owned by Ameren Corporation (including Ameren Missouri), such as accounting, finance, engineering, and legal services. I worked as Supervisor, Generation and General Plant from 2003 to 2006. In October 2006, I assumed the responsibilities of Fuel and Gas Accounting Supervisor. In May 2009, I was promoted to Managing Supervisor, Plant Accounting. In July 2012, I accepted the position as Managing Supervisor of Regulatory Accounting for Ameren Missouri.

Q. Please describe your duties and responsibilities.

A. In my current position, which I began last month, my primary duties and responsibilities include preparation of the revenue requirement for Missouri rate filings, preparing written testimony for rate, regulatory and audit proceedings and testifying before the Missouri Public Service Commission and the courts. In my prior position as Managing Supervisor, Plant Accounting, my primary duties and responsibilities included accounting for plant additions, retirements, cost of removal and salvage, reporting related to the assets, and accounting for depreciation for Ameren Missouri. I was also responsible for work order compliance, construction invoice auditing, lien waiver administration, monthly reporting of assets and depreciation and construction work in progress. My department was also responsible for the unitization process for all assets of the Company. I also provided support in rate cases and for audits of the financial statements.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to discuss the plant accounting procedures in place for Ameren Missouri in response to allegations made by Staff witness Guy C. Gilbert in a portion of the Staff Report Revenue Requirement Cost of Service ("Staff Report") (pages 144-155) authored by Mr. Gilbert and filed by the Staff in this case. I want to make clear that we take Mr. Gilbert's allegations very seriously. However, as I also outline below, Mr. Gilbert's allegations are just that – allegations. As explained in this testimony, Mr. Gilbert's allegations are either 1) not supported by the facts or by the applicable requirements (most notably the Uniform System of Accounts ("USoA")) that the Company follows as required by Commission rules, 2) are based upon a misunderstanding of certain information reviewed by Mr. Gilbert, or 3) in my opinion have been overstated.

I also address accounting for, and the service life of, the Company's PowerPlant[1] upgrade and a new budget and internal reporting software (the PowerPlant upgrade and installation of the new budget/internal reporting software are jointly referred to as "Project First"). I also address a minor issue regarding heat rate testing reports relating to generating units that have been removed from service. Finally, I address a minor issue relating to an intangible plant amortization that is expiring.

[1] PowerPlant is the Company's computerized plant accounting system.

Q. What are your primary conclusions?

A. Mr. Gilbert alleges that the Company is not in full compliance with three[2] subsections in Commission Rule 4 CSR 240-20.030(3), and alleges non-compliance with two other provisions of the USoA. I demonstrate below that the Company is in compliance with each of these rules. This renders moot Mr. Gilbert's recommendation that the Commission "direct Ameren Missouri to achieve compliance" with the rules by July 1, 2013.

- Mr. Gilbert performed two analyses that led him to conclude that the Company's rate base should be reduced by $2,528,567.[3] I demonstrate below that Mr. Gilbert's calculations are incorrect (even if his theories were correct the sum at issue would be more than 75% less than he calculated), and that in fact there is no rate base overstatement.
- Mr. Gilbert's recommendation regarding a 5% depreciation rate (i.e., a depreciation life of 20 years) for the software that is part of Project First is too low insofar as these systems will likely have a useful life of only approximately 10 years. Consequently, a depreciation rate of 10% is appropriate.

II. <u>PLANT ACCOUNTING BASICS</u>

Q. Given that it appears that the issues Mr. Gilbert raises are highly technical, are there some terms that should be defined to help the Commission understand these issues?

A. Yes. Those terms include the following:

- *Completed Construction Not Classified* is dealt with by USoA Account 106. Under the USoA, this account must include the total of the balances of work orders for

[2] Or perhaps four subsections, all of which I address below.
[3] Mr. Gilbert is using gross plant-in-service figures. However, the Company only earns a return on net rate base. Depreciation expense is determined based on gross plant-in-service. I will address this issue further later in my testimony.

capital assets the construction/installation of which has been completed and which have been placed in-service but for which work orders have not been unitized. I address unitization below.

- *Construction Work In Progress ("CWIP")* is dealt with by USoA Account 107. Under the USoA, this account is to include the total of the balances of work orders for capital assets that are in the process of construction/installation (i.e., that have not yet been moved to Account 106). The USoA also requires that work orders be cleared from this account as soon as practicable after completion of the job.
- *Non-Unitized Costs* is the label that the PowerPlant software puts on assets when they are moved to in-service status but before they are unitized to the individual retirement unit level.
- A *Property Unit Catalog* is a record that identifies each retirement unit recognized by the utility and the capitalization qualifier criteria[4] associated with each unit of property.
- *Retirement Units*, as defined in the USoA, means those items of electric plant which, when retired, with or without replacement, are accounted for by crediting the book cost thereof to the electric plant account in which the item of plant was included. For example, retirement units in the boiler plant account (USoA Account 312) include things like feedwater heaters, sootblowers, stacks, tanks, etc.

[4] As discussed below, there are generally accepted accounting principles criteria that must be applied to Company expenditures to determine if the expenditure is to be capitalized or expensed on the Company's books.

- *Unitization* is the assignment of work order costs to applicable property record retirement units.[5] For example, if we replace a sootblower and piping on the same project, the costs need to be split between the piping and the sootblower.

Q. Please describe the processes and procedures that govern the Plant Accounting Department's functions.

A. The Plant Accounting Department capitalizes the cost of additions and substantial betterments of units of property and plant, including the cost of labor, material, applicable taxes, overheads and allowance for funds used during construction ("AFUDC").

Before work on a project begins, the Business Lines (e.g., steam generation, nuclear generation, energy delivery), working with the Plant Accounting Department, determine whether, under generally accepted accounting principles ("GAAP"),[6] all of the costs in the project qualify as capital expenditures and thus may be capitalized. To do this, the Department uses the property unit catalog. If a project meets the GAAP criteria for treatment as a capital asset, the project will be accounted for as a capital project.

Once this screening process is complete, the project is entered into the budget system and before work begins a work order is created in the PowerPlant system. In PowerPlant, basic information about the work order is entered into the system, such as the description of the project, the estimated in-service and completion dates, the name of the project manager, the justification for the project, applicable accounting codes, and cost and retirement estimates. A work order is initiated at this time but the work order is not yet "opened," meaning costs cannot be charged to it at this stage. The project is then routed for approval electronically using the PowerPlant system.

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[5] Glossary, *Introduction to Depreciation for Public Utilities and Other Industries* (Draft), to be published by The Edison Electric Institute and the American Gas Association.
[6] The Company is required, by United States Securities and Exchange Commission regulations, to follow GAAP.

There are three levels of Plant Accounting approvals required for each project. The Plant Accounting Department reviews the project to make sure all required information is supplied. The Plant Accounting Department also reviews the determination previously made regarding which part of the project is to be capitalized and what part is charged to expense, and also reviews the cost estimates submitted on the project for completeness. For example, if a project states that it is for replacement equipment, the Plant Accounting Department will inquire about cost of removal, salvage and retirement estimates if they have not already been provided to ensure that the associated retirement of the assets that are being replaced is properly accounted for on the Company's books. This is because if equipment is being replaced then there should be equipment that is being retired and removed. Upon retirement, that property should be removed from in-service status on the Company's books, and there may also be cost of removal and/or salvage that should be accounted for.

Once a project has been approved by all required levels of approval, the project will be moved to open status, meaning that charges can be made to the project.

The Company's accounting code "block" consists of multiple fields that allow us to track the different types of work on each work order. One of these fields is the transaction type. The transaction type represents the type of capital charge, such as an addition, a retirement, a removal cost, salvage, etc. As work is done on a project, the field personnel charge invoices and their labor to the specific transaction type based on the work being done. Another field within the code block is the account major. The Company charges capital work to the plant control account (which will be a "300" account) as prescribed by Federal Energy Regulatory Commission ("FERC"). Costs are charged directly to the plant control FERC account as they are incurred. Cost of removal and salvage (if any) is also charged to the project as incurred with a different transaction type. For example, if work is being done to add equipment to the boiler at the Rush Island Energy Center, the work will be charged directly to Account 312 – Boiler Equipment with a transaction type 0 – CWIP Additions.

When the equipment is considered “Used and Useful," the field personnel enter the actual in-service date in the PowerPlant system. At this point, the project status is changed to "in-service." Once a work order has been placed in service, the AFUDC ceases, depreciation begins and the associated costs are reclassified from CWIP to “completed construction not classified.” At this point, the costs of the assets that are part of the project are "non-unitized." This means that while we have accounted for the total project costs, we have not yet allocated costs down to the specific retirement unit level. For example, if a project is placed in-service to add a sootblower and some piping, at this point in the process we have not yet unitized it; i.e., we have not yet split the total project costs between that portion that was for the sootblower and that portion that was for the piping. The entire project cost transfers into the completed construction not classified account as a non-unitized asset. These assets also remain in the 300 plant control accounts for depreciation purposes. The Company has both accounts within the PowerPlant system.

By recording the assets in the proper plant control 300 account, the system then applies the correct depreciable life to the asset because the system contains the appropriate depreciation parameters established in prior rate proceedings (e.g., the depreciation rate for Account 312 for the Company’s Sioux Energy Center is 3.77% so a new in-service project in Account 312 for Sioux will, at this point, start to be depreciated at a rate of 3.77%). Retirements associated with the project (e.g., equipment replaced) are then posted to the system after the project is placed in-service.

After all construction and project close-out activities are substantially complete, the field personnel then enter the completion date in PowerPlant. At this point the project status changes to "completed" status. Once a project is in completed status, the project is ready to be unitized. The

PowerPlant system has a late wait charge period that the Company sets to three months to allow for delayed payments. After this period is up, the project is closed to charges.

After a work order has been unitized but before it is posted to the "electric plant-in-service account" in unitized form, the status in the system is changed to unitized.

The final status in the life of a work order is "closed." A work order is closed when it has been unitized and is posted to the "electric plant-in-service account" and to the Continuing Plant Inventory Record ("CPIR")[7] in unitized form.

Throughout the life of a work order, the Plant Accounting Department reviews project charges and completes accounting transfers as needed. We provide support to the field personnel as needed when work orders are being set up and throughout the life of the work order.

III. <u>MR. GILBERT'S CONTENTIONS</u>

Q. In the Staff Report, Mr. Gilbert lists nine subsections of 4 CSR 240-20.030(3). Does he contend the Company is out of compliance with all of them?

A. No. He indicates that the Company is in "apparent conformity" with subsection (A) and in "apparent compliance" with subsection (M).[8] He also takes no issue with the Company's compliance with subsections (C), (H), (I) and (L).[9] He has raised various issues with regard to the remaining three subsections, two of which deal with records maintenance (subsections (F) and (J)) and one of which deals with retirement recordation (subsection (K)). He also claims a lack of

[7] The CPIR is defined by the USoA in the definitions in 18 CFR Part 101, and is discussed further below.
[8] As discussed below, while he indicates we are in what he terms "apparent compliance" with (M), he does claim that there are shortcomings in the Company's records relating to average life of property which has been retired to aid in the estimating actuarial analysis. Staff Report, p. 147, l. 7-12. This contention could relate to Subsection (M). We disagree with this contention, as I address further below.
[9] On page 147 at line 7, Mr. Gilbert references subsection (H), but it appears he meant to reference subsection (J) since the paraphrased language appearing from lines 5 to 7 is taken nearly word-for-word from Subsection (J). It would appear therefore that he is not alleging any non-compliance with subsection (H).

compliance with two USoA regulations dealing with data destruction and data transfer – 18 CFR Ch. I, Subchapter C, General Instruction 2.C, and 18 CFR 125.2(d)(3).[10]

In addition, he makes claims about assets that he contends have been taken out of service but which are still shown as in-service on the Company's books.

IV. RECORDS MAINTENANCE AND ACCESSIBILITY

a. Subsection (F).

Q. Please address the first subsection he discusses, subsection (F).

A. Mr. Gilbert contends that "the Company does not use the list of retirement units contained in its property unit catalog, as required by subsection (F)."[11]

Q. Is he correct?

A. No.

Q. Why not?

A. The terms of USoA instruction (10.A), which subsection (F) specifically directs the Company to comply with, demonstrates that Mr. Gilbert is mistaken. USoA Instruction 10.A provides as follows:

> For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property will be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall maintain a written property units listing for use in accounting for additions and retirements of electric plant and apply the listing consistently.

[10] Mr. Gilbert did not cite specifically to General Instruction 2.C, but the language he quotes at lines 15-16 on page 147 is identical to that General Instruction. Mr. Gilbert also cites to "125.2, 2. Records. Part C (3)" at lines 21-26, but the language he quotes is from a different USoA provision, 18 CFR 125.2(d)(3). These are apparently typographical errors, but the Company has been able to identify the language he points to.

[11] Staff Report, page 147, l. 3-4.

