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Witness:	Michael J. Adams
Sponsoring Party:	Union Electric Company
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2012-0166

REBUTTAL TESTIMONY

OF

MICHAEL J. ADAMS

ON

BEHALF OF

UNION ELECTRIC COMPANY d/b/a Ameren Missouri

St. Louis, Missouri
August 2012

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REBUTTAL TESTIMONY

OF

MICHAEL J. ADAMS

CASE NO. ER-2012-0166

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Michael J. Adams. My business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752.

Q. Are you the same Michael J. Adams who filed direct testimony in this case?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of my rebuttal testimony is to respond to certain adjustments to the requested level of cash working capital ("CWC") for Ameren Missouri's electric business proposed by Missouri Public Service Commission Staff ("Staff") witness Kofi Boateng and Missouri Industrial Energy Consumers ("MIEC") witness Greg Meyer.

III. SUMMARY OF POSITIONS

Q. What level of CWC requirement did the Company request in its direct case?

A. As shown on Schedule GSW-E5, attached to the direct testimony of Company witness Gary Weiss, the Company requested a CWC requirement (excluding offsets) of $54,149,000.

Q. What level of CWC requirement is Staff recommending in its direct case?

A. Staff witness Boateng has recommended a <u>negative</u> CWC requirement (excluding offsets) of $8,380,403[1].

Q. What level of CWC requirement is MIEC recommending in its direct testimony?

A. MIEC witness Meyer has recommended a <u>negative</u> CWC requirement of $10.5 million[2].

Q. To what do you attribute the differences in the level of CWC requirement requested by the Company and that proposed by Staff?

A. The primary drivers of the differences between the Company's requested level of CWC and that proposed by Staff are a result of the following proposed changes presented in Staff's analysis:

1. An alternative method of calculating the collection lag portion of the overall Revenue Lag;
2. Addition of an expense lead calculation for Incentive Compensation;
3. Inclusion of a service lead for Sales Taxes and Gross Receipts Taxes; and
4. Use of Staff's proposed expense levels in the determination of the CWC requirement.

Q. Does the Company agree with the expense levels included in Staff witness Boateng's CWC analysis?

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[1] Accounting Schedule 2, Column C, Line 5.
[2] Meyer Direct, p. 22, l. 20, states reduction of $52.3 million. Reducing the Company's request of $42.8 million by $52.3 produces a negative CWC requirement of $10.5 million.

A. No. Staff's expense levels reflect all of Staff's proposed adjustments to the Company's requested levels. The expense levels ultimately included in the CWC analyses should reflect the Staff's final position on overall expenses. To the extent that the Staff's expense levels are materially different than those presented by the Company, various Company witnesses will address those differences in their respective rebuttal testimonies.

Q. Are there adjustments made by Staff witness Boateng that the Company accepts?

A. Yes. The Company accepts Mr. Boateng's proposed incentive compensation expense lead calculation.

Q. What issues did MIEC witness Meyer raise pertaining to the Company's CWC requirement?

A. Mr. Meyer proposes an alternative collection lag, a modification of the expense lead associated with employee benefits, and an expense lead of zero days for income taxes.

Q. Are there adjustments made by MIEC witness Meyer that the Company accepts?

A. Yes. The Company accepts Mr. Meyer's proposed medical and dental expense lead calculation.

IV. COLLECTION LAG

Q. What is a "collection lag"?

A. As I stated in my direct testimony, the collection lag refers to the average amount of time from the date when the customer receives a bill to the date that the Company receives payment from its customers.[3]

Q. Does the Company routinely monitor its customers' payment performance?

A. Yes. The Credit and Collection Group monitors customers' payment performance. The Company's collection efforts are driven, in part, by payment patterns identified during the review of the aging of accounts receivables.

Q. Please explain how the collection lag and accounts receivable are related.

A. When a customer's bill is generated and mailed, an accounts receivable from the customer is created (i.e., the customer owes the Company money associated with the services that were provided by the Company). When the customer pays the utility bill, accounts receivable are reduced by the amount of the payment. The Company monitors these accounts receivable via a monthly aging report to determine which customers pay their bills on time and which accounts receivable are delinquent. The aging report reflects, in aggregate, data summarizing those receivables that are: 1) "Current" or within 30 days outstanding; 2) 30 -59 days outstanding; 3) 60 – 89 days outstanding; 4) 90-119 days outstanding; and 5) 120 or more days outstanding.

