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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2012-0166

REBUTTAL TESTIMONY

OF

GARY S. WEISS

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

**St. Louis, Missouri
August, 2012**

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OF

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CASE NO. ER-2012-0166

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,
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 Manager of Regulatory Accounting.

Q. Are you the same Gary S. Weiss who filed direct testimony in this

A. Yes, I am.

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

A. The purpose of my rebuttal testimony is to address various issues contained in the Staff Revenue Requirement Cost of Service Report (“Staff Report”) and to address other issues raised in the testimony of Missouri Industrial Energy Consumers (“MIEC”) witnesses Steven Carver and Greg Meyer.

Q. On what specific issues are you providing rebuttal testimony?

A. Specifically, my rebuttal testimony addresses the following issues raised by the Staff and MIEC: (1) the Owensville Revenues (Staff witness Wells); (2) Shoreline Management Revenues (Staff witness Cassidy and MIEC witness Meyer);

1 (3) Miscellaneous Revenues--Pole Attachments; (4) Renewable Energy Standard
2 Accounting Authority Order ("AAO") and expenses (Staff witness Cassidy and MIEC
3 witness Meyer); (5) Other Employee Benefits expense (Staff witness Ferguson);
4 (6) Training expenses (Staff witness Ferguson); (7) the Staff's proposed disallowance of
5 the Edison Electric Institute ("EEI") dues and other items (Staff witness Carle); (8) the
6 Staff's proposed disallowance of expenses that allegedly provide no ratepayer benefit
7 (Staff witness Carle); (9) the Staff's proposed termination of Sioux construction
8 accounting prior to full investment being reflected in rates (Staff witness Grissum);
9 (10) Energy Efficiency regulatory asset amortization (Staff witness Oligschlaeger);
10 (11) the extension of the amortization periods of various items (various Staff witnesses
11 and MIEC witness Carver); and (12) the proposed amortization of a property tax refund
12 applicable to a prior period (Staff witness Carle and MIEC witness Meyer).

13 **II. OWENSVILLE REVENUES**

14 **Q. When did Ameren Missouri purchase the electric distribution system**
15 **from the City of Owensville?**

16 A. Ameren Missouri purchased the electric distribution system from the City of
17 Owensville in March 2012.

18 **Q. Does the Company's filed revenue requirement reflect the purchase of**
19 **the distribution system from the City of Owensville?**

20 A. Yes, the Company's filed revenue requirement reflects the value of the plant
21 purchased from the City of Owensville along with the estimated revenues and operating
22 expenses associated with that system. The Staff's revenue requirement only reflects the
23 value of the plant purchased from the City of Owensville along with the estimated increase

1 in operating expenses. Staff witness Hanneken, on page 128 of the Staff's Report, states
2 that "Staff Witness Curt Wells has included a true-up estimate for these revenues in his
3 direct filing and will update that amount during Staff's true-up analysis when additional
4 data is available."

5 **Q. Were the estimated revenues from the City of Owensville included in**
6 **the Staff's revenue requirement?**

7 A. No, the estimated annual revenues of \$2,420,105 from the City of
8 Owensville were not included in the Staff's revenue requirement. However, I notified the
9 Staff of this oversight and per discussions with the Staff, I have been advised that the Staff
10 agrees and intends to include the revenues from the City of Owensville in the true-up filing.

11 **III. SHORELINE MANAGEMENT REVENUES**

12 **Q. What are shoreline management revenues?**

13 A. Ameren Missouri collects revenues for annual fees, certified-dock-builder
14 fees, enforcement fees and processing fees associated with its Lake of the Ozarks shoreline
15 management activities, as required by the terms of its license from the Federal Energy
16 Regulatory Commission ("FERC") to operate Bagnell Dam and the associated project (the
17 lake, etc.).

18 **Q. What is the issue with the shoreline management revenues?**

19 A. The Company included in its filing the actual amount of shoreline
20 management revenues reflected in the test year for the twelve months ended September 30,
21 2011. An analysis of the revenues received through April 2012 by both the Staff and
22 MIEC shows that, on an annualized basis, revenues were higher than the test year amount
23 by \$963,000.

