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Witness:	Gary S. Weiss
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EC-2014-0223

REBUTTAL TESTIMONY

OF

GARY S. WEISS

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
June, 2014

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OF

GARY S. WEISS

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Gary S. Weiss and my business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom are you employed and what is your position?

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

Q. Please describe your educational background and employment experience.

A. My educational background consists of a Bachelor of Science Degree in Business Management from Southwest Missouri State University that I received in 1968 and a Masters in Business Administration from Southern Illinois University at Edwardsville that I received in 1977.

I was employed by Union Electric Company in June 1968 and have been employed continuously with Union Electric Company or Ameren Services Company ("Ameren Services"), except for a two-year tour of duty with the United States Army. I started at Union Electric Company as an accountant in the Controller's function. I worked as an accountant in the Internal Audit Department, General Accounting Department and Property Accounting Department from 1968 through 1973. In 1974, I was promoted to a Senior Accountant in the Internal Audit Department. In 1976, I was promoted to Supervisor in the Rate Accounting Department. The Rate Accounting Department was combined with the Plant Accounting Department in 1990 to form the Plant and Regulatory Accounting Department.

Effective with the 1998 merger of Union Electric Company and Central Illinois Public Service Company and the resulting formation of Ameren Corporation ("Ameren"), I was employed by Ameren Services. In December 1998, the Regulatory Accounting Section, where I was then employed, was moved to the Financial Communications Department. Starting in October 2001, I became a direct report to the Controller. On February 16, 2003, I was promoted to Director, Regulatory Accounting and Depreciation. I was promoted to Manager of Regulatory Accounting on October 1, 2004. On March 1, 2009, the Regulatory Accounting Department was transferred from Ameren Services to Ameren Missouri (which at the time conducted business under the d/b/a AmerenUE). My position was retitled Director of Regulatory Accounting on January 1, 2013.

Q. Please describe your qualifications.

A. I have over 35 years of experience in the regulatory area of the public utility industry. I have submitted testimony concerning cost of service/revenue requirement before the Missouri Public Service Commission ("Commission"), the Illinois Commerce Commission, the Iowa Utilities Board (f/k/a the Iowa State Commerce Commission), and the Federal Energy Regulatory Commission. I have also provided antitrust testimony before the United States District Court in the Eastern District of Missouri.

Q. What are your responsibilities in your current position?

A. My duties as Director of Regulatory Accounting include preparing the revenue requirement and developing accounting exhibits and testimony for use in applications for rate changes for Ameren Missouri. I provide assistance to the Vice President/Controller and Vice President-External Affairs and Communications of Ameren Missouri regarding: (1) rate case and regulatory accounting, (2) the need for and the timing of rate changes and (3) the effect on financial forecasts of proposed rate changes. I conduct studies of various accounting policies and practices to determine the effect on operating income, analyze the results and suggest appropriate rate changes. I prepare reports and exhibits regularly required by various regulatory commissions. I also provide data, answer inquiries, arrange meetings, and otherwise assist representatives of regulatory commissions in conducting their audits and reviews.

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

A. The purpose of my rebuttal testimony is to explain in detail what it takes to develop a proper revenue requirement, and why it is necessary to properly develop such a revenue requirement before any change in a utility's rates can be made. As I discuss in more detail below, an appropriate revenue requirement for an electric utility can only be developed through a comprehensive cost of service study consisting of an in-depth analysis of all the revenues, expenses and investments of the utility using an appropriate test period and update/true-up. I will contrast what it takes to perform a proper cost of service study against the deficient and incomplete analysis prepared by Noranda witness Greg Meyer. Finally, I will identify errors in the adjustments proposed by Mr. Meyer in his Table 1.

II. REVENUE REQUIREMENT

Q. What do you mean by "revenue requirement"?

A. The revenue requirement of a utility is the sum of operating and maintenance expenses, depreciation and amortization expense, taxes and a fair and reasonable return[1] on the net value of property used and useful in serving its customers (the "rate base"). The Commission routinely describes it as follows:

Revenue Requirement = E + D + T + R(V-AD+A)

Where: E = Operating expense requirement
D = Depreciation on plant in rate base
T = Taxes including income tax related to return
R = Return requirement
(V-AD+A) = Rate base

For the rate base calculation:
V = Gross Plant
D = Accumulated depreciation
A = Other rate base items[2]

The revenue requirement is based on a test year, and is normally trued-up to a date as close as possible to the date new rates would take effect based on material changes in revenues, expenses or rate base since the end of the test year. The purpose of a trued-up test year is to develop a revenue requirement that will be representative of the revenues, expenses and rate base of the Company during the future period (post a rate change) when new rates would be in effect. I will discuss the mechanics of developing a trued-up revenue requirement further below. In Missouri, it has traditionally been

[1] The reasonable return consists of the cost of each component of the Company's capital, here, the cost of short- and long-term debt, the cost of preferred stock and the cost of common equity, which is sometimes referred to as "return on equity" or "ROE."
[2] *Report and Order*, File No. ER-2012-0166 (Eff. Dec. 22, 2012).

determined that use of an historic test year (with a true-up) is the best predictor of those future conditions, although many jurisdictions use a forecasted test year.