Q. What is the name of the report that the Company uses to monitor the aging of the customers' accounts receivable?

A. The report is known as the Accounts Receivable Breakdown Report.

[3] Adams Direct, p. 7, l. 7-8.

Q. Is this the same report that you relied upon to determine the collection lag?

A. Yes, it is.

Q. Based upon the Accounts Receivable Breakdown Report, adjusted for an uncollectible provision, what was the collection lag for the test year determined to be?

A. The collection lag was determined to be 28.75 days based upon the 12 monthly reports from the test year and adjusted for an uncollectible provision.

Q. Did the Staff or MIEC witnesses use the same Accounts Receivable Breakdown Report that you used to calculate their respective collection lags?

A. No.

Q. What information did Staff and the MIEC use to arrive at their proposed collection lags?

A. Both Staff and the MIEC utilized a defunct report previously referred to as the CURST246 report to calculate their collection lags. The report used by Staff was for the period ended October 2010 that was provided to Staff as part of Ameren Missouri's response to a data request in the Company's last rate case.

Q. Is the report that Staff and the MIEC relied upon to establish their respective collection lags applicable to the test year in this proceeding?

A. No. Staff relied upon data from a prior Ameren Missouri rate proceeding that was based upon a test year ended March 31, 2010. Staff's proposed collection lag was purportedly updated to reflect data for the twelve months ended October 31, 2010[4].

[4] Staff workpaper entitled "Adopted Staff Revenue Collection Lag in File No. ER-2011-0028".

By using the same information, it is not surprising that MIEC witness Meyer similarly has recommended the same collection lag that he proposed in Case No. ER-2011-0028 which used a test year ended March 31, 2010[5].

The test year in this proceeding is the twelve months ended September 30, 2011.

Q. What collection lag does Staff propose in this proceeding?

A. Staff proposes a collection lag of 21.11 days[6].

Q. What collection lag does MIEC witness Meyer propose be used?

A. Mr. Meyer proposes a collection lag of 21.01 days[7].

Q. Despite purportedly using the same report to calculate their respective collection lags, why are there differences in the arrived at amounts?

A. It is unclear why there are differences in Staff's and the MIEC's calculated collection lags. Neither party discusses in their direct testimony any adjustments made to the data contained in the report.

Q. What information was contained in the CURST246 report?

A. The CURST246 report purportedly showed the cash receipts on a daily basis collected by the Company.

Q. How has the CURST246 report been used by the Company historically?

A. The report had been in existence for over 25 years. The report had been used by the Company solely for the purpose of calculating the collection lag; therefore, the only recipient of the report was the Regulatory Accounting Department. As concerns

[5] Case No. ER-2011-0028, Direct Testimony of Greg Meyer, pp. 21-23.
[6] Staff Report, Revenue Requirement, Cost of Service, dated July 6, 2012, p. 59, l. 17.
[7] Meyer Direct, p. 20, l. 15.

with the report were identified, however, the report was no longer used by anyone within the Company.

Q. Did the Company's Credit and Collection Group use the CURST246 report to manage accounts receivables?

A. No. The CURST246 report was never used by the Company's Credit and Collection Group to manage accounts receivable. As a result, evaluation by that department of the reliability of the CURST246 report had not occurred. As I discuss below, once concerns regarding the report were identified, it was no longer compiled.

Q. What concerns were identified by the Company?

A. The Company questioned the accuracy of the report and found that the data in the report could not be replicated or validated. Given that other information that could be reconciled with the Company's books and records existed – the Aged Accounts Receivable Breakdown Report -- the prudent decision was made to no longer produce the CURST246 report.

Q. Has Staff or MIEC verified the accuracy of the CURST246 report?

A. Not to my knowledge. In response to Data Request Ameren Missouri-Staff-009, Staff stated:

> In conjunction with the review of the October 2010 CURST report, Staff reviewed the same reports provided by Ameren Missouri to Staff in prior rate cases and did not identify material differences in the results produced by these reports that would cause Staff to question the authenticity or the accuracy of the report. In addition, the Staff's results in this case are entirely consistent with the results that the CURST reports have provided in several previous rate cases involving Ameren Missouri.