1 **Q. What is the Company’s position on this increase in shoreline**
2 **management revenues?**

3 A. The Company agrees that an annual level of revenues using the most up-to-
4 date data available should be included in the revenue requirement. Consequently, the
5 Company recommends using the actual shoreline management revenues for the twelve
6 months ended July 31, 2012. Similarly, an annual level of expenses using up-to-date data
7 (for the twelve months ended July 31, 2012) should be included. But neither the Staff nor
8 the MIEC recommended any increases to the expenses incurred by the Company in
9 handling the shoreline management. The Company recommends that the actual trued-up
10 test year amounts for revenues and expenses be used to set the revenue requirement.

11 **IV. MISCELLANEOUS OTHER REVENUES--POLE ATTACHMENTS**

12 **Q. What are Pole Attachment revenues?**

13 A. Other utilities or companies such as telephone and cable television
14 companies attach their wires and cables to the poles owned by Ameren Missouri. The
15 Federal Communications Commission (“FCC”), which has jurisdiction over pole
16 attachments, allows utilities (including Ameren Missouri) to charge a fee for these
17 attachments to their poles. The revenues received from these pole attachments are a
18 reduction to the revenue requirement.

19 **Q. Has the amount of pole attachment revenues the Company receives**
20 **been reduced from the level experienced during the test year?**

21 A. Yes. In April 2011, the FCC issued an order that reduced the
22 telecommunication company (“telecom”) rate for pole attachments so that it matched the
23 rate being charged to cable television companies. For the Company’s largest telecom pole

1 attachment customer, Charter (which provides both telecom and cable services), annual
2 pole attachment revenues have been reduced from the \$4,253,750 received in the test year
3 to \$2,277,000 based on receipts since the change in April 2011 through July 2012. This is
4 a reduction of \$1,976,750 below the test year level. In addition, the rule change has
5 reduced pole attachment revenues on an annual basis from other companies by \$399,227.

6 **Q. What is the Company recommending?**

7 A. Just like the shoreline management revenues should be increased to reflect
8 current revenue levels, the other revenues from pole attachments should be reduced to
9 reflect the current level of these revenues being received by the Company. Consequently, a
10 reduction of \$2,375,977 (\$1,976,750 + \$399,227) should be reflected in the revenue
11 requirement.

12 **V. RENEWABLE ENERGY STANDARD AAO AND OPERATING EXPENSE**

13 **Q. Please give a brief background of the Renewable Energy Standard**
14 **(“RES”) AAO and operating expense.**

15 A. Commission Rule 4 CSR 240.20.100(6)(D) allows electric utilities the
16 choice of two alternative mechanisms relating to the recovery of RES compliance costs.
17 One alternative is to use a Renewable Energy Standard Rate Adjustment Mechanism
18 ("RESRAM"), while the other is to use deferred accounting (essentially an accounting
19 authority order) to accumulate RES costs in excess of a base amount used to set rates in a
20 regulatory asset for later recovery in rates.

21 **Q. What approach has the Company taken in this case?**

22 A. The second alternative approach described in this Commission rule is the
23 approach Ameren Missouri used in this case. The Commission approved this approach in

1 the Company's last electric rate case (Case No. ER-2011-0028). More specifically, the
2 Commission gave the Company permission to use an AAO to accumulate RES cost in
3 excess of the amount included in rates. The Commission also approved in rates an annual
4 level of \$885,266 for RES costs. The Company's filing includes in rate base the
5 estimated RES AAO balance at July 31, 2012 (the end of the true-up period), with a
6 requested amortization of that balance over two years. In addition, the Company has
7 requested to increase the amount of RES costs reflected in rates to the annual level for the
8 true-up period, the twelve months ended July 31, 2012.

9 **Q. Does the Staff agree with the Company's treatment of the RES AAO**
10 **and RES operating expenses?**

11 A. Staff witness Cassidy agrees with the inclusion of the RES costs through
12 the true-up in operating expenses. Mr. Cassidy also recommends a three-year
13 amortization of the RES AAO regulatory asset, but opposes including the RES AAO
14 regulatory asset in rate base. As an alternative Mr. Cassidy would recommend a six-year
15 amortization of the RES AAO regulatory asset along with inclusion of the RES AAO
16 regulatory asset balance in rate base.

17 Mr. Cassidy also points out that the Company's RES AAO regulatory asset
18 balance reflected in its original filing may include the \$885,266 of RES cost reflected in
19 operating expenses. It was not the Company's intention to include the amount of RES
20 cost recovered in operating expenses in the RES AAO regulatory asset. The Company
21 agrees with the Staff to true-up the RES AAO regulatory asset balance at July 31, 2012,
22 and this balance will exclude the \$885,266 RES cost recovered in operating expenses.