The revenue requirement represents the total funds (revenues) that must be collected by the Company if it is to pay its expenses, including to employees and suppliers, make needed investments, satisfy tax liabilities, and give investors a reasonable opportunity to earn a fair return.

Q. Does the analysis provided by Mr. Meyer present a comprehensive cost of service study sufficient to develop a revenue requirement that could be used to set rates?

A. No.

Q. Is the analysis presented by Mr. Meyer the type of analysis that has been used by this Commission to set rates?

A. No, in my over 35 years of developing revenue requirements and participating in rate cases, I have never seen an analysis such as that provided by Mr. Meyer used to set rates.

Q. Can you describe the steps you take in developing the revenue requirement for Ameren Missouri?

A. Yes. As I noted earlier, development of a revenue requirement requires the conduct of a comprehensive cost of service study, the basic steps of which are as follows:

1. Choose an historical test year and true-up period that will best be representative of the future period after new rates would be in effect.

2. Request various departments within Ameren Services and Ameren Missouri to review the per-book information for the test year to identify any unusual items that might need to be adjusted and to identify material changes in the level (both decreases and increases) of revenues and expenses.

3. Send requests to the various departments within Ameren Services and Ameren Missouri for detailed information on numerous items that impact rate base, expense and revenues (I discuss these further, below).

4. Run queries of various accounts in the general ledger for detailed information that is required for the development of the rate base and revenue requirement.

5. Develop the weather normalization adjustment to revenues and kilowatt-hour ("kWh") sales.

6. Calculate the impact of customer growth at the end of the test year and end of the true-up period on sales, revenues and billing units.

7. Combine all of these adjustments to calculate the normalized and annualized kWh output required to determine the revenue requirement.

8. Analyze all of the information received from the various departments and verify its accuracy, where appropriate.

9. Provide all of the foregoing data to analysts who will run the Company's production cost model (called PROSYM) to develop those components of fuel costs, purchased power cost and energy sales that can be modeled.

10. Allocate, where appropriate, a portion of revenues or expenses to gas operations, since those allocated portions should not be used to develop an electric revenue requirement.

11. Develop the rate base and revenue requirement with estimates for the true-up as appropriate.

12. Develop the numerous pro forma adjustments required to normalize and annualize in order to reflect an appropriate proxy for what the level of rate base, revenues and expenses are expected to be in the future when new rates will be effective.

13. Obtain cost of equity analyses and results from cost of capital expert.

14. Enter all of the above information into the revenue requirement model, which is 75 pages of detail on the rate base, revenues and expenses.

15. Develop supporting summary schedules for the rate base and the revenue requirement from the output of the revenue requirement model. There are 16 summary schedules showing the test year per-book amounts, the pro forma adjustments and the pro forma total for the rate base components, the revenues and the operating expenses (plus a calculation of net base energy costs ("NBEC") as the 17th schedule) as follows:

- Original Cost of Electric Plant by functional classification at end of test year per-book and pro forma.

- Electric Plant Reserves for Depreciation and Amortization by functional classification at end of test year per-book and pro forma.

- Average Fuel Inventories and Average Materials and at end of test year per-book and pro forma applicable to the electric operations.

- Average Prepayments at end of test year per-book and pro forma applicable to the electric operations.

- Total Electric Cash Working Capital (per the Company's lead/lag study) for the twelve month test year.

- Interest Expense Cash Requirement, Federal Income Tax Cash Requirement, State Income Tax Cash Requirement and City of St. Louis Earnings Tax Cash Requirement applicable to the electric operations for the test year.

- Average Electric Customer Advances for Construction and Average Electric Customer Deposits reductions to rate base at the end of the test year.

- Electric Pension and Other Post-Employment Benefits Regulatory Asset/Liabilities, and other Regulatory Assets or Liabilities as of the end of the test year.

- Total Electric Accumulated Deferred Income Taxes at end of test year per-book and pro forma.

- Total Electric Operating Revenues for the test year per-book and pro forma.

- Total Electric Operations and Maintenance Expenses, by functional classification, for the test year, updated for certain known items, per-book and pro forma.

- Depreciation and Amortization Expenses applicable to Electric Operations, by functional classification, for the test year per-book and pro forma.

- Taxes Other Than Income Taxes, for the test year per-book and pro forma.

- Income Tax Calculation at the proposed rate of return and statutory tax rates for total electric.

- The pro forma Electric Net Original Cost Rate Base at the end of the test year and the Electric Revenue Requirement including the pro forma adjustments.

- Increase Required at requested rate of return on Net Original Cost Rate Base including pro forma adjustments.