Similarly, Mr. Meyer states that he “reviewed prior MPSC Staff and Ameren Missouri case filings, as well as the output of prior CURST reports."[8]

Staff’s and the MIEC’s review of multiple versions of the same report and finding no material change in the results is of questionable value. Such a limited review of the report provides no validation of the results produced from the CURST246 report. In fact, a contention that a review of a series of the same flawed reports “validates” the report reflects circular reasoning. It’s like saying that a formula in an Excel spreadsheet has been wrong for the past five years and has thus produced inaccurate reports based on the spreadsheet that entire time, but since the inaccuracy was always the same (i.e., the reported results were consistent over the five years) this then “validates” the report. To the contrary, once it is discovered that the formula was wrong, one should recognize that the prior reports were similarly wrong. With respect to the CURST246 Report, the Staff and MIEC refuse to do so.

Q. To the extent that customers paid their monthly utility bills during a given twelve month period (i.e., the test year), shouldn’t the Accounts Receivable Breakdown Report and the CURST246 report produce similar results?

A. In theory, yes. That is precisely the reason that the accuracy of the CURST246 report has been questioned by the Company. The Accounts Receivable Breakdown Report is actively managed and employed to monitor customer payment activities. Unlike the CURST246 report, the balance of accounts receivables, as reported in the Accounts Receivable Breakdown Report, ties to the Company’s financial books and records. Therefore, there exists a high level of confidence that the report produces an accurate collection lag.

[8] Response to Data Request Ameren Missouri-MIEC-002.

Q. But wasn't the CURST246 report specifically maintained for rate cases?

A. Yes. Unfortunately, the CURST246 report was not monitored or improved as other reports that are used by the Company to manage customer payments were enhanced. That said, if better information is available to analyze data (e.g., collection data) used in the ratemaking process, I contend the better information should be relied upon in lieu of another report simply because that report was "maintained for rate cases."

As previously mentioned, the CURST246 report has never been used by the Company to monitor customer payments. The only reason that the CURST246 report would be used to calculate the collection lag would be for results-driven reasons (i.e., where the desire to obtain a lower collection lag trumps the desire for accuracy). The Accounts Receivable Breakdown Report is the report that the Company's Credit and Collection Group uses to monitor customer payment patterns and can be proven to be accurate.

Q. Isn't it also true that the Company previously used the CURST246 report to calculate the collection lag?

A. Yes. As I previously mentioned, the report had been in existence for over 25 years and the accuracy of the report had been questioned internally to the Company. I have relied upon the CURST246 report in prior proceedings to determine the collection lag on behalf of Ameren Missouri. The results, however, were always troubling to me, so validation or more accurate data was sought. I could not find anyone in the Company that could validate the CURST246 report. The Accounts Receivable Breakdown Report, on the other hand, provides accurate and verifiable data.

Q. Do you believe that the CURST246 report is an appropriate tool on which to determine the collection lag for the CWC study?

A. I do not.

Q. Please explain.

A. There are three primary reasons why the CURST246 report should not be used to establish the Company's collection lag. First and foremost, as I have explained, the accuracy of the CURST246 report cannot be validated. As I mentioned, the Company realized that the report was producing questionable results, and as a result, the report was canceled.

Second, given that the report only presented information regarding payments made, the report would obviously have produced a lower collection lag. Those receivables that remain unpaid would not be reflected in the CURST246 report. Therefore, to the extent that certain accounts receivable remain uncollected by the Company and they progress to the 30+, 60+, 90+, or 120+ days outstanding, such receivables would be excluded from Staff's calculation of the collection lag.

Finally, the data contained in the report that Staff and the MIEC propose to use to establish the collection lag is outside of the test year. Use of such out-of-period data violates the concept of a test year. Neither Staff nor the MIEC have presented any evidence that the alternate data being proposed for use to calculate the collection lag is accurate or applicable to the test year in this proceeding.