1 **Q. So what differences remain between the Company's position and the**
2 **Staff's position on this issue?**

3 A. We disagree about whether the regulatory asset balance should be
4 included in rate base and about the amortization period (two versus three years). The
5 Company has invested capital in RES compliance costs that the law mandates. Implicit
6 in the Staff's position is the false idea that the capital committed by the Company to RES
7 compliance (i.e., the amount of the regulatory asset) has zero cost; that is, that capital is
8 free. To the contrary, the Company's weighted average cost of capital is 8.4% and the
9 capital in the regulatory asset bears that cost just like other capital committed by the
10 Company.

11 Moreover, the RES AAO regulatory asset balance should not be treated
12 differently than the energy efficiency regulatory asset, the pension and OPEBs regulatory
13 asset/liability and the FIN 48 tracker regulatory liability, all of which are included in rate
14 base.

15 **Q. How does MIEC witness Meyer's proposed treatment of the RES**
16 **AAO and RES cost differ from the Company's and the Staff's?**

17 A. Like the Staff and Company, Mr. Meyer agrees that all prudently incurred
18 RES costs through the July 31, 2012 true-up date, above the amount previously included
19 in the Company's base rates, should be included in the RES AAO. Mr. Meyer includes
20 the RES AAO regulatory asset in rate base but recommends a six-year amortization
21 period. However, Mr. Meyer disagrees with both Staff and the Company on including
22 *any* RES compliance costs in operating expenses. Mr. Meyer argues that Commission
23 Rule 4 CSR 240.20.100(6)(D), which allows the use of a RES AAO, prohibits inclusion

1 of any RES costs in operating expense when determining the revenue requirement.
2 Mr. Meyer thinks all RES costs after the true-up period are required by the rule to be
3 booked to a new RES AAO regulatory asset for possible recovery in the Company's next
4 rate case filing.

5 **Q. Is Mr. Meyer's six year amortization appropriate?**

6 A. No. The vast majority of the RES AAO balance represents solar rebates.
7 The MIEC in Case No. ER-2011-0028 recommended a ten year amortization of the solar
8 rebates. The Commission rejected that and in its Report and Order on pages 98 and 99
9 stated: "Ameren Missouri does not own or operate the solar equipment for which it is
10 required to pay a rebate. That equipment is the property of the customer who has control
11 and responsibility for them and will primarily benefit from the use of the equipment.
12 Thus, to Ameren Missouri, payment of the solar rebates is simply an expense imposed
13 upon it by the statute. For that reason, a long amortization period as proposed by MIEC
14 is inappropriate." The Company believes a six year amortization also is a long
15 amortization period and recommends the Commission approve its two year amortization
16 period.

17 **Q. Does the Company agree with Mr. Meyer's interpretation of 4 CSR**
18 **240.20.100(6)(D)?**

19 A. No. The rule contains no such prohibition. Commission Rule 4 CSR
20 240.20.100(6)(D) provides as follows: "In the interval between general rate proceedings,
21 the electric utility may defer the costs in a regulatory asset account and monthly calculate
22 a carrying charge on the balance in that regulatory asset account equal to its short-term
23 cost of borrowing." This Commission rule does not prohibit the inclusion of a level of

1 RES costs in operating expenses used to set rates. In fact, the Commission has
2 previously applied this rule in a manner that recognizes there is no such prohibition. In
3 Case No. ER-2011-0028 the Commission set the Company's revenue requirement by
4 including \$885,266 of RES compliance costs in operating expense. If Commission Rule
5 4 CSR 240.20.100(6)(D) prohibited the inclusion of a level of RES cost in operating
6 expense, the Commission would not have done what it did in Case No. ER-2011-0028.
7 Not only did the Commission apply its rule in a manner that recognizes that there is no
8 such prohibition, but so did the Staff. In its revenue requirement in Case No. ER-2011-
9 0028 the Staff recommended an amount of RES cost be included in operating expense,
10 and the Staff makes a similar recommendation in this case. The Company agrees with
11 the Staff that the actual RES cost incurred through July 31, 2012 (the end of the true-up
12 period) should be included in operating expenses, and any amount of costs incurred
13 above that level should be deferred to a RES regulatory asset and included in rate base for
14 consideration for recovery in the Company's next rate case.

