

*Exhibit No.:*  
*Issues:* *Cash Working Capital*  
*Storm Costs/Tracker*  
*Entergy Refund*  
*Witness:* *Kofi A. Boateng*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal Testimony*  
*Case No.:* *ER-2012-0166*  
*Date Testimony Prepared:* *September 7, 2012*

## **MISSOURI PUBLIC SERVICE COMMISSION**

### **REGULATORY REVIEW DIVISION UTILITY SERVICES - AUDITING**

#### **SURREBUTTAL TESTIMONY**

**OF**

**KOFI A. BOATENG**

**UNION ELECTRIC COMPANY,  
d/b/a AMEREN MISSOURI**

**CASE NO. ER-2012-0166**

*Jefferson City, Missouri*  
*September 2012*

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**OF**

**KOFI A. BOATENG**

**UNION ELECTRIC COMPANY,**  
**d/b/a AMEREN MISSOURI**

**CASE NO. ER-2012-0166**

A. Kofi A. Boateng, 111 N. 7<sup>th</sup> Street, Suite 105, St. Louis, MO 63101.

A. I am a Utility Regulatory Auditor with the Missouri Public Service Commission (“Commission”).

A. Yes, I am.

A. The purpose of my testimony is to respond to the rebuttal testimony of Union Electric Company, d/b/a Ameren Missouri (“Company” or “Ameren Missouri”) witness Michael J. Adams regarding cash working capital (CWC), and in particular, the issue of the revenue collection lag. I also address certain issues raised by Ameren Missouri witnesses Lynn M. Barnes and David N. Wakeman in their rebuttal testimony related to storm costs and the proposed storm cost tracker, and by Ameren Missouri witness Steven M. Wills with regard to the Entergy refund.

**CASH WORKING CAPITAL**

Q. What specific issue does Staff intend to address with respect to Ameren Missouri's CWC recommendations in this rate proceeding?

A. Staff's primary concern relates to the Company's use of an Accounts Receivable Breakdown Report to develop its collection lag. Company witness Michael J. Adams supports a 28.75 day collection lag based upon his reliance on this Accounts Receivable Breakdown Report. The Staff contends that Mr. Adams' report does not consider enough information and should not be relied upon to develop the collection lag for purposes of setting rates.

Q. What is the collection lag that the Staff is recommending in this proceeding?

A. 21.11 days.

Q. What report did the Staff rely on to develop its proposed 21.11 day collection lag and what information does this report provide?

A. The Staff relied on the CURST 246 report, for the 12-month period ending October 31, 2010, to determine its proposed collection lag. This represents the most recent 12 months' data reflected in the CURST 246 report before the Company decided to discontinue its use. The CURST 246 report measured actual customer payment habits by providing the actual number of days that elapsed before a customer made a payment to the Company. This report was developed by the Company and has been used by the Company and Staff in the development of collection lag in many of Ameren Missouri's past rate cases.

Q. In what previous rate cases has Ameren Missouri relied upon the CURST 246 report to calculate the collection lag?

1           A.     Ameren Missouri relied upon the CURST 246 report, or the older preceding  
2 legacy report system, from the 1990s through January 2011 a period covering approximately  
3 25 years. The following chart summarizes Ameren Missouri electric and gas rate cases in  
4 which the CURST 246 report or a similar report was utilized, and provides the collection lag  
5 that was sponsored by the Company and the Staff:

<u>Case No.</u>	<u>Collection Lag</u>	<u>Source</u>
ER-2010-0036	21.71	Mr. Adams' Direct, pg 6
ER-2008-0318	20.11	Mr. Adams' Direct, pg 6
GR-2007-0003	21.78	Mr. Adams' Direct, pg 6
ER-2007-0002	21.78	Mr. Adams' Direct, pg 6
GR-2003-0517	19.86	Mr. DeVore Direct, pg 13
EC-2002-1	22.22	Ms. Teel's Direct
GR-2000-0512	19.52	Mr. Weiss' Schedule 5
GR-97-393	19.52	Staff Schedule

15           Q.     Has the Company provided an explanation for why Ameren Missouri made the  
16 decision to discontinue and abandon the CURST 246 report?