Q. In the Staff Report, Mr. Boateng states that "This report ('CURST246 report') has been used by both Staff and the Company to determine the revenue collection lag in previous rate cases, and Staff believes that the data from the report provides a more accurate estimation of Ameren Missouri's collection lag than do accounts receivable aging reports."[9] Please respond to Mr. Boateng's statement.

A. Mr. Boateng's statement appears to be nothing more than unsupported conjecture or personal opinion. I can understand Staff's dilemma. Mr. Boateng has been presented with verifiable accounts receivable data that produces a higher collection lag than Staff has used in the past based upon the CURST246 report. The mere fact that the Company's collection lag presented in this proceeding is higher, however, does not mean that the aged accounts receivable data is flawed. To the contrary, the Company made a change in approach because of the increased accuracy and verifiability of the Accounts Receivable Breakdown Report.

Staff offers no specific criticisms or analysis of the Accounts Receivable Breakdown Report, but rather merely offers a perfunctory dismissal of the report based upon Mr. Boateng's personal "belief" that the CURST246 report, which doesn't even tie to the Company's books, is somehow "accurate."

Further, Staff offers no evidence to support its belief that the CURST246 report "provides a more accurate estimation of Ameren Missouri's collection lag." The mere fact that one report produces a lower collection lag is not *de facto* proof as to the accuracy of the report.

[9] Staff Report, p. 60.

Q. Does MIEC witness Meyer offer any evidence as to why the CURST246 report's results may be preferable to that produced by the Accounts Receivable Breakdown Report?

A. No. In his direct testimony, Mr. Meyer merely states "this report was used by the Company to determine the collection lag in rate cases. The other parties to the case accepted the reasonable results produced by this report."[10]

Q. Do you take exception to Mr. Meyer's stated rationale for using the CURST246 report?

A. I do. While there is no dispute that the Company has used the CURST246 report to calculate the collection lag in previous rate proceedings, I disagree that the report produced "reasonable results." The mere fact that parties relied upon the report in prior proceedings does not *ipso facto* validate the accuracy of the report. Now that we know that the CURST246 report is inaccurate, we shouldn't be perpetuating these inaccuracies by continuing to use it.

Q. Does Staff or the MIEC adjust its calculation of the collection lag to account for the accounts receivable not captured by the CURST246 report?

A. No, they do not. Neither Staff nor the MIEC make an adjustment to their calculations to reflect the accounts receivable not captured by the CURST246 report.

Q. Did Staff witness Boateng or MIEC witness Meyer provide any specific criticisms of the Accounts Receivable Breakdown Report that would warrant discarding the report?

A. Staff does not cite any criticisms of the Accounts Receivable Breakdown Report. MIEC witness Meyer simply dismisses the report by stating "this method does

[10] Meyer Direct, p. 20.

not rely on actual customer payment behavior."[11] Neither Staff witness Boateng nor MIEC witness Meyer provided any other criticisms of the Accounts Receivable Breakdown Report.

Q. Do you agree with MIEC witness Meyer's contention that the Accounts Receivable Breakdown Report does not rely on actual customer payment behavior?

A. No. In fact, I would contend that the Accounts Receivable Breakdown Report better reflects customer payment behavior than the CURST246 report. The Accounts Receivable Breakdown Report reflects all customer payments and outstanding balances, so it provides a complete picture of the customers' payment patterns.

Q. Have you utilized an aged accounts receivable approach to calculate the collection lag in other rate proceedings?

A. Yes, I have used aged accounts receivable to determine the collection lag in a number of regulatory jurisdictions.

Q. Have you seen another state regulatory jurisdiction that relied upon a collection report such as the CURST246 report to determine the appropriate collection lag for a company?

A. No, I have not. I am not aware of any such approaches being employed either in or out of Missouri.

Q. Based upon your experience, is there a "preferred approach" employed by state regulatory jurisdictions to calculate a company's collection lag?

A. No. Based upon my experience testifying on the issue of cash working capital in various jurisdictions, state regulatory agencies do not have consistent

[11] Id., p. 21, l. 7-8.

definitions for and approaches to the required calculations. As such, any comparisons across jurisdictions have limited to no value in this proceeding.