15 **VI. OTHER EMPLOYEE BENEFIT COSTS**

16 **Q. What level of Other Employee Benefit costs were included in the**
17 **Staff's revenue requirement versus the level of Other Employee Benefits in the**
18 **Company's filing?**

19 **A.** Per the testimony of Staff witness Ferguson on pages 106 and 107 of the
20 Staff Report, "Staff has reflected in the cost of service the actual 12-month ending
21 September 30, 2011, level of benefits adjusted to remove benefit costs associated with
22 employees that are no longer with the Company due to VS-11 and other reductions in
23 employee levels. Staff will continue to analyze actual benefit cost information, as well as

1 employee counts as the information becomes available through July 31, 2012.” In its
2 filing the Company included the 2012 level of other employee benefits adjusted for
3 VS-11¹ and other employee reductions.

4 **Q. What is the Company’s recommended treatment of the Other**
5 **Employee Benefits?**

6 A. As part of the true-up filing, the Company recommends taking the six
7 months of actual expenses for Other Employee Benefits for February through July 2012
8 and annualizing them. Using this time period eliminates the impact of VS-11. In
9 addition, the Company would consider the impact on Other Employee Benefit costs of
10 any additional employee reductions through July 31, 2012.

11 **VII. TRAINING COSTS**

12 **Q. What are the issues between the Company and Staff concerning**
13 **training costs?**

14 A. In Case No. ER-2008-0318, at the request of the Company's unions, the
15 Commission added \$1.41 million in operating expenses for increased production
16 operations training staff and \$1.8 million of related capital costs for training to be
17 amortized over five years. In the next Ameren Missouri electric rate case, Case No.
18 ER-2010-0036, the Commission, at the request of the Company's unions, added \$1.29
19 million in operating expenses for increased distribution training staff and \$2.1 million in
20 additional capital costs to be amortized over five years. Then in the last Ameren
21 Missouri rate case, Case No. ER-2011-0028, the Commission (again at the request of the

¹ VS-11 is a reference to the Company's Voluntary Severance Program implemented in late 2011.

1 Company's unions) added \$1.25 million in operating expenses for increased heavy
2 underground training.

3 **Q. Are the Staff and the Company in agreement regarding the operating**
4 **expense portion of these training expenses?**

5 A. Not entirely. For the production operations training and the distribution
6 training operating expenses, Staff witness Ferguson, on pages 124 and 125 of the Staff
7 Report, agrees that test year operating expenses includes the \$1.41 million and the \$1.29
8 million. And although the heavy underground training did not start until after the end of
9 the test year, the Company also included in its filing \$1.25 million to reflect a full annual
10 level for the heavy underground training operating expenses. Staff only included the
11 actual amount spent for heavy underground training through March 2012 of \$823,735.
12 By the time the rates are effective in this case, the full amount of \$1.25 million will be
13 spent. Therefore, the Company recommends the Commission approve the full \$1.25
14 million in rates.

15 **Q. Are there additional issues with the capital portion of the authorized**
16 **training costs?**

17 A. The Company set up separate plant accounts to record the training capital
18 costs. There is also an accumulated reserve account where the annual amortization of the
19 amounts in these accounts is recorded. At the end of five years the plant account and
20 reserve account will be equal and the amortization expense will stop. This accounting
21 treats the training capital expenditures like all other capitalized plant of the Company.
22 This allows the Company to recover the capital costs associated with the unamortized
23 balance.

1 Staff witness Ferguson takes the position that the Company should receive the
2 annual amortization of the capital training costs, but that the unamortized portion of the
3 capital training costs should not be included in rate base. The Staff's position in effect
4 penalizes the Company for making the capital investment in training that the *unions*
5 requested and the Commission required the Company to make. The Company did not
6 ask for these dollars, but having been given them must invest them and for this portion
7 must capitalize them on the Company's books. As noted earlier, investing capital comes
8 at a cost. It is illogical (and frankly unfair) for the Commission to order the Company to
9 invest in additional training plant and equipment and then not allow the Company to
10 recover the costs associated with financing that investment. The Commission should
11 therefore order that the training capital costs be treated the same as all other plant
12 investment made by the Company by including it in rate base.