Q. For step 3, please list some of the departments contacted to provide detailed information.

A. There are many, but the following discusses some of the more significant. The Tax Department is contacted to provide the accumulated deferred income tax balances at the end of the test year and the true-up period, the income tax rates, various tax deductions that must be reflected in the income tax calculation, any changes in the FIN 48 liability tracker, payroll taxes, property taxes and miscellaneous other taxes. The General Accounting Department provides the balances and details of the pension and OPEBs (other post-retirement employment benefits) tracker, the short-term and long-term incentive compensation accruals and various other accruals. The Midcontinent Independent System Operator, Inc. ("MISO") Day 1, MISO Day 2 and ancillary services revenues and expenses are obtained from the Wholesale Power & Fuels Accounting Department. They also provide the Renewable Energy Standard ("RES") tracker and expenses. In addition, various components for the NBEC are obtained from the Wholesale Power & Fuels Accounting Department. The Corporate Planning Department provides the production cost modeling results. Plant Accounting provides detail of plant investment and retirements. The coal inventory in tons and current cost are provided by the Fuels (Coal/Gas) Services Department along with the information on the coal refinement revenues and cost offsets. The Finance Department provides the capital structure and cost of all components except the return on common equity. The insurance group within the Finance Department provides the current cost of the various insurance policies paid by the Company. The Human Resources Department provides any applicable wage and salary adjustments, the actual short-term incentive compensation payouts by the various plans along with information on other employee benefit cost. Information on the forecast plant in service additions, vegetation management and infrastructure tracker balances and expenses, storm cost tracker and expenses and power plant maintenance expenses are provided by the Planning & Business Services Department. In addition as the various pro forma adjustments are developed, other departments within Ameren Missouri and Ameren Services are contacted to provide information.

Q. What is required to develop the weather normalized sales and revenues in item 5?

A. A group within Corporate Planning develops the weather normalized kWh sales and the estimated growth in the number of customers through the true-up period. Using load research and actual weather data for a recent historical period, the statistical relationship between load and temperature is established. That relationship is used to estimate the impact of abnormal weather, defined as the difference between the test year actual temperatures and the average temperatures for the 30 year period from 1981-2010, on the actual kWh sales for the test year. The weather normalized kWh sales and growth in the number of customers is provided to the Rate Engineering Department to develop the additional revenues and billing units. Finally, the weather normalized and annualized kWh sales are converted into hourly loads and are used as inputs into the production cost model.

Q. Please explain some of the inputs required for the production cost model (PROSYM) discussed in item 9.

A. The normalized and annualized hourly loads developed in item 5 are the inputs into PROSYM. In addition to the hourly loads, the coal, nuclear, oil and gas costs are required. For the availability of the generating units a multi-year average of plant outages is included. A three year average of hourly market prices is developed to model the off-system energy sales and purchased power. PROSYM then provides the generation and fuel cost, the amount and cost of purchased power and the amount of revenues from the off-system energy sales. To calculate the total off-system sales revenues, the capacity sales revenues, MISO Day 1, MISO Day 2 and ancillary services revenues are added to the off-system energy sales revenues developed by PROSYM.

Q. In developing the rate base and revenue requirement in item 11, are other resources required in addition to the departments discussed in item 3?

A. Yes. The cash working capital and the offsets for interest expense and taxes are developed by an outside consultant. To develop the cash working capital requirement, a detailed analysis of the revenue lag and the various expense leads is necessary. In the development of the lead/lag study, the consultant must work with various departments within Ameren Missouri and Ameren Services to calculate the appropriate lead/lag days. In addition, any time the Company proposes a change in the depreciation lives and rates, an outside depreciation expert is required to analyze the service life, retirement, salvage and removal cost data and develop the appropriate new depreciation rates.

Q. In developing the rate base what are some of the major pro forma adjustments?

A. The per-book plant in service and accumulated reserve includes certain items that are excluded for ratemaking purposes and require pro forma adjustments to remove. These items include the FASB (Financial Accounting Standards Board) 143 Asset Retirement Obligations, plant held for future use, non-utility plant, disallowed capitalized incentive compensation amounts and multi-use general plant applicable to gas operations. To reflect the plant in service and accumulated reserve through the true-up period, additional pro forma adjustments are required. The plant in service is increased to reflect the Callaway post-operational costs and the Sioux scrubber construction accounting and the estimated additions to plant in service from the end of the test year through the end of the true-up period. The accumulated reserve is increased to reflect the Callaway post-operational cost and Sioux construction accounting, additional reserve on the plant in service at the end of the test year through the true-up period and additional reserve for the pro forma additions to plant in service.

The value of the coal inventory is adjusted to reflect the cost of coal used in PROSYM as of the true-up date.

The cash working capital and related cash requirement for interest and taxes are developed to reflect the pro forma level of expenses.

The regulatory asset and regulatory liability balances for pension, OPEBs, energy efficiency (prior to the MEEIA programs[3]) and FIN 48 liability tracker are adjusted to reflect their balances at the end of the true-up period.

Finally, the accumulated deferred income tax balances are adjusted to reflect their estimated balances at the end of the true-up period.