Q. Have you attempted to validate the collection lag relying upon other Company data?

A. Yes. I requested information from the Company pertaining to monthly data regarding: 1) the date customers were billed; 2) the due date on the bill; and 3) the date the bill was paid in full. The Company was able to provide such data for five months of the test year. Employing this data, the collection lag was calculated to be 32.72 days. The collection lag was 27.79 days when outstanding balances beyond 120 days were treated as if they had been outstanding for no more than 120 days.

Q. In response to the data request labeled Ameren Missouri-MIEC-001, Mr. Meyer assumes "that only a small percentage of total customers actually pay their bills late." Do the facts from the Company's Customer Service System support Mr. Meyer's assumption?

A. No. Contrary to Mr. Meyer's assumption, based upon the five months of Company data extracted from the Customer Service System, approximately 64 percent of Ameren Missouri's customers pay their monthly utility bill in full within 21 days of the issuance of the bill. Therefore, approximately 36 percent of Ameren Missouri's customers pay their monthly bills in full more than 21 days after the bill date. Of the roughly 36 percent of Ameren Missouri's customers that pay their monthly bill late, approximately 5 percent pay their utility bill in full more than 120 days beyond the bill date. The evidence shows that Mr. Meyer's assumption is flawed.

Q. Are you proposing to use this alternative data to determine the Company's collection lag?

A. No. I continue to believe that the aging of Ameren Missouri's accounts receivable is the preferable approach by which to calculate the Company's collection lag. The alternative analysis was performed for the sole purpose of validating the Company's collection lag, as calculated from the aged accounts receivable. The time and expense of running the necessary files is unnecessary when an easier and more cost-effective method of arriving at the same result (i.e., the aged accounts receivable analysis) is available to the Company. This additional analysis was provided merely as an additional one-time verification of the accuracy of the collection lag derived from the Accounts Receivable Breakdown Report.

Q. Have you compared the Company's collection lag to that of other companies in Missouri?

A. Yes. Ameren Missouri's proposed collection lag has been a point of contention in a number of the Company's recent rate proceedings. Based upon Staff's and the MIEC's testimony in recent Ameren Missouri rate proceedings, it is apparent that the parties are reluctant to move away from the CURST246 report, despite more current and better information being available.

In an effort to better understand the differences in how other companies in the State of Missouri calculate their collection lags, I reviewed prior rate proceeding documents. Based upon my review, I came away with a number of observations:

1. There is no single method approved by the Missouri Public Service Commission ("Commission") to calculate a company's collection lag;

2. No other company in the State relies upon a collection report similar to the CURST246 report that Staff and the MIEC propose to use in this proceeding;
3. Some of the utilities in the State factor/sell their receivables making any comparison of collection lags difficult;
4. Collection lags ranged from 6.11 days (for a company that sells its receivables) to 32.74 days.

Q. Do some of the companies in Missouri use what is referred to as a "turnover ratio" to determine the collection lag?

A. Yes. Both Laclede Gas Company and Atmos Energy Corporation use the "turnover ratio" approach to calculate the collection lag.

Q. How is the turnover ratio calculated?

A. The turnover ratio is the result of dividing the average daily accounts receivable balance by the average daily revenue.

Q. Have you calculated the turnover ratio for Ameren Missouri?

A. Yes, I have. Using the average daily balances for the test year, the turnover ratio produced a collection lag of 26.02 days. The result is slightly lower than the collection lag proposed by the Company (28.75 days), but materially higher than the arbitrary numbers proposed by both Staff (21.11 days) and the MIEC (21.01 days) based on the outdated CURST246 report.

Q. Are you proposing to use the turnover ratio to determine the Company's collection lag?

A. No. I continue to believe that the aging of Ameren Missouri's accounts receivable is the preferable approach by which to calculate the Company's collection lag.

Q. Is there further evidence that Staff's and the MIEC's collection lag is unrealistic?

A. Yes. Both Staff and the MIEC propose a collection lag of just over 21 days. If 21 days serves as the midpoint of the collection cycle, then the maximum number of days that an accounts receivable should be outstanding would be approximately 42 days (i.e., an equal number of customers would pay before the 21 days as would pay after such period, and a customer would not pay a bill before it is received).