13 **VIII. EEI DUES AND OTHER MISCELLANEOUS DUES**

14 **Q. Staff Witness Carle recommended disallowance of all fees related to**
15 **Ameren Missouri's membership in EEI, arguing that EEI's role is one of legislative**
16 **and regulatory lobbying and that the Company has failed to quantify the benefits to**
17 **ratepayers. On what does Ms. Carle base her disallowance?**

18 A. Ms. Carle basically relies on Commission rate orders (Case No. ER-83-49
19 and Case No. EO-85-185) for Kansas City Power & Light Co. that are more than 25 years
20 old. This is the same outdated testimony the Staff filed in the Company's last rate case
21 (Case No. ER-2011-0028). The role of EEI and the significant benefits that customers
22 derive from the Company's EEI membership have evolved tremendously since these

1 orders were issued in the mid-1980's. But Staff has refused to recognize this evolution or
2 to update its testimony on this issue to accurately reflect EEI's current activities.

3 **Q. Do Ameren Missouri's customers benefit from Ameren Missouri's**
4 **membership in EEI?**

5 A. Absolutely they do. Some of the recent EEI activities that benefit Ameren
6 Missouri ratepayers include EEI's coordination of the utility industry's efforts from an
7 information security perspective. Through its EEI membership, Ameren Missouri
8 receives updates on federal and state actions as they happen, which allows us to take
9 early action or start discussions early on issues relating to topics that impact our ability to
10 provide service efficiently (e.g., information security, including security of customer
11 information). In addition, attending EEI committee meetings allows us to meet with
12 others from the industry and develop solutions to common industry problems. We learn
13 from the problems encountered in the past by others and can take-away the lessons
14 learned.

15 EEI often has expert speakers that discuss future regulations, which helps us
16 remain proactive in compliance with the regulations by planning early and before
17 regulations are mandatory. Working with EEI and other member utilities also allows us
18 to pool resources to gain insight on pending governmental policies and regulations more
19 efficiently and at a lower cost than if those resources had to be duplicated by each utility.
20 In addition, EEI membership gives us the ability to collaborate on current issues affecting
21 the industry, such as pandemic planning, NERC Critical Infrastructure Protection ("CIP")
22 Compliance, Smart Grid, deployment of IT systems and Phasor Measurement
23 Units/SynchroPhasor ("NASPI"). Another example is the Cyber Security Working

1 Group, which discusses emerging cyber security issues. EEI is currently working with
2 member companies and various Congressional committees in crafting legislation to
3 address cyber-attacks against the electric power grid and to identify vulnerabilities that
4 could be exploited. And we continually get updates from the NERC CIP drafting teams
5 as they develop the new regulations.

6 All of the above helps us to more efficiently and effectively use information
7 technology as part of providing service to customers, which helps us operate with lower
8 costs than we could absent these benefits. Early notice of federal/state regulations also
9 helps us be more proactive in response, and we avoid penalties for noncompliance.

10 **Q. Are there other benefits from EEI membership?**

11 A. Yes there are. I have attempted to categorize a number of the additional
12 benefits that are provided by EEI below.

13 ***Controller/Accounting***

14 With regard to the Controller's function, EEI sponsors educational forums that
15 allow for the maintenance of utility-specific skills for our accounting staff. There are
16 various committees that allow for the sharing of questions and information related to
17 various accounting topics, which assure we are properly thinking about and accounting
18 for various utility-specific issues. EEI coordinates responses to accounting standard
19 setters for requested comments on potential new accounting standards. Use of EEI
20 reduces Company staff that would be necessary to respond to those. The news clipping
21 services provided by EEI assures that the Company's staff is up-to-date on industry
22 issues. EEI also sponsors and coordinates forums for interaction with investors that
23 provide capital to utilities. These forums are an efficient method of meeting investors

1 and potential investors, especially when compared to available alternatives. In addition,
2 EEI regularly has meetings with the Financial Accounting Standards Board ("FASB")
3 and the Securities and Exchange Commission ("SEC") to discuss industry accounting
4 issues, which helps these bodies better understand the utility industry's issues and helps
5 the utility industry understand the regulatory agencies' viewpoints.