The "written property units listing" referenced in this portion of the USoA is what we call our "property unit catalog." "Electric plant" in this context refers to costs that have been capitalized on the utility's books.

Q. **Does the Company use the list of retirement units (property unit catalog) as required by this rule?**

A. Yes. As I described earlier, Ameren Missouri uses its property unit catalog when determining which project costs are to be capitalized and does so at the time the project is budgeted and approved (before the project is "open," as I described earlier). The Company also unitizes capital projects to the retirement unit level after a project is completed. Taken together, those two steps result in our asset records reflecting all of our capital assets at the retirement unit level. We take these steps, using the property unit catalog, on a consistent basis for all capital projects. This is all that the referenced rule requires.

Q. What does it mean to "unitize" a capital project?

A. As I briefly described above, unitization is the assignment of work order costs to applicable property record retirement units. A retirement unit is the smallest distinct component of property that is identified and to which costs are individually allocated in the plant records.

For example, if a project is placed in service to add a sootblower and some piping, all of the costs are booked to Account 312 – Boiler Plant Equipment – as an asset addition. The process of unitization is the process whereby the Company would split the costs of the sootblower out from the costs of the piping and spread any overhead costs accordingly. Once unitization is complete, the new assets on the books would be a sootblower and piping.

Q. So is Mr. Gilbert simply mistaken?

A. Yes, he is. All of the Company's property consists of (1) retirement units and (2) minor items of property. We maintain a written property units listing and we use it when we account for additions and retirements, and do so consistently.

Q. That the Company is in compliance with this rule appears to be quite straightforward. Do you have an understanding of why Mr. Gilbert contends otherwise?

A. It is my understanding that Mr. Gilbert came to the conclusion that we do not use the list of retirement units as Instruction 10.A requires based on his review of two responses to data requests he sent the Company, Data Request ("DR") Nos. 131 and 132. In the response to DR 131, we provided a copy of our property unit catalog. In our response to DR 132, we provided our CPIR. It is my understanding that Mr. Gilbert believes that the second set of data provided in response to DR 131 contained approximately 10,000 items but that our CPIR provided in response to DR 132 contained approximately 30,000 items. His belief then led him to believe that there was a problem.

Q. Is there a problem?

A. No. Mr. Gilbert apparently did not understand the files we provided that were responsive to these two DR responses. I examined the file provided in response to DR 131 (the property unit catalog, which is kept in Excel format) and it contains approximately 30,000 rows. I also examined the Excel file containing the CPIR provided in response to DR 132 and it has approximately 10,000 rows. Mr. Gilbert apparently thought that that the number of rows in each file reflected the number of items that were contained in the file; i.e., he apparently thought that the CPIR had approximately 30,000 separate items and that the property unit catalog had approximately 10,000 separate items. It appears, however, that he confused the two files because the file containing the property unit catalog is the one that had 30,000 *rows,* and it was the file containing the CPIR that had 10,000 *rows.*

Q. Should the number of items in the CPIR and property unit catalog be similar?

A. Yes, and they are. They should be similar because the items in the Company's property unit catalog should be the same items in the CPIR.

Q. You said the number of items is similar even though one file has approximately 30,000 rows and another file has approximately 10,000 rows. Please explain.

A. While the Excel file containing the property unit catalog has 30,000 rows, the vast majority of those rows reflect duplicated items. This is because Ameren Missouri's retirement units are associated with the FERC account to which the USoA requires that they be recorded, meaning that a particular retirement unit (a particular item) may be listed in the catalog multiple times if it is to be recorded across multiple accounts. For example, "pipe" is a retirement unit (an item). All kinds of plant accounts contain pipe: steam production accounts (FERC Accounts 311-316), nuclear accounts (FERC Accounts 321-325), hydraulic accounts (FERC Accounts 331-335), other production accounts (FERC Accounts 341-346) and general plant structures (FERC Account 390). Consequently, the retirement unit "pipe" appears in the property unit catalog almost 1,000 times. There are many types of pipe in the property unit catalog resulting in the large number of listings. The same is true for the approximately 7,000 additional retirement units in the catalog but unlike pipe, which has many different types, most are not duplicated so many times. When these duplicates are removed, the property unit catalog and the summary provided in response to DR 132 contain roughly the same number of items, as one would expect. I would note that we have provided files containing the property unit catalog and the CPIR in prior cases and that the Excel file containing the property unit catalog provided in those files also had far more rows than the CPIR; we had never been questioned about this before, and had no reason to believe the Staff was confused by this.

b. Subsection (J).

Q. As noted earlier, Mr. Gilbert contends the Company does not adequately maintain records which classify, for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year as required by subsection (J) (although as noted, there is an apparent typographical error with a reference to subsection (H)). What does subsection (J) require?

A. 4 CSR 240-20.030 (3) (J) provides as follows:

> (3) Regarding plant acquired or placed in service after 1993, when implementing section (1), each electrical corporation subject to the commission's jurisdiction shall -- * * *
>
> (J) Maintain records which classify, for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year, when implementing the provisions of Part 101 Electric Plant Instructions 11.C. ...

Q. Does the Company maintain records which classify, for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year, when implementing the provisions of Part 101 Electric Plant Instructions 11.C?

A. Yes, we do. We have records which classify, for each plant account, the amounts of the annual additions. We have records that do the same for the amounts of the annual retirements. Those records show the number and cost of the various retirement units by vintage year. The rule requires nothing more.

Q. Does Mr. Gilbert make any related contentions?

A. Yes, he also states on page 147 of the Staff Report that Ameren Missouri's records do not reflect the average life of property which has been retired to aid in estimating probable service life by actuarial analysis of annual additions and aged retirements. He goes on to claim that these failures have the effect of overstating the cost of removal component of depreciation expense and inflating the value of Ameren Missouri's rate base.

Q. Is this correct?

A. No, it is incorrect. In recent years, three depreciation studies were submitted by the Company (and carefully examined and analyzed by the Staff) as required by Commission rule. Those studies were performed by Gannett Fleming, which is the company that provides the depreciation software used by both the Company and the Staff. When a rate case is filed, the Company either must submit a depreciation study, database, and property unit catalog or must have done so within the last three years (4 CSR 240-3.161). We have fully complied with these requirements. The database that we have submitted contains the average life of property which has been retired for use in estimating probable service life by actuarial analysis of annual additions and aged retirements. We have submitted that database – providing it directly to the Staff – in connection with each of those three depreciation studies, including as recently as July 2009. Both Gannett Fleming (on behalf of the Company) and the Staff have used that database for that very purpose in several rate cases in recent years. I have attached the above-cited rule as Schedule LM-ER1. The database contains all of the information required by that rule, and has been built over many years from data kept in the Company's plant accounting records.

Q. Given that you have the records subsection (J) requires and have the database that both the Company and the Staff use when they conduct depreciation studies, what is Mr. Gilbert's issue?

A. I can't say for sure, but it appears that he takes issue with the fact that some of our records are available in the PowerPlant system, some are available in the predecessor system to PowerPlant (called the Asset Management System ("AMS") used from approximately 1996 to 2005[12]), and pre-1996 records are maintained in their original paper form. It appears to me that Mr. Gilbert is suggesting that unless every record is maintained either in the utility's current electronic system, or at least in some other electronic system, then the records are not "maintained." If that is his contention, it would be like saying that a Commission case record that is not in EFIS (e.g., is on microfiche or is maintained in some other medium) is not being "maintained" by the Commission. Not only would this be incorrect, but to the extent Mr. Gilbert is suggesting that the USoA requires that the records be maintained in a particular form, he is incorrect. There is no such requirement in the USoA. Instead, it appears that Mr. Gilbert may prefer we maintain our records differently. If so, that preference does not change the requirements of Instruction 11.C in the USoA (which subsection (J) directs us to comply with), nor does the fact that our records may not be kept as he may prefer mean we are in violation of any applicable rule.

c. General Instruction 2.C.

Q. Please address Mr. Gilbert's next contention.

A. He states on page 147 of the Staff Report that upon transition to the current system [i.e., PowerPlant], Ameren Missouri made printouts of the old system's data, and in violation of 18 CFR Ch. 1 SUBCHAPTER C, Ameren Missouri transitioned the old data systems without retirement records to the new electronic systems and disposed of the old system.

Q. Is his statement correct?

A. No. It is not correct, because we did not dispose of the AMS system. The rule he cites simply prohibits destruction of records if the destruction is not permitted by the USoA. The problem with his contention is that there has been no destruction of any of the records. When the Company implemented PowerPlant it included data for all assets that were then in-service in

[12] The Company input new additions directly into the AMS beginning with 1993 data during the implementation of the AMS system from 1993 through 1995. Post-1995 retirements are in AMS; pre-1996 retirements are reflected in our paper records.

PowerPlant, and we *maintained* the data (in the AMS) for all assets that had been retired (again when use of the prior system commenced in 1996). It is true that annual reports were run from the AMS, but nothing was destroyed or disposed of after the reports were run. The records all remain in the system, and if needed we can query the AMS and thereby extract whatever records were always there. As noted above, prior to use of the AMS, our asset records were all on paper, and we also have those paper records.

Q. Mr. Gilbert may have drawn the conclusion that the Company disposed of the prior AMS data from the fact that the Company ran annual reports from that system. Why were those reports run?

A. The Company ran annual reports simply so it could refer to them without having to query AMS. If additional data not reflected in the annual reports is needed, we can still run queries and produce other reports to access that data.

d. Part 125.2.

Q. Mr. Gilbert also points to 18 CFR part 125, and in particular 125.2(d)(3). What does that regulation require?

A. Mr. Gilbert quotes this regulation on page 147 of the Staff Report at lines 21-26. In summary, the regulation provides that if data is transferred from one media (e.g., paper) to another (e.g., a computer), the utility must do two things: one, verify and document that the transfer was accurate, and two, maintain the hardware and software for as long as the new media is used. In other words, a utility must transfer it accurately and must have a means to access it via whatever media that it was transferred to as long as that media is used.

We converted the asset information into PowerPlant. After the conversion was complete, we verified that the information in PowerPlant tied to the General Ledger and to the AMS (the prior electronic asset system). We tested the PowerPlant system extensively before "going live."

An audit was also completed by Ameren Services' Internal Audit Department. During the conversion to the AMS, asset information was added to the system and again reports were used to tie the information in the system back to the General Ledger. This report compared the asset system balances to the General Ledger balances. The report itself was tested thoroughly prior to using it for verification. We also still have all of the data that we ever had in the AMS, and the hardware and software we need to access it, and we have all of our paper records and can access those as well.

Q, Then what is Mr. Gilbert's point?

A. I am not sure, but taken together, his two citations suggest that he may believe that if a utility does not literally convert all data (all additions, retirements, removal costs, salvage) about all plant from the beginning of time (e.g., from the first date the Meramec Plant was placed in-service 59 years ago, or from when the Venice Plant that was placed in-service 70 years ago) into one, current system then somehow the Company has violated these provisions of the USoA. Notably, he points to no provision of the rules that provides support for his claim. Indeed, the quotes he provides rebut his claim because, as noted, the USoA provision doesn't *require* any data transfer. Rather, it simply puts requirements on the utility if there is a data transfer. We complied with the rules with respect to the data that we did transfer to an electronic system. We are maintaining the other data. That is all the rules require.

Q. Are there other provisions of the USoA that are relevant to this issue?

A. Yes. Part 125.2(d)(2) specifically gives each utility "the flexibility to select its own storage media." In fact, it provides as follows:

> Each public utility and licensee has the flexibility to select its own storage media subject to the following conditions: (1) The storage media must have a life expectancy at least equal to the applicable record retention period provided in § 125.3 *unless* there is a quality transfer from one media to another with no loss of data. (2) each public utility and licensee is required to implement internal control

> procedures that assure the reliability of, and ready access to, data *stored* on machine readable media . . . (emphasis added).

The plain terms of the foregoing rules demonstrate that Mr. Gilbert is incorrect to the extent he claims that a data conversion into one system or media is required by the USoA. The rule lets the utility choose how to maintain its records – which media to use– paper, CD, DVD, microfiche, disk, etc, or some combination thereof. The use of the conditional term "unless" indicates that the utility *may* transfer data to an electronic system from one media to another (e.g., from paper to a hard drive), but the rule does not require it. This is borne out by the provision that requires ready access to data that *is* stored on machine readable media. The rule doesn't say that all data *must* be stored that way, but provides that *if it is* one has to be able to readily access it. That is exactly what the Company has done. All data that is stored in machine readable form is readily accessible, and if the paper records are needed they too can be readily accessed, as I explain further below.

Q. Are there other rule provisions that rebut Mr. Gilbert's contentions?

A. Yes. Part 125.2(e) and (f) specifically deal with *destruction* of records. I am not aware of the destruction of any records the USoA requires the Company to maintain. Subparagraph (g) deals with retention. The Company has retained all records, and has chosen the media on which those records will be retained – on paper prior to 1996, in the AMS from 1996 to 2005, and in PowerPlant from 2005 forward.