Q. Are there pro forma adjustments required to the revenues?

A. Yes. In order to reflect revenues that are properly matched with expenses and to arrive at the proper revenue requirement, pro forma adjustments are required. The normal adjustments to revenues include the elimination of unbilled revenues, the

[3] "MEEIA" stands for Missouri Energy Efficiency Investment Act.

elimination of the add on revenue taxes, growth through the end of the test year and the true-up period, normalized weather, billing units and days adjustment. In addition, if an earlier rate change was effective during the test year for the upcoming rate filing, the test year revenues must be changed to reflect a full year's revenue at those previously established rates. Also, revenue related to riders such as the FAC and MEEIA Rider are removed to arrive at proper matching of base revenues and expenses. Any rate refunds applicable to prior periods are eliminated. Finally, the off-system energy sales revenues are adjusted to reflect the level of off-system energy sales from PROSYM and the off-system capacity sales revenues are adjusted to reflect the level through the true-up period. There could be other pro forma adjustments required but the above items reflect the normal adjustments required to revenues.

Q. Please provide a list of the major pro forma adjustments required to operations and maintenance ("O&M") expenses.

A. In order to normalize and annualize the current O&M expenses to the level they are expected to be when new rates will become effective, numerous pro forma adjustments must be made. Normally, approximately 25 pro forma adjustments are made to O&M, but in the Company's last rate case filing (Case No. ER-2012-0166), my direct filing included 32 pro forma adjustments to O&M. A large number of the O&M pro forma adjustments are consistent from rate case to rate case. These include the following: (1) Annualize the salary or wage increases that occur during the test year or the true-up period. (2) Reflect the current level of related employee benefits such as medical insurance. (3) Adjust the short-term incentive compensation to remove that portion related to earnings (since the Company typically does not seek recovery of earnings-related incentive compensation, per prior Commission rulings). (4) Remove all of the earnings-related long-term incentive compensation, per prior Commission rulings. (5) Adjust for the change in fuel costs due to the normalized loads with growth in customers and current fuel cost. (6) Adjust for the change in the purchased power expense due to the normalized loads with growth in customers and current fuel cost. (7) Annualize the coal refinement expense offset. (8) Eliminate the FAC recovery. (9) Normalize the Callaway refueling expense. (10) Annualize the other RES cost regulatory asset/liability amortization. (11) Rebase the other RES cost to be included in O&M going forward. (12) Rebase the vegetation and infrastructure tracker O&M. (13) Add the interest on customer deposits to O&M. (14) Eliminate MEEIA program cost as they are recovered through a rider. (15) Eliminate any expenses related to the Taum Sauk failure. (16) Annualize current level of insurance premiums. (17) Reflect current cost of non-qualified pension expense. (18) Rebase the level of pension and OPEBs expense included in O&M. (19) Adjust amortization of pension and OPEBs regulatory asset/liability. (20) Include rate case expense. (21) Annualize the MPSC assessment to the current assessment level.

Q. What are some of the recurring pro forma adjustments to the depreciation and amortization expense?

A. Some of the recurring pro forma adjustments to the depreciation and amortization expense include the following: (1) Annualize the depreciation expense for the plant in service at the end of the test year. (2) Reflect a full year’s depreciation expense on the plant in service additions occurring during the true-up period. (3) Reflect the increases/decreases for the change in depreciation rates recommended by the depreciation study. (4) Adjust the amortization of intangible plant for items that will be fully amortized by the end of the true-up period. (5) Normalize and annualize the amortization of the various regulatory assets/liabilities authorized by the Commission including eliminating those which will be fully amortized during the true-up period.

Q. Are there some necessary pro forma adjustments to the other taxes?

A. Yes. There are some necessary pro forma adjustments to the other taxes including the following: (1) Eliminate the revenue add on taxes. (2) Adjust the payroll taxes to reflect the pro forma adjustment to the labor expense. (3) Annualize/normalize the property taxes. (4) Eliminate the property tax for the future use property.

Q. Finally are there any adjustments to income taxes based on the revenue requirement versus the book income taxes?

A. Yes. The income taxes for the revenue requirement are based on the overall return times the rate base (return on rate base). The interest deduction is adjusted to reflect the embedded cost of long-term debt times the rate base. There are some other deductions such as tax depreciation versus book depreciation. The statutory federal, state and City of St. Louis tax rates are then applied to the calculated taxable income to arrive at the total income taxes to be included in the revenue requirement.

Q. What is the final piece required for the revenue requirement?

A. The return on common equity ("ROE") is the final piece to complete the revenue requirement. The Company’s outside expert, after extensive analysis, provides the appropriate ROE to use in the revenue requirement.

Q. Your description of the process suggests the process is not a simple one. Is that an accurate impression?

A. Yes, it is. Performing a proper cost of service study takes several months and, as noted, requires data and information from many sources. It also requires dozens of adjustments and calculations based upon analyzing that data and information, which are accomplished by using a model that consists of approximately 75 pages. There are also numerous input schedules and workpapers outside the model. To give you an idea, the total number of workpapers in our last rate case, including the revenue requirement model, totaled approximately 570 pages. In addition to the efforts of personnel from the various departments and outside consultants that provide the data and information that I described above, it takes me and a Staff of three people more than two months to perform the study.