6 ***Energy Efficiency***

7 Ameren Missouri also utilizes the services of EEI's Institute for Energy
8 Efficiency ("IEE") on a regular basis. IEE was created in 2008 to focus on accelerating
9 the electric power industry's energy efficiency efforts and increasing the industry's
10 associated investments. IEE works with the electric utility industry, regulators,
11 policymakers and other stakeholders to advance customer-side solutions for energy
12 management, including energy efficiency, demand response, distributed power, and
13 customer focused technologies. The IEE resources were invaluable to Ameren Missouri
14 in developing its Missouri Energy Efficiency Investment Act ("MEEIA") filing. IEE also
15 has resources to provide detail on the demand-side management cost recovery regulatory
16 frameworks for every state that the Ameren Missouri team reviewed and utilized in the
17 development of its proposed Demand-Side Investment Mechanism in its MEEIA filing.

18 ***Taxes***

19 EEI has also undertaken efforts with regard to tax legislation that have led to
20 lower rates. Some of the recent EEI activities that benefit Ameren Missouri ratepayers
21 include EEI's efforts in getting bonus depreciation extended another year. This extension
22 of bonus depreciation reduced the Company's rate base in Case No. ER-2011-0028 and
23 in the current rate case (Case No. ER-2012-0166) by \$360 million and \$470 million,

1 respectively. Those rate base reductions result in a reduction in the revenue requirement
2 of approximately \$41 million and \$56 million, respectively, in those two cases. EEI was
3 also a leader in the fight to preserve the ability to use over-the-counter ("OTC")
4 derivatives without the requirement to "clear" such trades over an exchange, thereby
5 saving EEI members and their customers hundreds of millions of dollars in collateral
6 requirements annually. The OTC fight continues through the implementation phase at
7 the Commodity Futures Trading Commission, and EEI is actively engaged in that process
8 as well. EEI also led a multi-faceted aggressive campaign to retain lower dividend tax
9 rates. The lower dividend tax rates benefits both Ameren Missouri (in reducing its cost
10 of capital) and its customers who own common stock. EEI led the effort that defeated the
11 recommendation to end the FAS 71 regulatory assets project at the International
12 Accounting Standards Board, paving the way for regulatory assets under FAS 71 to be
13 recognized in the International Financial Reporting Standard ("IFRS"). EEI is still
14 working to insure FAS 71 will be recognized in the IFRS.

15 ***Environmental***

16 In the environmental area, EEI initiated an effort to urge the U.S. Environmental
17 Protection Agency ("EPA") to regulate coal ash and other coal combustion byproducts as
18 non-hazardous waste. The regulation of coal ash and other coal combustion byproducts
19 as hazardous waste would greatly increase the operating costs of Ameren Missouri and
20 could result in higher rates. EEI is continuing to work in partnership with the Utility
21 Solid Waste Activities Group for favorable resolution of the coal ash issue.

22 Likewise, EEI initiated a campaign to avoid a one-size-fits-all cooling tower
23 requirement, and the EPA already has signaled a willingness to consider an alternative

1 impingement framework. If a one-size-fits-all cooling tower requirement was enacted it
2 could result in higher capital investment and operating expenses for Ameren Missouri.

3 EEI worked with its member companies and joined NARUC, the National Rural
4 Electric Cooperative Association and American Public Power Association to submit
5 comments on an EPA proposal to develop a waste heat recovery registry, urging greater
6 accuracy in estimating economic feasibility and state rate treatment of combined heat and
7 power.

8 *Renewable Energy Standards Compliance*

9 EEI worked to ensure Renewable Electricity Standards proposals are reasonable,
10 providing both credit for energy efficiency and adequate consumer protections. EEI
11 worked closely with the North American Electric Reliability Corporation ("NERC") to
12 streamline the process for addressing minor reliability violations that do not pose a threat
13 to bulk power reliability, which will free up Company resources to focus on more
14 important reliability matters.

15 *Other Federal Issues*

16 On the federal regulatory front, EEI has worked with its member companies to
17 shape the national smart grid debate and expand member company involvement and
18 leadership on critical National Institute of Standards and Technology ("NIST")
19 committees overseeing the development of smart grid interoperability standards. EEI
20 worked to shape a resolution on smart grid principles adopted by the NARUC Board of
21 Directors this past summer.

22 EEI has developed an online compliance training module to assist companies in
23 developing a culture of compliance with Federal Energy Regulatory Commission

1 ("FERC's") mandatory reliability standards (the Reliability Training Tool). Additional
2 compliance training tools are also available and are being used at Ameren Missouri to
3 help ensure compliance with the standards of conduct and anti-market manipulation rules.