17           A.     Yes. In response to Staff Data Request (DR) No. 263, Company witness  
18 Gary S. Weiss stated the following:

19                   As part of the normal review of various reports to see if the reports are  
20 being used and by whom, it was discovered that the CURST 246 report  
21 was only being sent to Regulatory Accounting. Further review led to  
22 the question of the report's accuracy and whether it should be  
23 continued. The final decision to eliminate the report was made by Gary  
24 S. Weiss and Ronald D. Stafford, Managers of the Missouri and Illinois  
25 Regulatory Accounting Departments, respectively, as they were the  
26 only groups receiving this report.

1 The Staff contends that Company abandoned the CURST 246 report in favor of the Accounts  
2 Receivable Breakdown Report because it provides the Company with a much more favorable  
3 collection lag result from the Company's perspective.

4 Q. What does the Accounts Receivable Breakdown Report attempt to measure in  
5 determining a collection lag?

6 A. The Staff contends that Accounts Receivable Breakdown Report only  
7 measures the level of receivables that the Company has on a weekly basis. In the report the  
8 total of all the accounts receivable is grouped into what is termed five (5) "buckets":

- 9 1. Current or 0 - 30 days outstanding;
- 10 2. 30 - 60 days outstanding;
- 11 3. 60 - 90 days outstanding,
- 12 4. 90 – 120 days outstanding, and
- 13 5. 120 + or 120 – 150 days outstanding.

14 This Accounts Receivable Breakdown Report merely attempts to measure the amount  
15 of money that customers still owe Ameren Missouri, as opposed to Staff's reliance on  
16 actual cash payments that Ameren Missouri collected from customers as detailed in the  
17 CURST 246 report.

18 Q. Does Staff believe that there are other problems associated with the Accounts  
19 Receivable Breakdown Report that was relied upon by Company witness Adams to develop  
20 collection lag?

21 A. Yes. There are several items that Staff does not agree with in this report. The  
22 first item is the uncollectible percentages used as part of the collection lag calculation.  
23 Ameren Missouri witness Michael Adams uses an uncollectible percentage of 0.42% for all  
24 the receivables "buckets", except for the 90 – 120 days and 120+ days "buckets". For these

1 buckets, Mr. Adams uses 10%. He states at page 8 of his direct testimony that the  
2 uncollectible percentages were forecasted figures developed by Ameren Missouri's General  
3 Accounting and Credit and Collections to reflect customers' current payment habits.  
4 Mr. Adams provides no support as to whether these estimates are reasonable. Additionally,  
5 Staff contends that non-paying customers are included in the report relied upon Mr. Adams,  
6 which impairs his collection lag calculation. For example, if a customer does not pay their  
7 bill at all, depending on how long that bill is outstanding prior to being written-off, it may be  
8 included in the calculation of all five buckets. This would mean that a bad debt could be  
9 counted multiple times and therefore provides an inaccurate and artificially inflated overall  
10 collection lag. Staff's CWC analysis is attempting to determine the payment frequency of  
11 customers who pay their bills, not the Company's bad debt expense which is covered by a  
12 separate expense amount included in the cost of service.

13 Q. Has the Staff identified any other problems with Mr. Adams' Accounts  
14 Receivable Breakdown Report?

15 A. Yes. Mr. Adams relies upon estimated average payment dates for determining  
16 the payment intervals in each of his buckets identified above. For example, for the Current  
17 or 0 – 30 days outstanding "bucket", Mr. Adams' method would assume a mid-point payment  
18 of 15 days. Mr. Adams' estimated intervals are nothing more than a guess and do not  
19 represent actual payment habits of customers as are reflected in the CURST 246 report. In  
20 addition, Mr. Adams' Accounts Receivable Breakdown Report fails to provide recognition for  
21 credit balances associated with customers' bills which are captured and reflected in the  
22 CURST 246 report. Finally, Mr. Adams' Accounts Receivable Breakdown Report fails to

1 recognize instances where customers make early payments. The CURST 246 report captured  
2 all of these occurrences because it measured actual customer payment habits.