Q. Does the Commission Staff ("Staff") follow a similar process in developing their proposed revenue requirement?

A. Yes. The Staff, typically consisting of a team of five or six auditors, establishes an office at the Company's headquarters for a period of approximately 4 months. During that time, they review the Company's workpapers and revenue requirement model output, submit hundreds of data requests (nearly 600 in our last rate case, many of which had multiple subparts), and meet with Company personnel in many different departments of Ameren Missouri and Ameren Services. The Staff performs a very detailed audit of the Company's O&M expenses. At the end of the 4 month audit period, the Staff will input all of the information they have gathered into their revenue requirement model along with the many pro forma adjustments they feel are necessary to arrive at the cost to provide service to the customers at the time the new rates will become effective. Many of the Staff's pro forma adjustments are the same as the

Company's pro forma adjustment, but in addition, the Staff normally has pro forma adjustments that are different. For these additional pro forma adjustments that the Company and Staff (and/or other parties) do not agree on, the Commission holds hearings and then decides the final outcome of the issues. The entire rate case process typically takes 11 months after the Company files its direct case.

III. MR. MEYER'S ANALYSIS

Q. How does the process and amount of workpapers you have described above compare to what was provided by Mr. Meyer for Noranda?

A. Mr. Meyer provided approximately 20 pages of workpapers that fail to come close to reflecting the kind of comprehensive cost of service study that must be done before rates can be changed.

Q. Can you describe what Mr. Meyer has done and point out the shortcomings of his analysis?

A. Yes. Mr. Meyer started with the Ameren Missouri Surveillance Report for the 12 months ended September 30, 2013. This report reflects per-books figures with no adjustments. As described above, rates are not and have never been set on such a basis. In the Surveillance Report, the rate base was updated through September 30, 2013, except for the cash working capital and cash requirement for interest and income taxes. For those items, the Surveillance Report, as well as Mr. Meyer, simply used the sums from Ameren Missouri's last rate case, File No. ER-2012-0166, which were as of July 31, 2012 – nearly 2 years ago. The revenues and expenses through net operating income are the book amounts with no adjustments for the 12 months ended September 30, 2013. The Surveillance Report calculates the return on rate base by dividing the net operating income by the rate base. This calculated return on rate base is then factored up to the estimated per-book earned return on common equity. The estimated earned return on common equity per the September 2013 Ameren Missouri Surveillance Report was 10.32%. The Commission, in its Report and Order in File No. ER-2012-0166, authorized an ROE of 9.80% to be used to set rates in that case. Mr. Meyer compared this estimated earned ROE of 10.32% to the authorized ROE of 9.8% and on that basis alone claimed that this meant that the Company's current rates were unjust and unreasonable (what he terms "over-earnings"). Mr. Meyer then made 14 additional adjustments, including lowering the authorized ROE to 9.4% and arrived at a total claimed "over-earnings" amount of $67,130,000.

Q. Are the 13 pro forma adjustments listed on Mr. Meyer’s Table 1 other than the reductions to the rate of return correct and/or appropriate?

A. No. There are a couple of reasons why Mr. Meyer’s pro forma adjustments couldn’t be developed correctly or accurately. First, for many of these adjustments Mr. Meyer relied on Staff and Company adjustments made in the Company’s prior rate case, File No. ER-2012-0166. That case utilized a test year of 12 months ended September 31, 2011 with true-up through July 31, 2012. Thus, this information is old (up to 43 months old) and not appropriate to use for current pro forma adjustments that are to be made in an attempt to try to develop a reasonably proxy *for the future*. Second, Mr. Meyer relied on the Ameren Corporation's ("Ameren's") December 2012 10-K filing (its Annual Report) with the Securities and Exchange Commission ("SEC"), as well as Ameren's September 2013 SEC 10-Q filing. These SEC filings reflect total Ameren Missouri figures (including gas operations), not just Ameren Missouri’s electric operations. They are also based on unadjusted per-book numbers that reflect conditions starting as far back as nearly 30 months ago (to the beginning of 2012), which have not been adjusted as needed as part of a comprehensive cost of service study such as that described earlier. Therefore, the numbers from these SEC reports are not appropriate for developing electric pro forma adjustments. If all one had to do is pull up prior SEC reports, it would not take the time and effort the Company and the Staff devote to performing cost of service studies to develop a proper revenue requirement. However, if one wants to determine the most reasonable proxy possible for conditions in the future when new rates would be in effect then such a study must be done. I would note that some of the pro forma adjustments made by Mr. Meyer do represent the kind of normal pro forma adjustments that are typically reflected in the Ameren Missouri revenue requirement. However, the data used to calculate most of the adjustments is outdated and some of the calculations are flawed.

Q. Please address the specific adjustments other than the adjustments to ROE Mr. Meyer relied upon.

A. Item 3 on Mr. Meyer's Table 1 (Rate Case Revenue Annualization) is Mr. Meyer's attempt to reflect the rate increase effective January 2, 2013 for the full 12 months ended September 30, 2013. The Rate Engineering Department reviewed the calculation and found it to be incorrect and the method used to make the calculation was not the proper way to make the calculation. Mr. Meyer took the total rate increase from File No. ER-2012-0166, eliminated the MEEIA costs included and adjusted for the change in NBFC. He then allocated this back to the months using monthly loads. Mr. Meyer did not reflect the correct MEEIA costs so the increase he allocates back to the months is too high. The correct method to calculate the increase would be to take the actual billing units for the months and first apply the current rates in effect and then the new rates. The difference would be the increase by month for the impact of the new rates.