The Accounts Receivable Breakdown Report shows that there are customers that have balances outstanding beyond 120 days. In fact, over 11 percent of the receivables were outstanding in excess of 60 days during the test year.

Simply stated, Staff's and the MIEC's position with regard to the collection lag does not pass the litmus test for reasonableness.

Q. Does Mr. Meyer attempt to justify his position by citing a Commission rule?

A. Yes. In response to Data Request Ameren Missouri-MIEC-001, Mr. Meyer states "By Commission Rule, residential customers have 21 days for the remittance of bill payments."

Q. How do you respond?

A. To use an analogy, I presume that Mr. Meyer would likewise suggest that since there are laws pertaining to a maximum speed limit on roads that no drivers exceed the posted speed limit. Just as this analogy is preposterous, so too is Mr. Meyer's argument put forth in this proceeding. The mere fact that a Commission rule exists that sets the due date for a monthly utility bill at 21 days after the bill is issued does not mean that customers will comply with the directive. In fact, based upon the five months of customer data from the test year, I have shown that 36 percent do not. Mr. Meyer has provided no evidence to support his position.

Q. Does Mr. Meyer claim that a delinquent fee and the desire of customers to maintain a good payment record with the utility provides significant inducement for customers to pay their utility bill on time?

A. Yes, he does[12].

Q. How do you respond to Mr. Meyer's statement?

A. While many of Ameren Missouri's customers pay their bills on time, there is a material segment of the Company's customer base that does not. As the Aged Accounts Receivable Breakdown Report shows, over 11 percent of the accounts receivable have been outstanding for in excess of 60 days. That figure jumps to approximately 18 percent for customers with an outstanding balance in excess of 30 days. Obviously the desire to avoid the delinquent fee and maintain a good payment record is not, in and of itself, sufficient incentive for many customers to pay the bill on time. The fact that the Company's filing reflects late payment fees of $10.4 million in the test year belies Mr. Meyer's unrealistic comment.

Q. Please summarize your criticisms of Staff's and the MIEC's positions regarding the collection lag.

A. The report employed by the Company based on the test year and which reflects both payments and outstanding billed amounts ties to the accounts receivable

[12] Id., p. 22, l. 6-8.

balance reported in the Company's financial statements. An analysis of five months of Ameren Missouri's customer billing and payment data produced a collection lag very close to that proposed by the Company in this proceeding. Further, an alternative calculation similar to that adopted by the Commission for other Missouri utilities produced a result very close to that calculated by the Company.

Staff and the MIEC suggest a collection lag based upon an antiquated and unverifiable report from a period outside of the test year. The report no longer exists and cannot be updated. Further, the report relied upon by Staff and the MIEC does not reflect all customers' payment patterns. The report fails to reflect the aging of bills that have not been paid (i.e., accounts receivable) and thus would understandably reflect a lower collection lag than is actually experienced by the Company when all payments <u>and</u> receivables are considered in the calculation. Other than the fact that the alternative report produces a lower collection lag and that they have some familiarity with the old report, neither Staff nor the MIEC provide any rationale or explanation for abandoning the report employed by the Company to calculate the collection lag.

Q. What collection lag do you recommend that the Commission adopt in this proceeding?

A. I recommend that the Commission adopt the Company's collection lag of 28.75 days, which is based upon an analysis of accounts receivable during the test year. The revenue requirement using this 28.75 days will be determined as part of the true-up phase of this case.

V. GROSS RECEIPTS EXPENSE LEAD

Q. For purposes of the Gross Receipts Tax ("GRT"), what should be measured in the lead-lag study?

A. The lead-lag study should be measuring the elapsed time during which the Company has access to the funds prior to remitting such funds to the appropriate taxing authority.

Q. Has the Company calculated the number of days that it has access to the GRT-related funds prior to remittance?

A. Yes. It was determined that the Company had access to the GRT funds for a net 2.20 days, on average, prior to remitting the funds to the appropriate taxing authority.

Q. How did the Company arrive at the 2.20 days?

A. As with each expense category, there were two components to the calculation – the revenue lag days and the expense lead days. The revenue lag days applied to the GRT was 29.74 days. The revenue lag for the GRT was calculated in the same manner as the revenue lag for all other expense items except that the revenue lag excluded the service lag period. The service lag was excluded because the Company effectively serves a collection and remittance function related to the GRT. The Company does not provide a service that generated the tax.