3 Q. Company witness Adams states on page 10, lines 13 through 14 of his rebuttal  
4 testimony that the CURST report, “would obviously have produced a lower collection lag,”  
5 because “those receivables that remain unpaid would not be reflected in the CURST 246  
6 report.” Do you agree this is a relevant issue with the CURST report?

7 A. No, I do not. The collection lag is measuring how long it takes customers to  
8 pay their bills. This means calculating the amount and frequency of customer payments. The  
9 collection lag should not be extended to account for the bad debts of non-paying customers.

10 Q. Did Mr. Adams agree that the CURST 246 report was “specifically maintained  
11 for rate cases”?

12 A. Yes. Therefore, the CURST 246 report has a specific use in the multiple  
13 electric and gas rate cases Ameren Missouri has filed over the last few years. This need  
14 should have resulted in the Company continuing to maintain, monitor and improve the report  
15 in order to develop as “accurate” a tool for determining the collection lag as possible. It also  
16 appears to Staff that the Company discontinued use of the report, which provides better  
17 information for the purpose of calculating a collection lag in favor of a report that provides it  
18 with a more advantageous result.

19 Q. If all customers paid their electric bills on time, would the Company have any  
20 bad debt expense?

21 A. No. Even if customers paid late, as long as the payment was received prior to  
22 the write-off date, the Company would not have bad debts. No one is suggesting that Ameren  
23 Missouri should not have bad debt (i.e. uncollectible) expense built into the cost of service.



1 The Staff adjusted the test year level of the Company's bad debt expense in this rate case to  
2 reflect a normalized and ongoing level in rates. However, bad debt expense is not what is  
3 being measured with the collection lag. The collection lag measures the time it takes  
4 customers to pay their bills to Ameren Missouri. Therefore, it is inappropriate to include  
5 these uncollectible balances that remain unpaid as part of any collection lag analysis.

6 Q. Why does the Company disagree with the Staff's 21.11 day collection day?

7 A. The Company believes that the accounts receivable aging analysis it performed  
8 that was based upon the Accounts Receivable Breakdown Report, adjusted for an  
9 uncollectible provision should be used as the basis for the collection lag. The Company argues  
10 that the CURST 246 report that it had consistently relied upon and utilized for over twenty-  
11 five years in rate cases produces inaccurate results.

12 Q. Is the CURST 246 report inaccurate?

13 A. Not to Staff's knowledge.

14 Q. What does the 28.75 days collection lag Mr. Adams has recommended suggest  
15 about Ameren Missouri customer payment habits?

16 A. Since accounts are deemed to be delinquent after ten to twelve days for  
17 business customers and 21 days for residential customers, a 28.75 days collection lag implies  
18 that on the average, all Ameren Missouri customers are paying their electric bills more than a  
19 week after the residential delinquent date. Also, since business customers account for roughly  
20 the same amount of revenue as residential customers, a 28.75 days lag implies that all  
21 Ameren Missouri business customers are paying their bills almost 13.25 days delinquent  
22  $[28.75 - (21 + 10) / 2]$ .

1           Q.     Is this 28.75 days collection lag consistent with the collection lags calculated  
2 by the Company and Staff based upon the CURST 246 report?

3           A.     No. Please refer to the Staff's chart referenced above.

4           Q.     How were these collection lags computed?

5           A.     These collection lags were calculated by both Staff and Company, mostly by  
6 relying on the CURST 246 report or the prior legacy report system.

7           Q.     Has the Staff performed any collection analysis with actual Company data in  
8 this case?

9           A.     Yes. Staff regards use of a customer payment sample the most accurate way to  
10 determine a company's collection lag. In this proceeding, Staff received a random sample of  
11 4,295 customers from the Company, and Staff is in the process of examining the payment  
12 history of each customer for the period of September 2010 through October 2011.  
13 Unfortunately, the Staff was not able to complete this study by the time of this surrebuttal  
14 testimony filing. In order to be fair to the Company and all of the other parties and also to  
15 allow sufficient time to review and respond to this rather large study, the Staff will not  
16 complete or present the results of this sample in the context of this rate proceeding. However,  
17 Staff will ask for updated information at the time that Company files its notice of intent to file  
18 its next rate case and fully intends to perform a sample to calculate the collection lag as part  
19 of the Company's next rate case.