Q. How does one access Ameren Missouri's plant records?

A. As noted, AMS is still available and can be queried. The PowerPlant system can also be queried. The Company's paper records are stored at a climate and humidity controlled underground warehouse in the St. Louis area called Iron Mountain. The records are indexed and can be requested for delivery to the Company in one day. Iron Mountain uses a bar code system to index and retrieve the records. In fact, last week Mr. Gilbert requested access to certain of our paper records and we provided them to him the next day after retrieving them from Iron Mountain.

e. Subsection (M).

Q. You noted earlier that Mr. Gilbert indicated that the Company is in "apparent compliance" with subsection (M), but that he also expressed concerns about certain mortality records. Please explain.

A. Subsection (M) requires that the utility "keep mortality records of property and property retirements that will reflect the average life of property which has been retired and will aid in estimating probable service life by actuarial analysis of annual additions and aged retirements when implementing the provisions of [USoA] Part 101 Income Accounts 403.B…." The applicable USoA provision essentially restates this requirement, and also requires that the utility "keep" such records and that it also "keep" records that reflect percentage of salvage and cost of removal.

Q. Does the Company have, i.e., has the Company "kept," all such records?

A. Yes, we have. Every item of data the rule requires is in our plant accounting records. For the period 2005 forward, it is in the PowerPlant system. For the period 1996 to 2005, it is in AMS. And pre-1996, it is in our paper records. Moreover, it is in the database that Gannett Fleming maintains which was built using data from our records, and which has been submitted several times with each depreciation study, as required by Commission rules.

V. RETIREMENT RECORDING

Q. On page 148 of the Staff Report, Mr. Gilbert states that Ameren Missouri did not record any salvage or cost of removal as is required by the Commission and the FERC USoA under the Code of Federal Regulations Title 18 Federal Powers Act Part 101

Instruction for Account 108 at C, which is the USoA provision referenced in subsection (K) of the Commission's rule. What does this rule require?

A. Account 108 C. states as follows:

> For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregated according to the following functional classification for electric plant:
>
> (1) Steam production
> (2) Nuclear production
> (3) Hydraulic production
> (4) Other production
> (5) Transmission
> (6) Distribution
> (7) Regional Transmission and Market Operation, and
> (8) General.
>
> These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification:
>
> (a) The amount of accrual for depreciation,
> (b) The book cost of property retired,
> (c) Cost of removal,
> (d) Salvage, and
> (e) Other items, including recoveries from insurance.
>
> Separate subsidiary records shall be maintained for the amount of accrued cost of removal other than legal obligations for the retirement of plant recorded in Account 108, Accumulated provision for depreciation of utility plant (Major only).

Q. What is Mr. Gilbert's contention?

A. As I understand it, he contends that this provision requires the Company to reflect items (a) through (e) above at the retirement unit level (e.g., pipe, conduit, etc.) instead of at the functional level (steam production, nuclear, hydraulic, etc.).

Q. Is he right?

A. No. A plain and straightforward reading of the regulation demonstrates that Mr. Gilbert is incorrect. The regulation is explicit: "maintain subsidiary records in which this account is segregated according to the *following functional classification* . . .", and then it lists steam, nuclear, etc. It then goes on to require items (a) to (d) to be shown for "each *such* functional classification"; i.e., steam, nuclear, etc. Our records indeed do record items (a) to (d) for every single one of the functional classifications required by the regulation.

Q. Does Mr. Gilbert raise any other issues related to the USoA Instruction for Account 108 at C?

A. Yes, he does. Mr. Gilbert states that the Company booked retirements of nearly $10 million at the Sioux Energy Center relating to the Sioux scrubbers project but did not record any salvage or cost of removal. However, Mr. Gilbert is mistaken because the Company did record salvage and cost of removal for the assets that were removed from the site. As of September 2011 (which I believe is the period through which Mr. Gilbert was examining records), the Company had booked approximately $200,000 in salvage and $1 million in cost of removal related to the assets retired as part of the Sioux scrubbers project. There have since been additional amounts booked. As of July 2012, the Company had booked approximately $200,000 in salvage and $6 million in cost of removal related to assets retired as part of the Sioux scrubbers project. There are also some assets which were retired with the installation of the scrubbers but which at this time have not been removed from the site. The salvage and cost of removal for these assets will be booked as and when the costs are incurred, but at this point, there has been no salvage or cost of removal for them so there is not yet anything to record.

Q. On page 149 of the Staff Report, Mr. Gilbert states that Ameren Missouri's PowerPlant system tracks the net salvage component of depreciation expense separate from the life component of depreciation expense. He goes on to say that because the PowerPlant system tracks this, separate entries are not booked to account for the two separate components of depreciation expense. He further contends that Ameren Missouri is admittedly unable or unwilling to comply with the details required by its favored method when it states: "Because the PowerPlant system tracks this, separate entries are not booked

to account for the two separate components of depreciation expense" citing to the Company's response to DR 130. Are his contentions correct?

A. No. It appears Mr. Gilbert may have misread the response to DR 130, which read as follows:

> For the period 10/1/2010 to 9/30/2011, the portion of the depreciation accrual in Account 108 attributable to future interim retirements (costs of removal) totaled $76,209,396. Ameren's Power Plant Asset Management system *tracks the net salvage component of depreciation expense separate from the life component of depreciation expense*. Because the Power Plant system tracks this, separate entries are not booked to account for the two separate components of depreciation expense (emphasis added).

Q. What makes you think he misread it?

A. Because we in fact *do* account for the separate components of the depreciation expense (cost, salvage, cost of removal, depreciable life) separately, though the PowerPlant system *also* provides that information on a combined basis. In hindsight, I can see that this DR response may have been slightly confusing. In the response, the Company is discussing the components of the depreciation accrual entry. The depreciation accrual entry is booked as one entry in the system but the split of the net salvage component and life component are *available* within our system, which is not made entirely clear by the response. I believe that Mr. Gilbert simply read the response and assumed that the system did not contain these separate components. We didn't realize that he wanted to see the components separately. In any event, to obtain the actual salvage costs and removal costs, all one has to do is query this information within the system. This is because we do book these components separately using the transaction type field in our code block as described above. Consequently, as equipment is removed or as the Company receives salvage proceeds from retired equipment, these amounts will be booked separately and then they become a component of the depreciation reserve account.

Q. Mr. Gilbert also contends, at page 149 of the Staff Report, that Ameren Missouri's failure to separately record retirement information as required by the FERC instructions for Account 108 at C also impedes the ability of Ameren Missouri and other parties – including Staff – to perform future depreciation studies. Is this correct?

A. No. First of all, I've demonstrated that we do comply with Account 108 at C because we do record retirement information separately, as required by the rule. Again, the apparent confusion caused by the response to DR 130 probably led to this contention. Second, as I also explained, we have provided our depreciation study, database, and property unit catalog as required by 4 CSR 240-3.160(1)(A) (and will again when the next depreciation study is provided). That database contains information from our records on each of these separate components. The Staff conducted depreciation studies using this data in two different rate cases in the past 5 years. Not once was there any allegation that our records, which were being maintained in the same fashion in each of those cases, impeded the Staff's ability to conduct a study. The Company has also conducted and submitted two depreciation studies in that time period. So has the Missouri Industrial Energy Consumers.

The bottom line is that if the Staff wants the separately recorded retirement information we must maintain under Account 108.C, Staff has access to it because we maintain it, and indeed we have given it to the Staff each time a depreciation study has been performed.

VI. <u>UNITIZATION ISSUES</u>

Q. Mr. Gilbert discusses the life cycle of a work order in his testimony. Do you agree with his description of the process?

A. No. Mr. Gilbert's description is inaccurate, as demonstrated by my earlier discussion of the work order process, the different work order statuses within the PowerPlant system, and what happens during each status.

Contrary to Mr. Gilbert's contention, unitization is *not* required to complete a project. As I explained earlier, unitization is the process of assigning the cost of the project to specific retirement units – if a project cost $1 million and $500,000 of the cost was for piping and $500,000 was for a sootblower, then we would unitize it by assigning $500,000 to piping and $500,000 to the sootblower. But unitization is the process that *closes* a project. *Completing* a project and *closing* it are not the same. As I explained earlier, completion occurs when substantially all work is complete; closing occurs when the project is posted to the CPIR in unitized form (prior to unitization the project is in the CPIR, but one would not be able to see (for my example above) that $500,000 was for the sootblower and $500,000 was for piping). Before unitization, one would see a project to install a sootblower and piping that cost $1 million in total. Also, unitization does not include the recording of retirements along with cost of removal and salvage because unitization involves allocating the *cost* of that project – the assets/equipment being put in-service. Retirements, removal and salvage are not part of the *cost* of the new assets. Retirements are recorded after the project is placed in-service. The cost of removal charges are usually internal and external labor charges. These costs are charged to the project as incurred. Salvage amounts received are recorded when received.

Q. Was Mr. Gilbert's description of unitization correct?

A. No, it was not. Mr. Gilbert states on page 150 of the Staff Report that unitization is when the components of a larger item of plant are consolidated for bookkeeping purposes. He gives an example of this, stating the "many individual pumps, tubes, valves, and controls are unitized as the Sioux I Boiler."[13]

[13] Staff Report, Page 150, l. 16-17.

As I have explained, unitization is actually the opposite of his example. In the case of a Sioux I Boiler project all of the costs would be booked to Account 312 as the project progresses. This means that the combined costs for the pumps, tubes, valves and controls, etc. would all be lumped together, but this is occurring *before* unitization occurs. As noted, prior to unitization we would not be able to see how much of the cost was for pumps. Again, unitization is the process of identifying the retirement units (e.g., the pumps, valves, tubes, controls) and assigning the aggregate costs of the project to the retirement units. A retirement unit is the smallest distinct component of property that is identified and to which costs are allocated individually in the plant records. In sum, after unitization, our books show which dollars were spent on which kinds of assets; on which retirement units.

Q. So what does this unitization issue he raises, and about which he is mistaken, have to do with the accurate booking of future retirements?

A. I believe the point he is incorrectly trying to make is that a backlog that the Company has in unitizing completed (but not closed) projects injects error into accounting for future retirement costs. His apparent point is that if we retire a unit of property that has not yet been unitized, we will necessarily be recording an *estimate* of the cost of the asset being retired because we will not yet have allocated the actual cost to the retired asset (we will not have unitized it). To put a finer point on it, if we retire the sootblower from my prior example but have not yet unitized it, we won't necessarily retire the correct, $500,000 amount. He apparently thinks that this will happen because we have a backlog of projects that have not been unitized, and I believe he is concerned that asset retirements may be occurring for assets that have not been unitized. In other words, I believe he is concerned that, for example, we may be retiring a pump or a pipe or a sootblower, but that we may not know how much the pump, pipe, or sootblower actually cost.

Q. Is he correct?

A. No, he is not. If a project has been completed (but not closed, because it has not yet been unitized) and if an asset that was part of that project needs to be retired before the project is unitized, we *do* unitize the project and *then, only after it is unitized,* we retire the asset. Therefore, we always know what the pump, pipe, or sootblower (using my prior example) cost, and that actual cost is reflected when we retire it; no estimates are used.

Q. How could this happen? If you build a project would there ever be a retirement of some of the units that are part of that project prior to it being unitized?

A. Only in very unusual circumstances, and probably not at all, if we did not have the backlog I mentioned earlier. For example, if all of our projects except those completed within the last 60 days were unitized, it is extremely unlikely that any unit would be retired before the project was unitized. However, we are currently working through a backlog of unitizing projects and have some projects that were completed as long ago as six years that have not been unitized. Consequently, if a project was completed in 2008 and some part of it needs to be retired today, we either have to unitize it, and then retire it, or if we didn't do that estimated costs would be used. But as noted, we always unitize the few projects where this becomes an issue *before* we retire them, so estimated costs are not being used.

Q. Are you saying that the backlog is not causing any inaccuracy in your retirement costs or otherwise?

A. That is correct. Having said that, we recognize that having a backlog of that magnitude is less than ideal and we are working to reduce that backlog. In fact, a Plant Accounting Department target for reducing the backlog has been established this year and a portion of the Department's incentive compensation is tied to meeting or exceeding that target.

Q. So do you agree with Mr. Gilbert's statement that unitization should be completed within a few months of a project's completion?

A. I can understand why he made the statement given his misunderstanding of what unitization is and his apparent belief (though incorrect) that we were retiring assets using estimated costs. If he had been correct about that then we would not know the actual cost of each unit that is being retired, but this is not the case. Customers are in no way harmed by the unitization backlog, but as I noted we are working to reduce it nonetheless.

VII. RATE BASE LEVELS

a. Allegations the Unitization Delays Could Overstate Rate Base.

i. Labadie Burners.

Q. Mr. Gilbert states that there is an understatement[14] of retirements, which he suggests inflates rate base and in a depreciation study would make assets appear to have a shorter average service life then they actually experience, because we have not converted our old retirement data into the new system. Is this correct?