The expense lead for the GRT consisted of the length of time from the end of taxing period to when the taxes are to be remitted to the appropriate taxing authority. As with the revenue lag, the calculation of the expense lead for the GRT also excluded the service period to reflect that no service was being provided. By excluding the service period from both the calculation of the revenue lag and the expense lead, the analysis was symmetrical and focused only on the number of days during which the Company actually had access to the GRT-related funds.

Q. Did Staff include a service lead in the expense lead for the GRT?

A. Yes. Staff added a service lead to the Company's expense lead to arrive at their expense lead for the GRT.

Q. Why is it inappropriate to include the service lead in the overall expense lead for the GRT?

A. Staff has created an artificial imbalance between the revenue lag and expense lead applied to the GRT by including the service lead in only the calculation of the expense lead applied to the GRT. While Staff uses a different collection lag, as I have previously addressed, Staff adopts the remainder of the Company's calculation of the revenue lag for the GRT, which excludes a service lead. While the Company also excludes a service lead from the calculation of the expense lead applied to the GRT, Staff adds the service lead back into the calculation of the expense lead.

Staff cannot have it both ways. A service period should either be added to both the revenue lag and expense lead or it should be excluded from both the revenue lag and expense lead. By adding the service lead only to the expense lead, Staff has artificially increased the number of days that the Company purportedly has access to the GRT-related funds, which in turn, artificially decreases the Company's CWC requirement (based upon test year figures) by over $1.8 million.

Staff's proposed inclusion of the service lead to the GRT expense lead should be rejected. The proposed adjustment reflects an imbalanced calculation which produces a result that does not reflect the actual time during which the Company has access to the collected GRT-related funds prior to remitting such funds to the appropriate taxing authority.

VI. PENSION AND OPEB EXPENSE LEAD

Q. Is there an error in Staff's calculation of the expense lead for Pension and OPEB expenses?

A. Yes. Staff referenced an incorrect cell in its spreadsheet when calculating the expense lead. Staff incorrectly reports the expense lead to be 36.28 days.

Q. What is the correct expense lead for Pension and OPEB expenses?

A. Based upon Staff's response to Data Request Ameren Missouri-Staff-015, referencing the correct cells in the worksheet produces an expense lead of 29.21 days.

VII. INCOME TAX EXPENSE LEAD

Q. Did the Company include an expense lead in its CWC analysis to be applied to Federal Income Tax expenses?

A. Yes. The Company's CWC analysis reflected an expense lead of 37.88 days associated with Federal Income Tax expense.

Q. How does the MIEC propose to treat income taxes in the CWC analysis?

A. Mr. Meyer proposes that there be no CWC requirement associated with income taxes (i.e., federal, state or St. Louis Corporate Earnings).

Q. How do you respond?

A. The Company employs statutory tax rates and payment dates when calculating its income tax expense for revenue requirement purposes. As such, there would still be an income tax component of the CWC requirement, regardless of whether a tax expense was actually incurred and/or paid. Therefore, Mr. Meyer's proposed adjustment to the CWC analysis is inappropriate and should be rejected.

VIII. CONCLUSION

Q. Do you have any other issues to address in your rebuttal testimony?

A. Not at this time. Staff has, however, stated that it will "continue to examine CWC through the true-up period ending July 31, 2012, to determine if further adjustments to the cost of service are necessary to address revenue and expense leads." I reserve the right to respond to any such adjustments once Staff has set forth its final recommendations.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service.	)))	**Case No. ER-2012-0166**

AFFIDAVIT OF MICHAEL J. ADAMS

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

Michael J. Adams, being first duly sworn on his oath, states:

1. My name is Michael J. Adams and my office is located in Marlborough, Massachusetts and I am Senior Vice President with Concentric Energy Advisors, Inc.

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 23 pages 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.

Michael J. Adams
Michael J. Adams

Subscribed and sworn to before me this 9th day of August, 2012.

Julie Donohue
Notary Public

My commission expires:

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