20          Q.     Mr. Adams on page 6, lines 9 through 13 in his rebuttal testimony wondered  
21 why both Staff and MIEC used the same CURST 246 report, yet produced different collection  
22 lags. Please respond from Staff's perspective.

1           A.     It is true that both Staff and MIEC used Ameren Missouri's CURST 246  
2 report. But what Mr. Adams fails to understand is that while Staff's collection lag was  
3 determined based on a twelve-month period ending on October 31, 2010, MIEC's collection  
4 lag was calculated based on a twelve-month period ending on March 31, 2010. So, unless  
5 the data contained exactly the same information, it is obvious that different results would  
6 be obtained.

7           Q.     Please comment on the statement by Company witness Adams, found on  
8 page 5 of his rebuttal testimony that the report the Staff relied on to establish its collection lag  
9 was not applicable to the test year in this rate proceeding.

10          A.     It is common practice to rely on CWC lags that were developed in previous  
11 rate cases, which would occur well before the test year in succeeding rate cases. Almost half  
12 of the data (October 2010 to February 2011) relied upon to develop Staff's collection lag  
13 recommendation in the most recent Ameren Missouri rate case, Case No. ER-2011-0028, is  
14 still part of the test year in this rate case proceeding. Secondly, Ameren Missouri did not have  
15 an up-to-date CURST 246 report to provide Staff to update its records to be able to do an  
16 independent analysis based on information solely related to this rate case. Moreover, Ameren  
17 Missouri indicated to Staff in its response to DR No. 262 that it "has not made any material  
18 changes to its billing and collection policies and procedures which would account for an  
19 impact to the timing of its collection of rate revenues from its customers from November 1,  
20 2010 to present." With this assurance from the Company, the Staff believes it is reasonable to  
21 use the information contained in the last rate case to develop its recommendation in this rate  
22 proceeding for Ameren Missouri's collection lag.

1 Q. Mr. Adams states in his rebuttal testimony at page 11, lines 18 through 21 that  
2 "Staff offers no evidence to support its belief that the CURST246 report "provides a more  
3 accurate estimation of Ameren Missouri's collection lag." " Please respond.

4 A. The Staff believes that using a report that tracks customers' actual payment  
5 habits or how long it takes customers to pay their bills within a specified timeframe is more  
6 reliable than using Mr. Adams' Accounts Receivable Aging Report that shows the amount of  
7 money that is owed to Ameren Missouri.

8 Q. Has Company witness Adams provided any rationale for why the CURST 246  
9 report is inaccurate and not reliable?

10 A. None, whatsoever. In Staff DR No. 263, the Staff sought information about  
11 Ameren Missouri's decision to terminate the CURST 246 report, but the only response Staff  
12 received was "it did not tie to the General Ledger."

13 Q. Is the Company's argument that the CURST 246 report does not tie to the  
14 general ledger even relevant?

15 A. No, it is not relevant at all. The purpose of determining a collection lag is to  
16 accurately measure customer payment habits. It is not intended to measure outstanding  
17 balances that are reflected on the Company's books and records.

18 Q. What revenue collection lag does the Staff recommend the Commission adopt  
19 in this rate case proceeding?

20 A. The Staff recommends that the Commission adopt the Staff's recommended  
21 collection lag of 21.11 that was calculated using the Company report that was specifically  
22 designed to calculate collection lags for use in rate cases.

**GROSS RECEIPT TAXES (GRT) LAG**

Q. Have you reviewed Mr. Adams' rebuttal testimony regarding GRT?

A. Yes, I have.

Q. How will you respond to the concern expressed by Mr. Adams that the Staff GRT expense lag included the service lead factor when in fact the Staff has removed the service lead factor from the revenue lag?