A. No. As noted, Gannett Fleming conducts our depreciation studies and the database that they use – and that we submit to the Commission according to its rules – contains the retirement data for the periods pre-dating our use of electronic systems. The database contains retirements by vintage, salvage, cost of removal, plus, of course, original costs; i.e., everything needed to conduct a depreciation study. And, as I also noted earlier, the underlying records themselves are also available.

Q. Mr. Gilbert discusses the burners at Labadie and states that Ameren Missouri increased rate base with the apparently arbitrary combination of original cost less net salvage. Is this correct?

[14] Mr. Gilbert states that he believes there is an overstatement of retirements on page 151, lines 5-6 of the Staff Report. It appears he meant to say there is an understatement because *more* retirements would result in more assets coming off of our books. Also, as I discuss below, overstating or understating retirements does not impact rate base in any event; it would impact the level of gross plant-in-service.

A. No. The table in Mr. Gilbert's testimony that he uses to support his contention – which pulled a portion of the data in an Excel file we provided to him – only tells part of the story. In that table, Mr. Gilbert listed only the asset transactions. However, he apparently sorted the Excel file first and in the process of doing so he mislabeled some of the transactions as additions when they were in fact retirements, and vice-versa.

Q. Please explain.

A. In our response to Staff Data Request 0133S1, the Company provided the activity in account 312 for the Labadie Energy Center, as requested. The activity was provided in an Excel file downloaded from PowerPlant. It appears that when sorting the data in the file (which consisted of over 1,000 rows of data), Mr. Gilbert sorted some of the fields but not others, and then he produced the table appearing in the Staff Report at page 151. One can readily see this error because in Mr. Gilbert's table, some of the activity that was labeled as additions are negative numbers, but adding an asset will always have a (positive) cost. If one looks at his table, it can be observed that the activity code, asset ID and property unit code in the table no longer match up with the correct dollar amounts contained in the original file that was provided to him. They no longer match apparently because of the errors that occurred when Mr. Gilbert sorted the original data file. A corrected table, properly sorting all of the fields, appears below.

MPSC Case No. ER-2012-0166
Data Request No.: MPSC 0133S1 - Burner Section
Labadie Account 312
Data from January 2005 to September 2011

							Posting Year							
Activity Code	**Asset ID**	**Property Unit Code**	**Work Order**	**Work Order Description**	**Asset Location**	**vintage**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Grand Total**
Addition	6208337	Non-Unitized	21789	LBD U1 Replace Burner Assembly	LB01-Labadie-Unit #1	2008				871,473.31				871,473.31
Addition	8425737	Non-Unitized	22811	LB3S U3 Coal Burner Assembly Repl	LB03-Labadie-Unit #3	2009					705,887.44			705,887.44
Addition	8425744	Non-Unitized	22792	LB4S U4 Coal Burner Assembly Repl	LB04-Labadie-Unit #4	2009					668,306.00			668,306.00
Addition	1.1E+07	Non-Unitized	25726	LB2S - U2 Coal Burner Assembly Repl	LB02-Labadie-Unit #2	2010						457,170.82		457,170.82
Retirement	1085527	BOILER,CORNER BURNER ASSEMBLY	21789	LBD U1 Replace Burner Assembly	LB01-Labadie-Unit #1	1994				(1,200,000.00)				(1,200,000.00)
Retirement	1085528	BOILER,CORNER BURNER ASSEMBLY	22811	LB3S U3 Coal Burner Assembly Repl	LB03-Labadie-Unit #3	1993					(1,200,000.00)			(1,200,000.00)
Retirement	1085529	BOILER,CORNER BURNER ASSEMBLY	22792	LB4S U4 Coal Burner Assembly Repl	LB04-Labadie-Unit #4	1992					(1,200,000.00)			(1,200,000.00)
Retirement	1085534	BOILER,CORNER BURNER ASSEMBLY	25726	LB2S - U2 Coal Burner Assembly Repl	LB02-Labadie-Unit #2	1995						(750,000.00)		(750,000.00)

Q. What does the corrected table show?

A. It shows that Mr. Gilbert's apparent belief that burners were retired before being unitized (and that they were therefore retired based on estimated costs) is mistaken. In the Property Unit Code column of the above table (taken from the original spreadsheet – see the last four items) you can see the listing of the old burners ("Corner Burner Assembly"). These items are labeled as burners, meaning they have been unitized as burners. This means that the actual cost of the old burners was retired. Moreover, the new burners were also recorded using their actual costs; no estimates were used.

Q. Is there any other reason Mr. Gilbert might have mistakenly concluded that estimates were used?

A. He may have reached his conclusion since the new burners actually cost less than the old burners, based upon an apparent assumption on his part that burners get more expensive over time. This is not the case, however, for several reasons. The overfire air process installed when the old burners were installed was new at that time, requiring more engineering relating to the burners. Moreover, the price of steel was higher at the time and higher cost external labor was used for the work when the old burners were installed. Because those three conditions did not exist when the new burners were installed, the new burners in fact did cost less.

Mr. Gilbert also suggests that there was what he calls an arbitrary combination of original cost less net salvage. But as I have explained earlier, we use a transaction type field in our code block, and account for salvage and cost of removal separately in the depreciation reserve. The cost of removal booked on these four projects was approximately $105,000, but this sum was not included in the table he sponsored in the Staff Report. It appears that there may have been an assumption on his part that net salvage was included in the cost of the burners themselves (i.e., that it lowered the cost because salvage is generally negative) since the new asset values were less than those being retired. As I have demonstrated above, the cost of the burners for Labadie are not misstated and the old burners did cost less for the reasons I explained earlier. The salvage costs were not included in the cost of the burners that were retired.

Q. So what does the foregoing demonstrate about Mr. Gilbert's claim that there is an overstatement of rate base related to the Labadie burners?

A. His contention that Account 312 at Labadie is overstated by 161% is incorrect. An examination of his workpapers indicates that he calculated this number by dividing the cost of the retired burners by the cost of the new burners ($4.35 million/$2.7 million). But, as I have explained above, the retired burners were retired using their *unitized*, *actual costs*, and they *did* cost more than the new burners. There is no overstatement.[15]

ii. <u>Sioux ID Fans</u>.

Q. On page 152 of the Staff Report, Mr. Gilbert states that Ameren Missouri removed four induced draft fan motors from service at the Sioux Energy Center but that only three were removed from the CPIR. He suggests that the rate base is therefore overstated by the cost of the fourth fan. Is this correct?

A. This is not correct (and again, rate base would not have been overstated in any event). The fourth fan was sold to Ameren Energy Generating Company at the higher of cost or market, in that case at cost, because at the time of the transfer the market value of the fan was less than cost. When Mr. Gilbert was examining the data, he was apparently looking for a designation of "retired" for the fourth fan, but it is not recorded in the records as such because an item sold among the various Ameren affiliates to whom Ameren Services Company provides

[15] And as I already noted and as I explain further below, even had he been correct rate base would not be overstated.

services is recorded as a "transfer" and not as a retirement. Even though the fan did not show up as a retirement, the fan was still removed from *Ameren Missouri's* books in the same manner as if the fan had been recorded as retired as opposed to as transferred. Put another way, the fourth fan is not part of Ameren Missouri's rate base (or gross plant-in-service); there is no overstatement or error.

Q. Mr. Gilbert also mentions that there is a likelihood that salvage would have been earned as a result of selling the old motors that drove these fans. He therefore contends that by failing to account for salvage of this item the Company's rate base is overstated. Is he correct?

A. No, he is not. Ameren Missouri did receive salvage proceeds of approximately $41,000 as a result of selling these old motors. This salvage amount was booked incorrectly in 2010. Instead of being booked to the depreciation reserve as it should have, it was booked as a reduction of expense. This has been corrected during the true-up period.

I would note, however, that the $41,000 was included in the Company's original filing in this case as a reduction of the revenue requirement instead of a reduction of rate base. This actually lowered the revenue requirement too much, because a reduction in rate base of $41,000 will reduce the revenue requirement by only approximately $5,000, not by $41,000.

b. Allegations that Retirements Were Missed.

Q. Mr. Gilbert discusses his review of some of the assets in Account 312 – boiler equipment – at the Sioux Energy Center. He attempted to take a physical inventory of 29 items that he selected from the approximately 2,200[16] line items in this account, and could

[16] There were approximately 1,800 line items in this account in the last data request response provided to the Staff a few months ago, but due to unitization efforts and other activity, the number of line items has increased since then.

not find seven of them. From that observation he claims that this implies that 29%[17] of the items and 28% of the dollars reflected as plant-in-service in this account in fact are not in-service, should have been retired on the books, and thus should not be included in rate base. How do you respond?

A. First, as I will explain in a moment, even if he were correct this would have no impact on rate base.

In any event, Mr. Gilbert toured the plant one afternoon in June 2012. During the tour, Mr. Gilbert provided the plant personnel with a list of assets he wanted to review. The list contained limited descriptive information about those items. The list consisted mostly of coal handling equipment, which are some of the less costly items in the plant (and also consisted of other smaller items, like metal detectors, HVAC components, and a compacter). The largest single item on the list had an original cost of $1.6 million. It is true that, during the afternoon on which Mr. Gilbert and a production superintendent looked for the equipment, seven items were not found.

Q. Are the seven items missing?

A. No, they are not. Our records contain additional descriptive information for the assets that are in-service, and after reading Mr. Gilbert's testimony on this issue we pulled that information from the system and supplied that to the plant personnel. Using the additional information that we have available, we located three of the seven items. Photos of the three items taken on or about July 27, 2012 are attached to my testimony as Schedule LMM-ER2. Since we could not find the other four items, we retired them on our books in July 2012, which

[17] Mr. Gilbert apparently made a mathematical error or there is a typographical error in the Staff report since 7/29 = 24%.

means they will be accounted for as part of the true-up in this case. The gross book value (i.e. gross plant-in-service) of the three assets that were located at the plant totaled $1,051,273, as compared to the gross book value of assets that could not be located ($607,295). Based on this value, if you did the same calculation that Mr. Gilbert did, the asset value that could not be found is 10% of the gross book value of these particular 29 items, not 28%.

Q. But even though 90% of the gross book value was accounted for, doesn't this indicate a problem?

A. No, it does not. Account 312 at the Sioux Energy Center contains property with a *gross* book value as of July 2012 of nearly $972 million. Of the $972 million, $553 million is for the Sioux scrubbers. Of the remaining $419 million, the vast majority is for large items that are not mobile and that can't simply be "misplaced." The four items that we could not find were all mobile, and were all relatively old, ranging from 18 years old to 40 years old, or older. As discussed in the rebuttal testimony of Ameren Missouri witness Steven Wills, to pick 29 relatively small and mostly moveable items, using a method that is not scientific or statistically valid, and to then conclude that on that basis alone 28% (or even 10%) of the dollars on the Company's books perhaps should not be on the books is at best a crude and inaccurate method and at worst a completely invalid method. Neither the Company nor any utility anywhere can do a perfect job of accounting for every single asset retired over the 50 year (plus or minus) life of a power plant. If a metal detector breaks and is thrown away by plant personnel who do not follow proper procedures and report the retirement to the Plant Accounting Department, then yes, the Company will miss that retirement. But the fact that this happens on rare occasions with this kind of smaller, moveable equipment does not suggest that there is a systemic problem or a problem at all with recording retirements.

Q. You earlier noted that even if Mr. Gilbert were correct, the fact that the $600,000 of items were not found and thus had not been retired on the Company's books would have no effect on the Company's rate base. Can you please explain why that is so?

A. Yes, I can. Let me first state that I realize that it may seem counterintuitive that not showing $600,000 of retirements on the books and then retiring that $600,000 when it is realized that the retirements were missed would have no effect on rate base. However, once one understands that the Company's rate base used in the ratemaking process is its *net* rate base (and not the gross book value referenced by Mr. Gilbert), and once one accounts for the impact of using composite depreciation rates, it can be seen that there is no rate base impact.

Q. What is a composite depreciation rate?

A. It is the rate that applies to all of the assets in a particular account. For example, the composite depreciation rate for Account 312 at Sioux is 3.77 percent. It is called a "composite" rate because there is not a separate rate for sootblowers, or pipe, or bulldozers, although all of those items are accounted for in Account 312.

Q. Please explain how the difference between gross book value and net book value comes into play.

A. The net book value of the assets in an account is the gross book value of all of the assets in an account less the accumulated depreciation for all of the assets in that account. The accumulated depreciation is the cumulative sum of all depreciation expense on all assets in the account, and is sometimes also referred to as the "depreciation reserve." The depreciation rate in an account is applied to the gross book value. The return on rate base earned by the Company is applied to the *net* rate base; i.e., rate base in the ratemaking process is the net rate base, as I noted earlier. Failing to retire on the books an asset that is taken out of service has no effect on net rate base, but it does result in an overstatement of the gross book value (which as noted is also sometimes called the gross plant-in-service).