Mr. Meyer's Item 4 (Elimination of Rate Refunds) is correct as it was a disallowance from the FAC Prudency Audit ordered by the Commission.

Making an adjustment like Item 5 (Callaway Refueling Normalization) is proper. However, Mr. Meyer simply cut and pasted the Staff's adjustment in File No. ER-2012-0166. Since there was a new Callaway refueling in the spring of 2013 that is actually included in the September 2013 book numbers, the adjustment is outdated and incorrect.

Item 6 (Long-Term Incentive and Stock Compensation Disallowance) is again a cut and paste copy of a Staff adjustment in File No. ER-2012-0166 and is actually the Short-Term Incentive Compensation related to earnings and the total Long-Term Incentive Compensation. The amount of this adjustment is incorrect as new payments were made in early 2013 for these items and reflected in the September 2013 book numbers. Therefore this adjustment is out of date and not correct.

Item 7 (Disallowance of Certain Miscellaneous & Advertising Expenses) is also a cut and paste of the Staff's adjustment in File No. ER-2012-0166 and represents information for the 12 months ended September 30, 2011, which is far out of date. In making this pro forma adjustment, the Staff reviewed hundreds of line items and only proposed to disallow a small percentage of the items reviewed. In order to reflect this same adjustment correctly for the 12 months ended September 30, 2013, hundreds of items that were recorded on the books during this time period would have to be reviewed.

Items 8 and 9 (Steam Production Maintenance Expense Normalization and Distribution Maintenance Expenses Normalization) are adjustments that are incorrectly calculated. Proper pro forma adjustments related to these items is only to the non-labor portion of the expense. The total labor is adjusted in other pro forma adjustments in the revenue requirement. The total labor does not vary year to year. The type of work performed and accounts charged vary from year to year depending on what activities are being done (operations or maintenance). These adjustments calculated by Mr. Meyer reflect both labor and non-labor and thus are incorrect adjustments.

Item 10 (Pension Expense) starts with the Staff's work paper in File No. ER-2012-0166 for the pension and OPEB true-up rebase adjustment. This adjustment starts with data for the true-up period, which was July 31, 2012. Mr. Meyer then takes information from the 2012 SEC 10K and the September 2013 SEC 10Q reports on pensions and OPEBs to arrive at a percent annual change to apply to the 2012 amounts. The numbers in the SEC 10K and 10Q are total Ameren Missouri and include electric and gas operations as well as capital and O&M. The proper calculation requires taking the pension and OPEBs for the Year 2013 from the Actuarial Report received each year from the Company's actuaries and applying the current allocation factors for Ameren Services to allocate the amounts that are applicable to Ameren Missouri. Then the direct Ameren Missouri and the Ameren Services amount applicable to Ameren Missouri must be allocated to expense and finally the expense must be allocated between electric and gas operations.

Item 11 (Annualization of Depreciation Expense) is also calculated incorrectly. Mr. Meyer took the increase in gross plant from July 31, 2012 through September 30, 2013 and then divided by 14 to get a monthly increase in gross plant in service. Also based on the July 31, 2012, gross plant and depreciation expense for the 12 months ended July 31, 2012, he then calculates an average effective depreciation rate. He applies this average effective depreciation rate to the average monthly increase in gross plant in service to calculate the increase in depreciation expense. He then does a monthly calculation starting with October 2012 through September 2013 to arrive at an increase in depreciation expense. To this annualization he adds 3 more months of average month gross plant-in-service increase times the average effective depreciation rate to take the increase in depreciation expense through December 31, 2013.

The correct way to annualize depreciation expense is to take the gross plant in service at September 30, 2013 and apply the average effective depreciation rate. This will give you the annual depreciation on the gross plant in service at September 30, 2013. Then if you want to annualize the depreciation expense on the gross plant in service at December 31, 2013 you would take the plant balances at December 31, 2013 times the average effective depreciation rate. By taking the gross plant in service times the average effective depreciation rate, you are reflecting the annual depreciation expense related to the current gross plant in service. If Mr. Meyer is going to reflect depreciation and some of his other pro forma adjustments through December 31, 2013, to be consistent he would also need to adjust all rate base items through December 31, 2013.

Item 12 (Annualization of Labor Expense) is also calculated incorrectly. Again Mr. Meyer started with a Staff work paper from File No. ER-2012-0166, which reflected actual labor expense through September 31, 2011. Staff then increased the labor expense for the 3% management wage increase on April 1, 2012 and the 3% contract wage increase on July 1, 2012. Mr. Meyer then just applied another 3% wage increase for management on April 1, 2013 and contract employees on July 1, 2013. Thus, the increase is not being applied to the actual labor in expenses for the 12 months ended September 30, 2013, as it should have been. The correct way to calculate the wage increase requires the actual labor expense at April 1, 2013 for management and at July 1, 2013 for contract employees and then applies the actual wage increases granted on those dates. Assuming the same number of employees, O&M labor expense and percent wage increase that were in effect at September 30, 2011 to calculate the labor increase in 2013 is not proper.