A. The Staff is reviewing this subject. To the extent that the Staff's GRT expense lag includes the service lead, that creates an imbalance between the revenue lag and the expense lag, the Staff will update its workpapers during its true-up filing.

**PENSION AND OPEB EXPENSE LEAD**

Q. In Mr. Adams' rebuttal testimony on page 22, lines 4 through 11, he indicates that Staff has an error in its calculation of the pension and OPEB expense lead. Does the Staff agree that it referenced an incorrect cell in its spreadsheet in calculating its pension and OPEB leads?

A. Yes. The Staff incorrectly calculated a 36.28 expense lead and has since revised the expense lead to the correct calculation of 29.21 days. The Staff will reflect this correction in its true-up cost of service calculation.

**STORM COSTS**

Q. Are you in agreement with Ameren Missouri's proposal to withdraw its request to amortize an additional amount of storm costs, as stated by Ms Barnes on page 27, lines 10 through 14 in her rebuttal testimony on this issue?

A. Yes.

**STORM COST TRACKER**

Q. By way of showing her agreement with Staff's recommended level of normalized storm restoration costs in this rate proceeding, Company witness Lynn M. Barnes suggests at page 26 of her rebuttal testimony that "whether the level is truly sufficient to cover future storm costs is in fact highly uncertain, because storm costs are largely out of our control and are quite volatile and unpredictable." How does Staff respond to this statement?

A. The Staff agrees that storm costs are unpredictable. However, as I previously stated in my rebuttal testimony that Ameren Missouri has two available methods to address its storm costs. The first method allows Ameren Missouri to address "normal" storm costs by including such costs in the cost of service calculation in a rate case at a multi-year average level. A certain number of storm events will occur each year in any electric utility's service territory, and the repair and restoration costs associated with these events should be considered as part of normal and ongoing expense for an electric utility and therefore should be included in the utility's rates at a reasonable and ongoing level. Normal storms that occur during a rate case test year can be dealt with using standard ratemaking practices.

A second method is available to Ameren Missouri to address extraordinary storm events. Extraordinary storm events feature large numbers of customers being out of service and massive repair and restoration efforts. Ameren Missouri can seek permission to defer the non-labor related storm restoration costs to the utility's balance sheet through an accounting authority order (AAO). The AAO process requires the utility to justify the storm event as being extraordinary before the costs can be granted deferral treatment. If given deferral treatment, the costs are not charged to expense as incurred by the Company, but are preserved on its balance sheet so that the Company can seek recovery of the costs in a later rate case,

1 even if the storm event in questions occurred outside of the ordered test year for that case.  
2 The appropriate recovery of the deferral, if any, is addressed in the Company's next rate  
3 proceeding following the storm event. These two methods have successfully addressed all  
4 significant storm events recently experienced by Ameren Missouri. The problem with  
5 Company witness Barnes proposed tracker is that it would use one ratemaking procedure to  
6 handle all incurred storm costs, both normal and extraordinary. The Staff believes that this is  
7 unreasonable.

8 Q. Since the Staff maintains that a storm cost tracker is unnecessary does the Staff  
9 contend that the IEEE Standard 1366 methodology for including storm costs in  
10 the Company's proposed storm cost tracker that is sponsored by Company witness  
11 David N. Wakeman, on pages 13 and 14 of his direct testimony should be rejected by  
12 this Commission?

13 A. Yes. Since the traditional ratemaking approaches are adequate and appropriate  
14 to allow recovery of Ameren Missouri's non-labor-related O&M storm costs, there is no need  
15 to change the types of storm events that are addressed by these methodologies.