The table below contains a simplified example that illustrates these facts. It uses Account 312 at Sioux (the account Mr. Gilbert examined), excluding the recently installed scrubbers since they are virtually brand new. The annual depreciation rate for Sioux Account 312 account is 3.77%. For purposes of this example, I assume there are no other transactions during this time period.

		Gross Plant- In-Service	Accumulated Depreciation	Net Rate Base
Balance, December 31, 2010		$415,000,000	(135,000,000)	280,000,000
2011 Annual Depreciation			(15,645,500)	(15,645,500)
Balance, December 31, 2011		415,000,000	(150,645,500)	264,354,500
2012 Retirements		(600,000)	600,000	0
Balance after retirements		414,400,000	(150,045,500)	264,354,500
2012 Annual Depreciation after retirements			(15,622,880)	(15,622,880)
Balance, December 31, 2012		414,400,000	(165,668,380)	248,731,620

Q. Please explain what this example shows.

A. The first row shows that the gross plant-in-service in this account at the end of 2010 was $415,000,000, but there had been a total of $135,000,000 of depreciation expense charged to this account since its inception, meaning the net rate base was $280,000,000. If rates were set in a rate case based upon the December 31, 2010 net rate base value, then at the 3.77 percent composite depreciation rate the annual depreciation expense reflected in rates would be $15,645,500 ($415,000,000 x .0377). And note that the revenue requirement set in such a case would also reflect a return on the net rate base of $280,000,000. Please also note that at the end of 2011 that annual sum of depreciation expense increases accumulated depreciation by a like amount and decreases net rate base by a like amount.

The example then continues by reflecting the retirement of the $600,000 worth of gross plant-in-service for the four items on Mr. Gilbert's list that were not found. Note that *only the gross plant-in service changes*. This is because when a retirement occurs we book the retirement to accumulated depreciation (i.e., accumulated depreciation goes down by the amount of the gross plant-in-service dollars retired).[18] Mathematically, this means that the net rate base doesn't change at all.

Q. So are you saying that even if this $600,000 was not retired, the Company was not earning a higher return because the retirement was not recorded?

A. Yes, I am, because whether it was retired on the Company's books or not, *the net rate base is the same.*

Q. Was there a consequence from not retiring the $600,000 when the four items actually were no longer in-service?

A. Yes, but it is a consequence that doesn't benefit the Company. If, for example, the four items actually were out-of-service when the Company's rates were last set on July 31, 2011, the depreciation expense used to set rates at that time was higher by $22,620 annually ($600,000 x .0377). However, the Company's depreciation expense on its income statement was also higher by $22,620. Consequently, the Company's earnings were not impacted in the short-term. However, there would actually be negative impact on the Company's earnings in the longer-term.

Q. Please explain.

[18] Doing so reflects the assumption, which is inherent in the use of composite depreciation rates, that when an item is retired it is fully depreciated for accounting purposes.

A. As I explained earlier, depreciation expense increases accumulated depreciation which decreases net rate base. Consequently, the $22,620 of additional depreciation expense lowers the Company's net rate base, which means it has a lower rate base upon which to earn. My point is that while I agree that there is a small mis-estimation of depreciation expense caused by the $600,000 of overlooked retirements, it is not in the Company's interest to overlook retirements, and we take steps to prevent that from happening to the extent possible.

Q. What does the Company do to avoid missing retirements?

A. Ameren's Work Order Policy states "an approved work order is required prior to committing or expending funds for capital, retirement, reimbursable, or expense projects except in extreme and unforeseen circumstances when immediate work is required to preserve or restore operating equipment and facilities."

Plant Accounting also reviews all work orders and specifically examines them to ensure that they include, among other things, retirements. If a work order includes replacement of any assets, Plant Accounting will make sure that amount is included in the work order before it is approved. Plant Accounting also participates in training with the field personnel and management to ensure that the process is understood.

Q. Did the Company "over-recover" its depreciation expense?

A. No, because the Company's rates set in its last rate case have been insufficient to cover the Company's costs, including its capital costs, which is why we have had to file another rate case. I will agree, as Mr. Gilbert alludes to, that if an asset is taken out of service but not retired on the books that this could impact the life, salvage or cost of removal calculations in a depreciation study, although this $600,000 would not cause any impact one could ever see given the size of Account 312 overall.

Q. Has the Company adjusted its books to reflect the $600,000 in retirements that Mr. Gilbert identified?

A. Yes, we have. As part of the true-up phase of the case, the retirements that we have now made on our books will reduce the gross plant-in-service and thus remove any depreciation expense associated with these four items.

Q. You noted earlier that you were referring to line items in this account and not a quantity of individual items. Please explain why you refer to the line items in the account instead of the quantity of assets in the account.

A. The Company cannot provide a quantity count of assets because of the different units of measure used with the account. For example, pipe is measured in feet and sootblowers are measured per sootblower. Consequently, for a work order where the company is replacing ten feet of pipe and two sootblowers, the quantity in the system would be 12 (ten, one-foot pipe sections, and two sootblowers) but there would only be two line items (one for pipe and one for the sootblowers) . We thus refer to line items because otherwise we would be looking at an apples and oranges comparison.

This means that the line items in the account will not perfectly match the number of different items (e.g., the two sootblowers would be shown as one line item and the ten feet of pipe as one line item). There may also be minor additions to an asset (e.g., a cab later added to a front loader) that will show up with a quantity of zero but would be on a different line item. Also, prior to unitization, there may be one line item but it may contain more than one asset. Upon unitization each asset will be accounted for separately.

c. Other Rate Base Issues.

Q. Does Mr. Gilbert make any other contentions related to the Company's rate base?

A. Yes. In addition to his contentions about the seven items at Sioux (the majority of which, in dollars, were located) and the Labadie burners which he incorrectly believed were estimated retirement amounts, Mr. Gilbert also discusses assets that were retired in place. He states that if an item is removed from service, retired and removed from the CPIR as no longer being "used and useful," the Company has no record of an account to which it may charge future cost of removal or to which it can record any benefit from the sale of the old equipment. He cites as an example the old Venice coal plant, which was taken out of service approximately ten years ago, but some of which remained on site.

Q. Does retiring an asset on your books even if the asset is still at the site impact rate base or otherwise impact the accuracy of a depreciation study?

A. As explained earlier, there is no impact on rate base. Moreover, since the assets were retired on the books (i.e., no longer reflected in gross plant-in-service), there is no impact on the life, salvage, or cost of removal calculations in a depreciation study. At such time as the assets are actually removed, then any cost of removal and salvage will be recorded.

Q. Are there other reasons that retiring an asset in place has nothing to do with removal costs or salvage?

A. Yes, there are. This goes back to Mr. Gilbert's assertion that cost of removal and salvage must be booked back to the asset level and not the functional class as stated in USoA Account 108. The cost of removal and salvage are components of the depreciation reserve and not plant-in-service. The Company uses composite depreciation so there is no benefit or requirement to having this information at this level of detail.

Q. Mr. Gilbert concludes his discussion about rate base levels by stating that given the limited scope of items audited and the number of instances where rate base was (he alleges) overstated, there exists a significant potential that there are additional misbooked assets and cost of removal charges. Do you agree?

A. No. As I have explained, rate base was not overstated, and the magnitude of any "error" in gross plant-in-service was greatly exaggerated by Mr. Gilbert.

Q. Please summarize your position regarding Mr. Gilbert's suggestion that there should be a $2,528,567 reduction in rate base related to the burners at Labadie and the items reviewed at Sioux and regarding the allegation that there are significant concerns about rate base overstatement in general.

A. As I have explained, the Labadie burners were correctly recorded – I think Mr. Gilbert did not understand the fact that the original cost of the old burners was actually retired from the books and these amounts did not include any estimates, and this was both because of his inaccurate sorting of the data and because of his mistaken assumptions. Consequently, he is incorrect that there needs to be an $870,000 reduction of either gross plant-in-service or rate base.

As for the items at Sioux, we found all but approximately $600,000 (gross book value) of the items. Rate base was unaffected by the remaining $600,000, and in the true-up in this case the impact of retiring the $600,000 will be captured in the form of a lower gross plant-in-service balance.

VIII. <u>CONTINUING PLANT INVENTORY RECORD</u>

Q. It appears that it is Mr. Gilbert's contention that Ameren Missouri's PowerPlant information – in conjunction with printed out paper records from older software – comprises its CPIR. Do you agree?

A. No, I disagree. Under the USoA, only the information on plant that is today in-service comprises the CPIR. This is because the USoA defines the CPIR as follows:

> 8. *Continuing Plant Inventory Record* means company plant records for retirement units and mass property that provide, as either a single record, or in separate records readily obtainable by references made in a single record, the following information:
>
> A. For each retirement unit:
> (1) The name or description of the unit, or both;
> (2) The location of the unit;
> (3) The date the unit was placed in service;
> (4) The cost of the unit as set forth in Plant Instructions 2 and 3 of this part; and
> (5) The plant control account to which the cost of the unit is charged; and
>
> B. For each category of mass property:
> (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.

The USoA plainly only requires the name, location, date the unit (at the retirement unit level – i.e., the pump, the pipe) was put in service, and the cost. It doesn't require a listing of retirements; it doesn't require a listing of salvage, cost of removal, etc.

However, it is my assumption that because of subsection (A), which Mr. Gilbert indicated we are in compliance with, Mr. Gilbert assumes that the CPIR must consist of one "document" or be in one "system." This is because subsection (A) requires that records of each unit's retirement (I believe this is a reference to a retirement unit) be maintained as part of the CPIR. Because we have all of those records, as I noted from 1996 to 2005 in our prior electronic system and prior to

1996 in our paper records, we are maintaining that information as part of the CPIR – we just don't maintain it in one document or system.

Q. Mr. Gilbert says that the Company uses the CPIR in its depreciation studies. Is that statement accurate?

A. Yes and no. Certainly we directly use the information on the plant that is in-service as found in PowerPlant. And certainly the retirement, salvage, cost of removal, etc. data from our other records is in the Gannett Fleming database that is used in depreciation studies. But since the database I spoke of earlier has been "built" over decades, using actual data from all of those records, it is more accurate to say that we use the current in-service data – the data that the USoA defines as being included in the CPIR that is in PowerPlant – plus the historical data in the database, which is updated to the current date each time a depreciation study is done.

Q. Were you aware prior to seeing Mr. Gilbert's testimony that Mr. Gilbert had concerns related to the CPIR?

A. No, but we were aware that he wanted to see all of our records at all of our coal units – even for the Cahokia plant that was taken out of service in 1977 and sold in 1979, and the Venice Plant. We knew this because Mr. Gilbert asked us for the "CPR"[19] for all of those plants in discovery.

Q. Did you provide this information?

A. We interpreted the request as a request for the CPIR as defined by the USOA.

Q. Did Mr. Gilbert want something more?

[19] We understood Mr. Gilbert's request at the time to be for the CPIR, as defined by the USoA.

A. Yes, he did, and we did not provide it (although we offered to make it available, as I will discuss below) because (a) we do not believe the data requests at issue asked for it; as noted, we thought he was asking for the CPIR according to the USoA, (b) we did not understand how it was relevant to this rate case, and (c) because it would be quite burdensome to provide 50-60 years of data for 12 coal units, plus 12 additional retired coal units, particularly when one considers that the data is already in the database that we have provided to the Staff on several occasions in recent years. In this case, we had not submitted a depreciation study, nor were we required to, and we had asked Mr. Gilbert if he was conducting a depreciation study, and he indicated he was not. Even if he were, as I noted earlier, several depreciation studies have been done recently. In connection with those studies, we had only provided data based upon the definition of a CPIR in the USoA plus the database with all of the historical data I spoke of earlier. It was our reaction to the DRs that to go back and pull the specific retirement data (beyond what the Staff already had – in the database) out of 50 or 60 years of paper records as part of discovery in this case was not appropriate.

Q. You indicated that you offered to make the data available. Please explain.

A. When we received the DRs that asked for the CPR for all of our coal plants (including the retired Venice Plant and even the Cahokia Plant), we provided what we understood the CPR to be (the CPIR). Mr. Gilbert then indicated he wanted retirement data, and we agreed to pull that data back to 2005 from our PowerPlant system. Mr. Gilbert insisted that we go back 50 or 60 years, and for the reasons discussed earlier, we did not do so and did not believe doing so in discovery in this case was appropriate, at least not unless the Staff could articulate why they needed this to be done *for this rate case* – having used the same data plus the database on several occasions before.