The Healthcare Expense Annualization in Item 13 suffers from some of the same errors as the other adjustments in that it is based on a Staff work paper for the true-up in the last rate case as of July 31, 2012. For this adjustment, Mr. Meyer applies a 5.90% annual rate (based on a study by Towers Watson & Company which may or may not reflect the Ameren increases) to the July 1, 2012 level of medical costs to calculate the medical cost at September 30, 2013. Then he uses the same 5.90% annual rate to carry the medical costs out to December 31, 2013. This backed-into medical cost result may or may not bear any relationship to the actual medical costs on the books for the 12 months ended September 30, 2013 and December 31, 2013 due to the outdated starting point.

Item 14 (Annualization of Amortization Expense) is based on the amortizations that were reflected in the revenue requirement underlying the Commission's Report and Order in File No. ER-2012-0166. This reflects the level of amortizations at July 31, 2012. Mr. Meyer made an adjustment based on the assumption that the amortization amounts in the Order became effective on January 2, 2013 and thus reflected 9 months and only needed to be adjusted for an additional 3 months of amortization. However, this assumes none of the amortization amounts have changed since the rate case, which is not true. The amortizations of the regulatory assets and liabilities approved in the Commission's Report and Order in the Company's last rate case do not change but the plant amortizations *do* change as the investments in these accounts change. Therefore, this adjustment is also incorrect.

Finally, Item 15 (Interest on Customer Deposits Annualization) is correct.

In summary, of the 13 pro forma adjustments on Mr. Meyer's Table 1 (other than rate of return) 11 of them are incorrect.

Q. You addressed all of Mr. Meyer's items except Item 2, relating to Noranda's contention that Ameren Missouri's return on common equity for ratemaking purposes should be lowered from 9.8% to 9.4%. Is that adjustment appropriate?

A. No, it is not, because a change in a utility's revenue requirement driven in part by a change in ROE can only be made as one component of conducting a comprehensive cost of service study of the type I described earlier. Moreover, according to Ameren Missouri witness Robert Hevert, Ameren Missouri's cost of equity is in fact higher than the 9.8% assumed for ratemaking purposes in the last rate case

Q. Are there major pro forma adjustments that were not made by Mr. Meyer that at a minimum would have to be made as part of a proper, comprehensive cost of service study?

A. Yes. My testimony above provided a large number of normal pro forma adjustments made to the revenue requirement by Ameren Missouri and Staff, all or nearly all of which must be made to determine an appropriate revenue requirement to set rates on a prospective basis. There could be others as well. An obvious major pro forma adjustment missing is weather normalization. Because rates are set based on normal weather, any variation in the weather above or below normal can impact earnings. Once you adjust revenues and kWh sales for normal weather, the production costs must also be adjusted to reflect a normal level of sales (i.e., changing one parameter can change other parameters, and one cannot know the result without doing a full study).

Another adjustment that should be reflected is the impact of the MEEIA revenues and expenses. The rates from File No. ER-2012-0166 reflect a 3-year average of the MEEIA program expenditures and revenues for the period 2013-2015. The MEEIA Stipulation contemplated that Ameren Missouri would initially over-collect (because it would be ramping-up energy efficiency expenditures in the first year) and would under-collect later (as its program expenditures reached a higher level), but that over the 3-year program cycle the total would even out. During 2013, the MEEIA revenues that were collected through rates indeed have exceeded the program cost expenditures, as expected. The difference between the amount collected and the expenditures was recorded as a regulatory liability which ensures Ameren Missouri does not experience a short-term boost to earnings. However, with regard to MEEIA, it is more important to correctly reflect the impact of the Throughput Disincentive portion of Net Shared Benefits ("TD-NSB"). The TD-NSB is specifically designed to offset the reduction in sales (and thus revenues) associated with utility sponsored energy efficiency programs. Similar to the program costs, there is a timing mismatch between when the throughput disincentive is observed and when rate recovery is achieved. In 2013, because of averaging the collection over the 3-year implementation period, the amount of TD-NSB achieved exceeded the actual throughput disincentive for the same periods. This mismatch results in a one-time earnings benefit of about $25.7 million for the year 2013. Failure to make this adjustment will overstate Ameren Missouri's revenues when setting rates.

Q. Since rates are designed for the future and should reflect the current level of investment, revenues and costs, with proper adjustments, are there additional items that need to be considered?

A. Yes. As the Staff has indicated (and as the Commission recognized when it denied Complainants' request to set a test year and true-up), all the Commission can really do in the limited investigation allowed on the short procedural schedule currently in place is to determine if the Complaint has enough merit to cause the Commission to conclude that the Company's current rates are unjust and unreasonable if continued. If the Commission decides otherwise, the case will be over. If the Commission decides there is merit to the complaint then proper, comprehensive cost of service studies would have to be done (at a minimum by the Staff and the Company and logically by Complainants, who have the burden of proof in this case) to determine what new rates should be. This means any new rates could not possibly be effective until sometime in 2015. From September 30, 2013 through the end of 2014 alone the Company will have added over a billion dollars of new plant. Ameren Missouri witness Lynn M. Barnes discusses these plant additions in her testimony. The return, taxes and depreciation expense on this additional investment would by itself exceed one hundred million dollars.