16 Q. Please summarize Staff's position regarding the Company's request for the  
17 two-way storm tracker.

18 A. There are already adequate established ratemaking procedures in place to  
19 handle all types of storm events that Ameren Missouri may experience. The Staff maintains  
20 that traditional ratemaking approaches continue to be adequate and appropriate to allow  
21 recovery of Ameren Missouri's non-labor related O&M storm costs. If the Company's storm  
22 restoration costs meet the Commission's criteria for AAO treatment, Ameren Missouri has the  
23 option to seek a Commission AAO for deferral of extraordinary storm restoration costs. In

1 fact, these ratemaking procedures have been successful in making Ameren Missouri whole for  
2 the non-labor-related O&M storm costs that it has previously incurred in the past.  
3 The Commission has previously denied Ameren Missouri's request for a storm tracker in  
4 Case No. ER-2010-0036 and no other utility in Missouri has a storm restoration cost tracker.  
5 Furthermore, Ameren Missouri's proposal to track storm costs would, if granted, relieve the  
6 Company of the financial risk associated with storm damage, and would unreasonably place  
7 this entire burden upon the ratepayers. In addition it would reduce the risk that Ameren  
8 Missouri would not earn its authorized rate of return without any provision of a proposed  
9 offset to the cost of service in recognition of Company's proposed shifting of risk. Therefore,  
10 Staff does not believe that the Commission should grant Ameren Missouri its proposed storm  
11 cost tracker.

12 **2006 STORM COST AMORTIZATION**

13 Q. Have you reviewed the rebuttal testimony of Company witness Gary S. Weiss  
14 respecting this issue?

15 A. Yes, I have.

16 Q. Does the Staff oppose the Company's position of extending the 2006 storm  
17 cost amortization over a period of two more years, instead of including it in cost of service as  
18 an expense?

19 A. No. The Staff does not oppose to this treatment and will reflect this two year  
20 amortization in its true-up cost of service calculation.



**ENTERGY REFUND**

Q. Have you reviewed Company witness Steven M. Wills' rebuttal testimony regarding the Entergy refund issue?

A. Yes, I have.

Q. Do you agree with Company witness Wills' reasoning that the Entergy refund is a "non-recurring" event?

A. No, I do not.

Q. What amount of refund is Company witness Wills advocating to refund to customers?

A. It is unclear what amount Company witness Wills' proposes to refund to customers, but it appears that he advocates returning only \$1.9 million to ratepayers through a future FAC adjustment filing.

Q. Does Staff agree with the Company witness Wills proposed refund amount?

A. No. The Staff contends that the amount collected from ratepayers with regard to the Entergy equalization charges is irrelevant. The Staff contends that the entire \$30.6 million should be returned to customers regardless of whether it was collected in rates or not.

Q. What is the basis for the Staff's disagreement with Company witness Wills' position that only a portion of the \$30.6 million refund received from Entergy should be returned to ratepayers?

A. The Staff contends that the ratepayers should receive all of this \$30.6 million refund regardless of whether or not customers paid for the entire amount of these equalization

costs. Only Ameren Missouri can control when they file a rate case seeking an increase in rates. The following charts summarize Ameren Missouri's rate case filings:

<u>Rate Case</u>	<u>Date Filed</u>	<u>Date Rates Effective</u>
ER-2007-0002	July 7, 2006	June 4, 2007
ER-2008-0318	April 4, 2008	March 1, 2009
ER-2010-0036	July 24, 2009	June 21, 2010

Company witness Wills complains that beginning in June 1, 2007 through March 1, 2009 Ameren Missouri paid approximately \$24.2 million for equalization charges before they could be reflected in rates. Therefore, Mr. Wills argues that Ameren Missouri should not be required to refund this portion of the refund. However, he fails to recognize that it was Ameren Missouri that decided not to file a rate case in a more timely fashion to address these costs. Ameren Missouri decided to wait until April 4, 2008 to an application before the Commission seeking permission to raise their rates as part of Case No. ER-2008-0318. The increase in equalization charges that Ameren Missouri began to incur starting in June 2007 were not material enough to require Ameren Missouri's management to file a rate case or were absorbed due to another expense reduction that was not included in their then current rates. To suggest as Mr. Wills does that these expenses were not included in rates, it follows that they must not have been significantly enough to cause Ameren Missouri to file a rate case. Furthermore, if these charges were material to Ameren Missouri's operations Ameren Missouri could have filed an AAO to defer the Entergy equalization cost for future recovery in a subsequent rate case. Apparently, Ameren Missouri management believed that rates were sufficient during that time period to cover the Entergy equalization charges.