Q. Did Staff ever explain why this needed to be done for this rate case?

A. No. Attached to my testimony as Schedule LMM-ER3 is a letter from the Company's attorney to Staff counsel in which the Company makes clear its understanding of what the CPIR is and is not. It acknowledges that the Staff, after sending the DRs, clarified that it wanted something more, and acknowledges that the Staff claimed that going back for 50 years of data is "highly relevant" to this case. However, it also points out that earlier the Company had specifically told the Staff that the Company could not discern any relevance of that information to this rate case, and had specifically asked the Staff to explain the relevance. It goes on to state as follows:

> The Company has no desire to prevent the Staff from accessing information that it legitimately needs but those needs must be balanced against the responder's interests as well. The Company is certainly open to gaining an understanding of why the Staff thinks the information is relevant to this case, and what the Staff is trying to accomplish, etc., so that perhaps a solution can be found. We may end up agreeing to disagree, but it's worth a discussion. And so that both sides can feel free to speak candidly, it is my suggestion that we agree in advance that the discussion will be a settlement discussion relating to a discovery dispute and that nothing that is said can be used against the other side in this or another case. To that end, it is my suggestion that you and I along with Mr. Gilbert and probably Gary Weiss and Laura Moore have such a discussion so that we can understand what exactly you are after, why you are after it, what we have, and how and if it can be accessed, and so that you can understand the concerns the Company has as well.
>
> If you would like to have such discussion please let me know and please give me some dates/times when we can do so. I can then check schedules and get it scheduled, and provide a call-in number. In the meantime the Company will be answering DR Nos. 275 through 278 by providing the most recent CPIR/CPR (as of March 31, 2012), and pending such discussion the Company does not intend to provide the information Mr. Gilbert apparently wants back to the plants' inceptions. We will see where we stand on these issues after we have the discussion.
>
> I look forward to hearing from you.

Q. Did the Staff respond?

A. Yes, the Staff counsel for the first time advised the Company's attorney that the Staff considered compliance with Commission rules to be a rate case issue and that the Staff had "serious concerns" about access to and maintenance of plant records. Staff raised the possibility of filing a complaint regarding these issues. Shortly thereafter we received another communication where the Staff continued to assert that we had not answered their DRs properly and advising us that if we did not do so by May 17 the Staff would file a motion to compel.

Q. Did the Staff file a motion to compel?

A. No. The Company's attorneys had a conference call with Staff counsel and Mr. Gilbert, discussed the issues, and then followed-up that call with an e-mail in which the Company again reiterated as follows:

1. The Staff data requests: We believe that we have fully answered the specific data requests that the Staff asked. We believe that the CPR and CPIR are the same thing—records of the assets that are in service as of a particular date. We do not believe that the terms CPR and CPIR can fairly be interpreted to cover records of items of plant that were retired in the past, even where the energy center where they were located is still in service.

2. Additional Staff requests for plant records back to the original in-service date of the energy center: If Staff submits additional data requests asking for plant records back to the original in-service date of the energy center, we believe that that request is irrelevant to the rate case. Those records would have absolutely nothing to do with the rate base used in this case, and nothing really to do with any issue that is or could be in this rate case. We would object to any new data request on those grounds.

3. Commission's general authority*: Notwithstanding the fact that we believe non-current plant records are irrelevant to our current rate case, we agree and understand that the Commission, and by extension the Staff, has general authority to review our plant records, and, outside of the rate case, we are willing to provide Staff access to the Company's plant records back to the original installation of the energy center. However, as we discussed, those records are on paper, in boxes, at storage facilities and we will have to have them pulled. We will have to work together to develop a timeframe that is reasonable to get the Staff access to these records.*

> I am hopeful that this email provides a path forward for us, either to cooperatively access the plant records you are seeking outside of the rate case, or to address the issues with the Commission if necessary. Tom (emphasis added).

We never heard from the Staff again, that is until Mr. Gilbert filed his testimony in this case on July 6.[20]

Q. Why do you believe that the foregoing discussion about the CPIR is relevant to this case?

A. As noted, in April, more than two and one-half months before the Staff's direct testimony was due, we offered to sit down with the Staff and discuss what their concerns were and how we could get them access to what they wanted to see. The Staff continued to assert this was a discovery matter, and we again made clear we would sit down with them and try to get them what they needed. They did not file a motion to compel and did not take us up on our offer. Had the Staff sat down and talked with us about these issues, we could have explained several of the items that Mr. Gilbert apparently had a misunderstanding about, as I outlined earlier.

Q. It appears there were communication issues; perhaps a case of "talking past each other." Have there been issues like this in the past?

A. We have had differences of opinion in the past on depreciation *methodologies,* and the Commission has ultimately resolved them, but we have not had material disagreements about whether the data used for Staff and Company depreciation studies was accurate or sufficient. I agree that there was probably some "talking past each other," but we realized that

[20] May 16, 2012 E-mail from Tom Byrne to Sarah Kliethermes.

might be the case at the time and that is why we offered to sit down and discuss Staff's concerns and data needs.

Q. Does the Company remain willing to sit down with the Staff and to provide them access, on reasonable terms and at reasonable times, to all of the Company's plant records?

A. Yes. We made this offer in April, and again in May, and we make that offer again now. And as I noted, last week Mr. Gilbert called and wanted certain plant records on a day's notice, and we got them for him.

IX. PROJECT FIRST

Q. Mr. Gilbert suggests that the Project First software costs should be included in Account 391.003 – Enterprise Systems. Do you agree?

A. No. The USoA definition for Account 391 states this account shall include the cost of office furniture and equipment owned by the utility and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts. Based on the USoA definition of this account, the account is inappropriate for computer software.

Q. What account is more appropriate for the Project First software?

A. FERC USoA Account 303 – Miscellaneous intangible plant – is the appropriate account. The USoA definition of Account 303 provides that the account shall include the cost of patent rights, licenses, privileges, and other intangible property necessary or valuable in the conduct of utility operations and not specifically chargeable to any other account. Software is a licensed code developed by the software licensor that is necessary or valuable in our operations.

Mr. Gilbert states that a new depreciation rate should be developed for this account to replace the five-year depreciation life in current Accounts 303 and 391. The Company tracks all software assets in separate account "minors" (a "minor" is a subsidiary code within a "major" account; e.g., Account 303 is a major; Account 303.1 would be a minor) in our code block and has the ability to set the depreciable life for each software asset separately. Therefore, an entirely new account is not necessary in order to change the depreciable life of the Project First software. Instead, the Project First software should be booked to Account 303.xxx.

Q. Do you agree with the service life Mr. Gilbert advocates for the Project First software?

A. No. The Company reviewed the depreciation life of the Project First software after the initial rate filing and determined that a ten-year service life was the most appropriate. The ten-year life is currently being used for depreciation purposes on the Company's books. The Company agrees with the Staff that in the case of Project First a five-year life may be too short but does not believe 20 years to be appropriate.

X. RETIREMENT OF VIADUCT AND VENICE UNIT 1 CTGS

Q. In the Staff Report, Staff Witness Michael Taylor discusses the lack of submission of heat rate/efficiency testing for Venice CTG1 and the Viaduct units. He continues to recommend that the Commission grant Ameren Missouri a variance from the requirement to file all of its heat rate testing results in this case. In addition, he recommends the Commission order the Company in future rate cases to properly ask for a waiver from 4 CSR 240-3.161(3)(Q), identify what units it is not filing heat rate testing results for, and to identify the case in which heat rate test results can be found. Do you agree?

A. Mr. Taylor's recommendations stem from the fact that heat rate testing results were not submitted for those two units. The reason they were not submitted is because those units were retired from service in September 2011. Consequently, there was no need to submit testing information for them and a waiver isn't necessary. We should have explicitly stated as such when the other heat rate testing information was submitted and appreciate Mr. Taylor's suggestion of a waiver, but since the units are retired the issue is moot.

XI. INTANGIBLE PLANT EXPIRING AMORTIZATION

Q. MIEC Witness Steven Carver suggests in his testimony that Ameren Missouri adjust amortization for intangible plant for some of the plant amortizations that will expire subsequent to the Commission's rate order. Do you agree with the proposed adjustment?

A. Ameren Missouri agrees with most of the suggested adjustments related to intangible plant. The Company updated and modified Mr. Carver's schedule through the true-up date. Based on the true-up amounts and some additional adjustments that I will explain below, the Company agrees with an adjustment of $597,000. The total adjustment that Mr. Carver is suggesting is $1.1 million, but this was based on the original filing amounts.

Q. Please explain the adjustments you disagree with and why.

A. Mr. Carver is suggesting that we adjust the amortization life of some of our intangible assets. The Company has excluded 11 assets that were in Mr. Carver's original schedule. These assets are listed in a schedule attached to my testimony as Schedule LMM-ER4, which reflect modifications and updates (through the true-up period) to Mr. Carver's schedules. The first two assets excluded from the proposed adjustment are assets that the Company plans to retire next year. We do not believe we should extend the life of these assets only to write them off next year. The unamortized amount of these assets that will be retired is $51,000.

The next adjustment the Company has made is for two assets that were included in Mr. Carver's adjustment but were retired from the Company's books during the true up period. There is no unamortized balance on this asset. The remaining balance was written off below-the-line when the asset was retired.

The last adjustment the Company made was to exclude the proposed adjustment for seven assets that were fully amortized. The amortization related to these assets will not be included in the true up filing so no further adjustment is required.

Q. Does this conclude your rebuttal testimony?

A. Yes.

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-2012-0166

AFFIDAVIT OF LAURA M. MOORE

STATE OF MISSOURI)
) **ss**
CITY OF ST. LOUIS)

Laura M. Moore, being first duly sworn on her oath, states:

1. My name is Laura M. Moore. I am employed by Union Electric Company d/b/a Ameren Missouri as Managing Supervisor of Regulatory Accounting.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Union Electric Company, d/b/a Ameren Missouri, consisting of 51 pages and Schedule(s) LMM-ER1 through LMM-ER4, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Laura M. Moore
Laura M. Moore

Subscribed and sworn to before me this 14th day of August, 2012.

Julie Donohue
Notary Public

My commission expires: 2/17/2013

Julie Donohue - Notary Public
Notary Seal, State of
Missouri - St. Louis City
Commission #09753418
My Commission Expires 2/17/2013

AUTHORITY: section 393.1075.11, RSMo Supp. 2010. Original rule filed Oct. 4, 2010, effective May 30, 2011.*

**Original authority: 393.1075, RSMo 2009.*

4 CSR 240-3.165 Annual Report Submission Requirements for Electric Utilities

PURPOSE: Section 393.140(6), RSMo, includes an obligation for the commission to require every person and corporation under its supervision to submit an annual report to the commission. This rule establishes the standards for the submission of annual reports by electric utilities that are subject to the jurisdiction of the commission, including the procedures for submitting nonpublic annual report information.

(1) All electric utilities shall submit an annual report to the commission on or before April 15 of each year, except as otherwise provided for in this rule.

(2) Electric utilities shall submit their annual reports either on a form provided by the commission or on a computer-generated replica that is acceptable to the commission. Reports being submitted on paper are to be prepared in looseleaf format and sent to the attention of the secretary of the commission. Computer-generated reports can be submitted through the commission's electronic filing and information system (EFIS). Attempts to substitute forms such as stockholder reports without concurrently submitting official commission forms with appropriate cross-references will be considered noncompliant. All requested information shall be included in the annual report, where applicable, even if it has been provided in a previous annual report.

(3) An electric utility that receives a notice from the commission stating that deficiencies exist in the information provided in the annual report shall respond to that notice within twenty (20) days after the date of the notice, and shall provide the information requested in the notice in its response.

(4) If an electric utility subject to this rule considers the information requested on the annual report form to be nonpublic information, it must submit both a fully completed version to be kept under seal and a redacted public version that clearly informs the reader that the redacted information has been submitted as nonpublic information to be kept under seal. Submittals made under this section that do not include both versions will be considered deficient. The staff on behalf of the commission will issue a deficiency letter to the company and if both versions of the annual report are not received within twenty (20) days of the notice, the submittal will be considered noncompliant. In addition to the foregoing, submittals made under this section must meet the following requirements:

(A) A cover letter stating that the utility is designating some or all of the information in its annual report as confidential information, and including the name, phone number and e-mail address (if available) of the person responsible for addressing questions regarding the confidential portions of the annual report, must be submitted with the reports;

(B) The cover of each version of the report must clearly identify whether it is the public or nonpublic version;

(C) A detailed affidavit that identifies the specific types of information to be kept under seal, provides a reason why the specific information should be kept under seal and states that none of the information to be kept under seal is available to the public in any format must be prominently attached to both versions of the report; and

(D) Each page of each version of the report that contains nonpublic information shall be clearly identified as containing such information.

(5) If an entity asserts that any of the information contained in the nonpublic version of the annual report should be made available to the public, then that entity must file a pleading with the commission requesting an order to make the information available to the public, and shall serve a copy of the pleading on the utility affected by the request. The pleading must explain how the public interest is better served by disclosure of the information than the reason provided by the utility justifying why the information should be kept under seal. The utility affected by the request may file a response to a pleading filed under these provisions within fifteen (15) days after the filing of such a pleading. Within five (5) business days after the due date for the filing of the utility's response to a request filed under these provisions, the general counsel by filing of a pleading will make a recommendation to the commission advising whether the request should be granted.