In addition, per the Non-Unanimous Stipulation and Agreement in File No. ET-2014-0085, the Company is in the process of paying $91.9 million in solar rebates with a 10% adder. These solar rebate payments along with the 10% adder should properly be included in any revenue requirement that would ultimately be developed. The Stipulation calls for a 3-year amortization of that sum, which means the revenue requirement impact would be approximately $33.7 million.

Q. Are there other material items of which you are currently aware?

A. Yes. There have also been additional wage increases for management employees in January and April of 2014 and the contract wage increases are effective July 1, 2014. The property taxes paid by the Company in December 2013 increased over the amount reflected in September 2013 and an additional increased amount will be paid in December 2014. In January 2014, the cost of coal and the related transportation cost increased and will increase again in January 2015. The Company currently has an Accounting Authority Order ("AAO") for $35.6 million applicable to Lost Fixed Cost Recovery (Noranda Ice Storm) approved in File No. EU-2012-0027. This AAO will be reflected in the next general rate proceeding, which the Company has said it will file before July 15, 2014.

Q. Complainants have contended that they did the best they could with the information available to them. How do you respond?

A. A rate increase case virtually always takes the full 11 months allowed by statute to complete. This is attributable in large measure to the fact that the Staff undertakes a comprehensive cost of service study, as I described earlier. In fact, the rate case process is really longer than 11 months when one considers that the Company will have spent several months before the case is even filed developing its own comprehensive cost of service study. Over the past approximately 8 years, Ameren

Missouri's revenue requirements have consistently increased, yet on average the interval between rate changes (including the one Ameren Missouri will be seeking next month) has been approximately 19 months. Complainants could have done what is always done in rate cases, or even rate investigations initiated by the Staff. Complainants could have filed their complaint and either asked the Commission to direct its Staff to undertake an earnings investigation (which is how Staff always determines if an earnings complaint is warranted), or could have itself undertaken the discovery needed to access the information Complainants need to conduct a proper cost of service study. Thereafter, in keeping with the practice in rate increase cases, the Company would then be afforded a reasonable time to conduct discovery and analyze the study(ies) conducted by Complainants and/or Staff and proposed adjustments, and to prepare testimony and other materials to rebut the Complainants' case. While Complainants have complained that this would take more time than the much expedited schedule adopted by the Commission for the limited investigation that is currently under way allows, there is no injustice in this. By statute, the Commission must give top priority to rate increase cases and has to complete them within 11 months. There is no such statute that applies to an earnings complaint case. Moreover, even if a rate decrease is ultimately determined to be appropriate, the fact that customers had to wait to obtain it is no different than the circumstances a utility faces when its costs are rising (or revenues are decreasing, or both) but the utility nonetheless must, as a practical matter, wait 15 to 18 months to actually obtain increased rates.

IV. CONCLUSIONS

Q. Please summarize your testimony and conclusions.

A. One cannot determine what new rates should be without conducting a comprehensive cost of service study, from which a proper revenue requirement can be developed. Conducting such a study is not a quick or simple exercise, as I have outlined above. Not only does it take the Company several months to conduct such a study, but it also takes the Staff 4 to 5 months to do so. In my experience, rate changes have never been made in the absence of such a study, and they certainly have never been made based upon the kind of short-cut analysis provided by Mr. Meyer in this case.

Mr. Meyer has used cost information from periods that are not reflective of the future (2014 or 2015 and beyond) when any new rates would be in effect, even if the Commission determined there was merit to the Complaint. That period will soon be a year old, and in any event, the "analysis" he conducted is based on data that is in some cases nearly 4 years old. In fact, 11 out of 13 of Mr. Meyer's non-rate of return adjustments are outdated, contain errors and are incorrect. In addition, Mr. Meyer has not included some of the normal major pro forma adjustments that one would have to include in order to develop a revenue requirement designed to underlie rates in the future. Finally, Mr. Meyer has ignored the current and near term significant changes to the Company’s investments and revenue requirement. Based on this evidence, the Commission is in no position to order a rate decrease, nor is there any basis for the Commission to determine that the Company's current rates are now unjust and unreasonable.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Noranda Aluminum, Inc. et al.	)	
	)	
Complainants,	)	
v.	)	File No. EC-2014-0223
	)	
Union Electric Company, d/b/a Ameren Missouri	)	
Respondent.	)	

AFFIDAVIT OF GARY S. WEISS

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

Gary S. Weiss, being first duly sworn on his oath, states:

1. My name is Gary S. Weiss. I am employed by Union Electric Company d/b/a Ameren Missouri as Director, 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 29 pages and Schedule(s) N/A, 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.

Gary S. Weiss
Gary S. Weiss

Subscribed and sworn to before me this 4th day of June, 2014.

Julie Irby
Notary Public

My commission expires: 1/15/2017

Julie Irby - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #13753418
My Commission Expires 1/15/2017