Similarly, Ameren Missouri should have filed Case No. ER-2008-0318 in order to have allowed a more timely recovery of these costs if, indeed, they were causing Ameren

1 Missouri to not achieve a reasonable return. It is clear given all the options Ameren Missouri  
2 had, it determined that it could still earn a reasonable return by absorbing the increased  
3 equalization charges in its current cost of service. Finally, Staff has reviewed all of the  
4 testimony that was filed by Company witness Thomas R. Voss from Case No. ER-2008-0318.  
5 Mr. Voss did not reference the increased equalization charges as being a primary reason for  
6 filing the rate case. Evidently, the equalization charges that began in June 2007 was a  
7 component of customer rates since they were charged by Entergy or otherwise Ameren  
8 Missouri could have pursued certain ratemaking mechanisms to address their recovery.

9 Q. Do you agree with Company witness Wills' statements found on the bottom of  
10 page 26 (lines 18 – 23) and page 27 (lines 1-13) of his rebuttal testimony that it is  
11 inappropriate to make an adjustment to future rates to reflect non-recurring changes in  
12 historical costs?

13 A. No. I do not. Staff contends that ratepayers are much more entitled to this  
14 refund of previous payments than are the shareholders of Ameren Missouri. The ratepayers of  
15 Ameren Missouri have continued to pay rates which allowed for the payment of the  
16 equalization charges and now should receive a reduction in their cost of service as a result of  
17 the successful outcome of this lawsuit. In general, if a particular cost is included in customer  
18 rates as part of a utility's cost of service, any applicable refunds of those costs received by the  
19 utility should also be reflected in customer rates.

20 Q. Did ratepayers pay the legal costs associated with the Entergy dispute that  
21 resulted in the refund?

22 A. Yes. By January 1, 2013 Ameren Missouri will have collected approximately  
23 \$2.0 million from outside legal costs in rates since the time that they first began incurring

1 outside legal costs during March 2009, in connection with the appealing the Entergy  
2 equalization charge. Company's response to Staff DR No. 430 indicates that through  
3 April 30, 2012, the Company has only incurred approximately \$1.5 million for these outside  
4 legal fees.

5 Q. Does Mr. Wills in his rebuttal testimony as part of his recommendation  
6 indicates that the legal expense associated with the dispute that was paid by ratepayers be  
7 refunded to them?

8 A. Mr. Wills fails to address this particular issue which is closely related to the  
9 Entergy refund in his testimony.

10 Q. Is it reasonable that if ratepayers paid for the legal fees associated with this  
11 refund, then they ought to benefit from any resultant refunds?

12 A. Yes. To be consistent with Mr. Wills' position on denying customers the  
13 benefits of the Entergy refund, Ameren Missouri should have removed the associated legal  
14 fees from its case.

15 Q. Is it still your recommendation that this Entergy refund be returned to  
16 ratepayers?

17 A. Yes. The Staff requests that the Commission return the full amount of the  
18 \$30.6 million Entergy refund to ratepayers as part of a three-year amortization beginning with  
19 the effective date of rates established in this rate proceeding. However, the Staff alternatively  
20 would also support returning all or a part of this \$30.6 million refund to the ratepayers  
21 through the FAC adjustment mechanism.

1     **METHANE ENERGY CENTER O&M COSTS**

2           Q.     Does the Staff intend to include the Methane Energy Center O&M Costs as  
3     part of the true-up cost of service calculation?

4           A.     Yes. Staff will include ongoing O&M costs associated with operating the new  
5     methane energy center that went into service in July 2012. Staff witness Shawn Lange will  
6     discuss the in-service of the Maryland Heights Renewable Energy Center in his surrebuttal  
7     testimony.

8           Q.     Does this conclude your surrebuttal testimony?

9           A.     Yes, it does.