(6) An electric utility that is unable to meet the submission date established in section (1) of this rule may obtain an extension of up to thirty (30) days for submitting its annual report by:

(A) Submitting a written request, which states the reason for the extension, to the attention of the secretary of the commission prior to April 15; and

(B) Certifying that a copy of the written request was sent to all parties of record in pending cases before the commission where the utility's activities are the primary focus of the proceedings.

(7) An electric utility that is unable to meet the submission date established in section (1) of this rule may request an extension of greater than thirty (30) days for submitting its annual report by:

(A) Filing a pleading, in compliance with the requirements of Chapter 2 of 4 CSR 240, which states the reason for and the length of the extension being requested, with the commission prior to April 15; and

(B) Certifying that a copy of the pleading was sent to all parties of record in pending cases before the commission where the utility's activities are the primary focus of the proceedings.

(8) Responses to deficiency notices under the provisions of section (3) of this rule, requests for confidential treatment under the provisions of section (4) of this rule, pleadings requesting public disclosure of information contained under seal under the provisions of section (5) of this rule, and requests for extensions of time under the provisions of sections (6) or (7) of this rule may be submitted through the commission's electronic filing and information system (EFIS).

(9) An electric utility that does not timely file its annual report, or its response to a notice that its annual report is deficient, is subject to a penalty of one hundred dollars ($100) and an additional penalty of one hundred dollars ($100) for each day that it is late in filing its annual report or its response to a notice of deficiency.

AUTHORITY: sections 386.250 and 393.140, RSMo 2000. Original rule filed Aug. 16, 2002, effective April 30, 2003. Amended: Filed Nov. 7, 2003, effective April 30, 2004.*

**Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996 and 393.140, RSMo 1939, amended 1949, 1967.*

4 CSR 240-3.175 Submission Requirements for Electric Utility Depreciation Studies

PURPOSE: This rule sets forth the requirements regarding the submission of depreciation studies by electric utilities.

(1) Each electric utility subject to the commission's jurisdiction shall submit a depreciation study, database and property unit catalog to the manager of the commission's energy department and to the Office of the Public Counsel, as required by the terms of subsection (1)(B).

Schedule LMM-ER1

(A) The depreciation study, database and property unit catalog shall be compiled as follows:

1. The study shall reflect the average life and remaining life of each primary plant account or subaccount;

2. The database shall consist of dollar amounts, by plant account or subaccount, representing—

A. Annual dollar additions and dollar retirements by vintage year and year retired, beginning with the earliest year of available data;

B. Reserve for depreciation;

C. Surviving plant balance as of the study date; and

D. Estimated date of final retirement and surviving dollar investment for each warehouse, electric generating facility, combustion turbine, general office building or other large structure; and

3. The property unit catalog shall contain a description of each retirement unit used by the company.

(B) An electric utility shall submit its depreciation study, database and property unit catalog on the following occasions:

1. On or before the date adjoining the first letter of the name under which the corporation does business, excluding the word the, as indicated by the tariffs on file with the commission.

A. The alphabetical categories and submission due dates are as follows:

(I) A, B, C, D: January 1, 1994;

(II) E, F, G, H: July 1, 1994;

(III) I, J, K, L: January 1, 1995;

(IV) M, N, O, P: July 1, 1995;

(V) Q, R, S, T: January 1, 1996; and

(VI) U, V, W, X, Y, Z: July 1, 1996.

B. However—

(I) An electric utility need not submit a depreciation study, database or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the due dates listed in subparagraph (1)(B)1.A.; and

(II) A utility with simultaneous due dates under subparagraph (1)(B)1.A. above and 4 CSR 240-3.275(1)(B)1. may postpone its due date with respect to one (1) of these rules by six (6) months. To exercise this option, the utility must give written notice of its intent to postpone compliance to the manager of the commission's energy department, and to the Office of the Public Counsel, before the utility's first due date;

2. Before five (5) years have elapsed since the last time the commission's staff received a depreciation study, database and property unit catalog from the utility.

(2) The commission may waive or grant a variance from the provisions of this rule, in whole or in part, for good cause shown, upon a utility's written application.

AUTHORITY: section 386.250, RSMo 2000. Original rule filed Aug. 16, 2002, effective April 30, 2003.*

**Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996.*

4 CSR 240-3.180 Submission of Electric Utility Residential Heat-Related Service Cold Weather Report

PURPOSE: This rule sets forth the requirements for electric utilities to submit reports regarding services provided during the commission's designated cold weather period.

(1) Each utility providing heat-related utility service shall submit a report to the consumer services department of the commission for each calendar month no later than the twentieth day of the following month. The utility shall provide a copy of each report to the Office of the Public Counsel. The utility shall report for each operational district into which the utility has divided its Missouri service territory the number of days it was permitted to discontinue service under 4 CSR 240-13.055, and the utility shall separately report on the information listed below for customers receiving energy assistance and customers who are affected by 4 CSR 240-13.055 and known not to be receiving energy assistance. All information submitted shall be considered public information; however, no customer-specific information shall be reported or made public. Utilities providing both electric and gas service shall report the information separately for their gas-only territory.

(A) How many customers were:

1. Disconnected at the end of the period;

2. Of those disconnected, how many customers had service discontinued for nonpayment during the period;

3. Of those discontinued during the period, how many customers were restored to service during the period.

(B) Of customers reported as disconnected at the end of the period:

1. How many had broken a cold weather rule pay agreement;

2. How many had broken a non-cold weather rule pay agreement;

3. How many had not been on a pay agreement.

(C) Of those customers reconnected during the period:

1. How many customers received energy assistance (pledged or paid) from:

A. Low Income Home Energy Assistance Program (LIHEAP);

B. Energy Crisis Intervention Program (ECIP);

C. Other sources known to the utility.

2. How much energy assistance was provided by:

A. LIHEAP;

B. ECIP;

C. Other sources known to the utility;

D. Customer.

(D) Of customers restored to service during the period:

1. How many were put on a cold weather rule pay agreement;

2. How many were put on a non-cold weather rule pay agreement.

(E) How much was owed by those disconnected at the end of the period:

1. How much was owed by those disconnected during the period;

2. How much was owed by those reconnected during the period.

(F) How many customers were registered under 4 CSR 240-13.055(1)(D) at the end of the period:

1. How many customers registered during the period;

2. How many of such registered customers had service discontinued during the period.

(G) For how many customers during the period did the utility receive:

1. LIHEAP;

2. ECIP;

3. Other assistance know to the utility.

(H) How much cash did the utility receive on behalf of customers during the period from:

1. LIHEAP;

2. ECIP;

3. Others know to the utility.

(I) How many customers who requested reconnection under terms of this rule were refused service pursuant to section 4 CSR 240-13.055(9).

(J) How many customers received energy assistance insufficient in amount to retain or restore service.

(K) The number of customers who agreed to pay for their heat-related utility service under a payment agreement in accordance with 4 CSR 240-13.055.

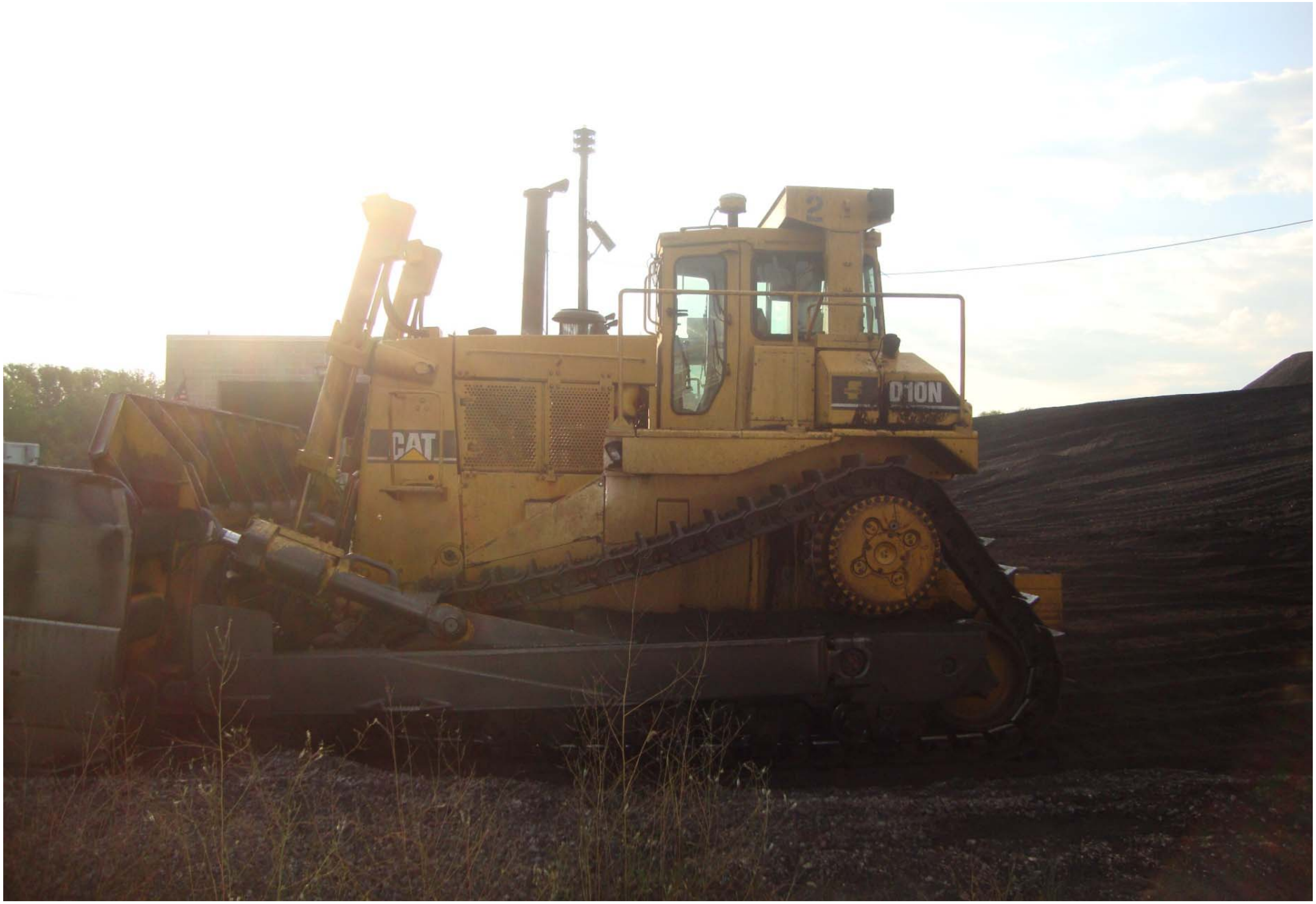
AUTHORITY: section 386.250, RSMo 2000. Original rule filed Aug. 16, 2002, effective*

Coal Handling Equipment
Sioux Plant

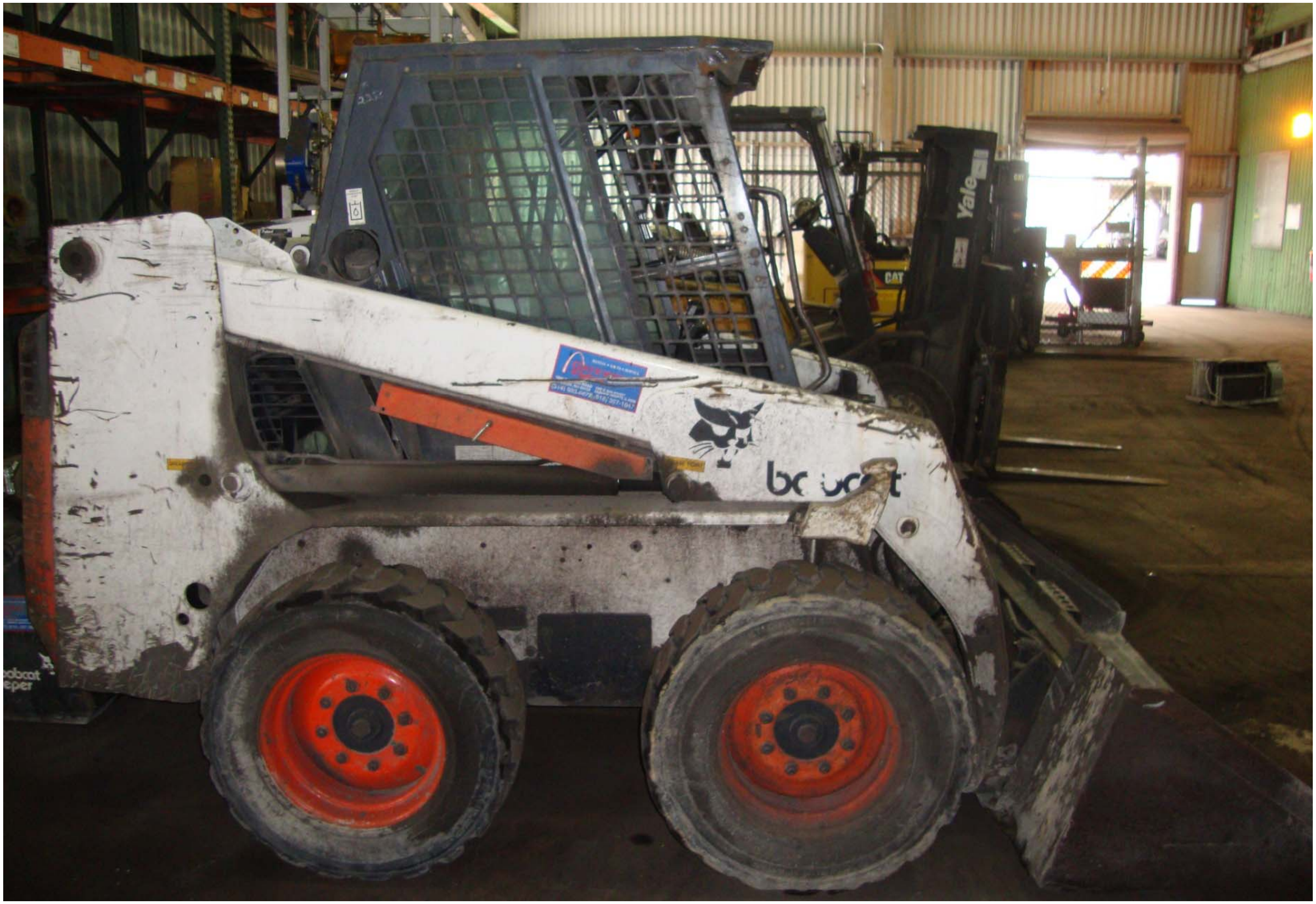
Capital Purchases on Site

July 27, 2012

D7H Series II Dozer – RUC19528 – Vintage 1982



Caterpillar D10-N Track Dozer S/N 3SK00742 – Vintage 1995



Skid-Steer Loader RUC 19532 – Front Loader – Vintage 1997

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Re: Case No. ER-2012-0166 – Staff DR Nos. 133 through 136 and Nos. 275 through 278

Dear Sarah:

This letter responds to your April 25, 2012 e-mail.

As I previously indicated, the Staff has already been provided the Company's continuing property record (also known as the "continuous plant inventory record" or CPIR), as those terms are used in both the USOA (CPIR) and consistent with the NARUC Depreciation Manual's definition of CPR (found at page 317 thereof) (which I assume is the NARUC definition you were referring to when you e-mailed me on April 12). In other words, the Staff has been provided a listing of what is owned at a given point in time, as specified in the USOA, and a "collection of essential records showing the detailed original costs, quantities, and locations of *plant in service*," as specified in the NARUC Depreciation Manual (emphasis added). Items that are "owned" or "in service" and that remain in service are in the CPIR/CPR. Items that were added but have since been removed are not owned, or in service, and are thus not part of the CPIR/CPR.

What Mr. Gilbert apparently wants, but which has not been asked for in any DR, is every addition and retirement for (apparently) a period spanning up to approximately 50 years ago across 12 generating units located at four power plants. That information is not information that is "already prepared and easily accessible," as you suggest in your April 12 e-mail. It is my understanding that Mr. Gilbert has been advised that the paper records that would have to be accessed to compile such information are stored off-site and, to reiterate, they are on paper. There is not an accessible electronic database in which queries can be made, or from which sorted data can be retrieved, and the Company was not required to maintain such information in such a format.

Your references to prior discussions or e-mails and to dispelling confusion appear to suggest that you may contend that somehow the Company has agreed to go beyond the DR requests based upon the Company's willingness to *attempt* to get Mr. Gilbert at least part of what he wanted (by going back five years for the data he apparently wants). You are correct that eventually the Company figured out that Mr. Gilbert apparently thought he had asked for every single retirement and addition at all four of these plants back for a period of up to 50 years ago, and that apparently Mr. Gilbert had assumed that a CPIR/CPR reflected that data. You are incorrect if it is your contention that the Company ever agreed to provide that data or ever agreed that it was contained in a CPIR/CPR.

You also state that Staff "believes" that this up to 50-year old data is "highly relevant" to the pending rate request. As I previously indicated, we don't see the relevance, and are still waiting for an explanation.

We have already provided the CPR/CPIR, and have thus fully responded to DR Nos. 133 through 136 and Nos. 275 through 278. We have voluntarily tried to accommodate the Staff by providing information beyond those requests.

The Company has no desire to prevent the Staff from accessing information that it legitimately needs but those needs must be balanced against the responder's interests as well. The Company is certainly open to gaining an understanding of why the Staff thinks the information is relevant to this case, and what the Staff is trying to accomplish, etc., so that perhaps a solution can be found. We may end up agreeing to disagree, but it's worth a discussion. And so that both sides can feel free to speak candidly, it is my suggestion that we agree in advance that the discussion will be a settlement discussion relating to a discovery dispute and that nothing that is said can be used against the other side in this or another case. To that end, it is my suggestion that you and I along with Mr. Gilbert and probably Gary Weiss and Laura Moore have such a discussion so that we can understand what exactly you are after, why you are after it, what we have, and how and if it can be accessed, and so that you can understand the concerns the Company has as well.

If you would like to have such discussion please let me know and please give me some dates/times when we can do so. I can then check schedules and get it scheduled, and provide a call-in number. In the meantime the Company will be answering DR Nos. 275 through 278 by providing the most recent CPIR/CPR (as of March 31, 2012), and pending such discussion the Company does not intend to provide the information Mr. Gilbert apparently wants back to the plants' inceptions. We will see where we stand on these issues after we have the discussion.

I look forward to hearing from you.

Sincerely,

/s/ James B. Lowery

James B. Lowery

Cc: Tom Byrne, Gary Weiss, Laura Moore

Ameren Missouri
Case No. ER-2012-0166

INTANGIBLE PLANT EXPIRING AMORTIZATION ADJUSTMENT
As of July 31, 2012
(000's)

Line No.	Description	Reference	Unamortized Balance @ 12/31/12	Reschedule Amortization Period (Yrs)	MIEC Proposed Amortization	Less: Company Proposed Amortization	Revised MIEC Adjustment
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	**Intangible Plant Amortizations:**						
2	1303242- CTG Monitoring Sftw (various)	(a)	$ 107	2	$ 54	$ 107	$ (54)
3	1303261- Coal Supply Chain Management	(a)	435	2	217	435	(217)
4	1303264-GAMMA Spectrocopy Sftw (various)	(a)	24	2	12	32	(20)
5	1303227-Disolved Oxygen Sys Sftw (various)	(a)	163	2	81	244	(163)
6	1303151-Callaway EMPRV	(a)	17	2	9	30	(21)
7	1303151-Callaway EMPRV	(a)	15	2	8	37	(29)
8							
9	**Asset will be fully amortized by Dec 12**						
10	1303220-CARTS Software	(a)	-	2	-	94	(94)
11							
12	**Asset that Ameren Missouri plans to retire prior to Dec 2014**						
13	1303000-MISC INTANGIBLE-OTHER	(a)	41	2	-	41	-
14	1303255- Construction Software	(a)	10	2	-	10	-
15							
16	**Asset was retired during the true up period**						
17	1303103-Nox & Heat Rate Optimization	(a)	-	2	-	-	-
18	1303211-Callaway LMS Software (various)	(a)	-	2	-	-	-
19							
20	**Asset was fully amortized within the true up period**						
21	1303215-NERC 1300 Complnc Sfw-Osage (various)	(a)	-	2	-	-	-
22	1303185-NETWORK HISTORIAN	(a)	-	2	-	-	-
23	1303229-Plant Emulator Software (various)	(a)	-	2	-	-	-
24	1303150-OSAGE SCADA SOFTWARE	(a)	-	2	-	-	-
25	1303150-OSAGE SCADA SOFTWARE	(a)	-	2	-	-	-
26	1303225-Callaway Badging Software	(a)	-	2	-	-	-
27	1303162-Callaway Dose Assessment	(a)	-	2	-	-	-
20							
21	Total (before retail allocation)		$ 813		$ 381	$ 1,029	(597)
22							
23	Missouri Retail Allocation %				(c)		100.000%
24							
25	**MIEC Proposed Adjustment to Remove Expired**						**$ (597)**
26	**and Reschedule Expiring Intangible Plant**						
27	**Amortizations Over a Two Year Period**						
	(revised using data through the true-up period)						

FOOTNOTES:
(a) Amounts have been updated based on the true up period

Ameren Missouri
Case No. ER-2012-0166

INTANGIBLE PLANT EXPIRING AMORTIZATION ADJUSTMENT
As of July 31, 2012

Line No.	Description (A)		Amortizable Balance (B)	Current Amortization Term (Yrs) (C)	Commence (D)	Terminate (E)	Annual (F)	Monthly (G)	Cumulative Amortization @ 7/31/12 (J)	Unamortized Balance @ 7/31/12 (K)	Cumulative Amortization @ 12/31/12 (L)	Unamortized Balance @ 12/31/12 (M)	7/31/12	12/31/12
1	**Intangible Plant Amortizations:**													
2	1303242- CTG Monitoring Sftw (various)	(a)	$ 535,393	5	Feb-09	Dec-13	$ 107,076	$ 8,923	$ 383,698	$ 151,695	$ 428,313	$ 107,080	42	47
3	1303261- Coal Supply Chain Management	(a)	2,173,662	5	May-09	Dec-13	434,736	36,228	1,557,791	615,871	1,738,931	434,731	39	44
4	1303264-GAMMA Spectrocopy Sftw (various)	(a)	161,475	5	Oct-08	Sep-13	32,292	2,691	123,786	37,689	137,241	24,234	46	51
5	1303227-Disolved Oxygen Sys Sftw (various)	(a)	1,200,713	5	Dec-08	Aug-13	243,804	20,317	936,594	264,119	1,038,179	162,534	44	49
6	1303151-Callaway EMPRV	(a)	149,182	5	Aug-08	Jul-13	29,832	2,486	119,346	29,836	131,776	17,406	48	53
7	1303151-Callaway EMPRV	(a)	183,794	5	Sep-08	May-13	36,756	3,063	153,162	30,632	168,477	15,317	47	52
8														
9	**Asset will be fully amortized by Dec 12**													
10	1303220-CARTS Software	(a)	467,625	5	Feb-08	Nov-12	93,528	7,794	436,450	31,175	467,625	-	54	59
9	**Asset that Ameren Missouri plans to retire prior to Dec 2014**													
10	1303000-MISC INTANGIBLE-OTHER	(a)	306,015	5	Sep-08	Aug-13	61,152	5,096	239,765	66,250	265,245	40,770	47	52
11	1303255- Construction Software	(a)	78,616	5	Sep-08	Aug-13	15,720	1,310	61,596	17,020	68,146	10,470	47	52
12														
13	**Asset was retired during the true up period**													
14	1303103-Nox & Heat Rate Optimization	(a)	-	8	Jan-05	Feb-13	-	-	-	-	-	-	91	96
15	1303211-Callaway LMS Software (various)	(a)	-	5	Feb-08	Nov-12	-	-	-	-	-	-	54	59
16														
17	**Asset was fully amortized within the true up period**													
18	1303215-NERC 1300 Complnc Sfw-Osage (various)	(a)	320,497	5	Aug-07	Jun-12	65,412	5,451	320,497	-	320,497	-	60	65
19	1303185-NETWORK HISTORIAN	(a)	198,177	5	May-07	Apr-12	39,636	3,303	198,177	0	198,177	-	63	68
20	1303229-Plant Emulator Software (various)	(a)	320,784	4	Oct-07	Jan-12	74,604	6,217	320,784	-	320,784	-	58	63
21	1303150-OSAGE SCADA SOFTWARE	(a)	617,804	5	Feb-07	Nov-11	128,712	10,726	617,804	0	617,804	-	66	71
22	1303150-OSAGE SCADA SOFTWARE	(a)	1,745	5	Dec-06	Nov-11	360	30	1,745	(0)	1,745	-	67	72
23	1303225-Callaway Badging Software	(a)	244,868	5	May-07	Nov-11	53,232	4,436	244,868	(0)	244,868	-	63	68
24	1303162-Callaway Dose Assessment	(a)	186,668	5	Mar-07	Oct-11	39,720	3,310	186,668	(0)	186,668	-	65	70
25														
26	Total		$ 7,147,019				$ 1,456,572	$ 121,381		$ 1,244,288		$ 812,543		
									(a)	(a)	(b)	(b)		

FOOTNOTES:

(a) Amounts have been updated based on the true up period

For calculation simplification purposes, the rate effective date and the operation of law date were assumed to be December 31, 2012. Calculated amounts are based on current amortization schedules.
Balances at 9/30/11 may slightly vary from the response to Data Request MIEC 5.2 and the workpapers referenced in Footnote (a) above, due to rounding.