4 ***Rail Transportation***

5 EEI coordinates the utilities' responses to the issues related to railroad
6 transportation, which is of critical importance to Ameren Missouri given the extremely
7 large quantities of coal the Company transports from the western United States. EEI
8 maintains a Rail Transport Internet Workroom where documents of interest on coal
9 transportation are posted. Recently EEI filed an industry response to the coal dust
10 inquiry at the Surface Transportation Board ("STB"), and EEI is working with the STB
11 on issues that could be costly to the utilities including railroad asset determination, coal
12 dust tariffs, "special" railcars for shipping hazardous materials, and third-party liability
13 determinations.

14 ***Other Issues***

15 Hurricane Irene and the rare October snowstorms in the Northeast brought utility
16 restoration efforts into the public spotlight. In response, EEI is working with member
17 companies to create a compendium of best practices to share among member companies.
18 EEI coordinates the mutual assistance efforts among the utilities.

19 In addition, EEI has worked with the U.S. Occupational Safety and Health
20 Administration ("OSHA") to modify its final rule on cranes and derricks which would
21 have resulted in significant costs to the industry for training and certification of line
22 crews with no measurable safety benefits. EEI also argued successfully for the total
23 exclusion of utility digger derricks when work is being done under OSHA's industry

1 construction standard. This relieves the industry of training and certification obligations
2 that would require every line person to be a certified crane operator, and is estimated to
3 save EEI members more than \$100 million.

4 An industry-wide Spare Transformer Equipment Program (“STEP”) was
5 developed through EEI leadership to help address the increased risk of the loss of major
6 transmission-level transformers while minimizing the need for individual participants to
7 buy spare transformers. The forty-nine member utilities in STEP (including Ameren
8 Missouri) own over seventy percent of the transmission transformers in the United States.
9 STEP requires each participating utility to maintain a certain number of spare
10 transformers and to sell its spare transformers to any other participating utility that suffers
11 certain events. A directory of all of the transformers as to size and location is maintained.
12 By participating in STEP the Company can maintain fewer spare transformers which
13 results in reduced cost to the ratepayers.

14 **Q. Can you quantify the exact value all of these many benefits?**

15 A. It is impossible to do so for each member utility in EEI, but it is obvious,
16 given the very substantial benefits EEI membership provides and the relatively small sum
17 of EEI membership fees Ameren Missouri seeks to include in the revenue requirement
18 (just \$420,970), that Ameren Missouri’s customers receive benefits from the EEI
19 membership that greatly exceed the membership fees.

20 **Q. Has Ameren Missouri already excluded from its revenue requirement**
21 **that portion of EEI dues attributable to lobbying activity?**

22 A. In past cases we always ensured that the portion of the EEI dues
23 attributable to EEI lobbying was excluded from the revenue requirement. In this case we

1 inadvertently failed to do so. Consequently, the \$116,490 specified by EEI as attributable
2 to its lobbying activities should be removed from the \$537,460 included in the revenue
3 requirement, resulting in a total of \$420,970 that should be used to set the revenue
4 requirement in this case

5 **Q. Does Staff witness Carle recommend the disallowance of other**
6 **miscellaneous dues and donations?**

7 A. Yes, Ms. Carle recommends that in addition to the disallowance of the EEI
8 memberships fees another approximately \$494,000 of other dues and/or donations be
9 disallowed.

10 **Q. What is the rationale for Ms. Carle disallowing these other dues**
11 **and/or donations?**

12 A. On page 111, lines 5 and 6 of the Staff Report it states “Staff disallowed
13 these dues and donations because they were not necessary for the provision of safe and
14 adequate service, and thus have no direct benefit to ratepayers.”

15 **Q. Do you agree with the dues and/or donations that the Staff**
16 **disallowed?**

17 A. No, I do not. A review of the Staff’s workpapers supporting these
18 proposed disallowances shows that the Staff made certain errors when arriving at its
19 proposed disallowances. For example, there were \$57,566 of items charged to the gas
20 operations and not to electric operations that the Staff is proposing to disallow. They
21 should not be disallowed because we did not include them in our revenue requirement in
22 the first place. In addition, the same dues for Civic Progress of \$41,270 were disallowed
23 twice. We agree that the Civic Progress dues can be disallowed, but only once. There

1 also were a large number of professional dues (e.g., for accountants, engineers and
2 lawyers) of the type the Staff agrees should be reflected in the revenue requirement but
3 which the Staff nevertheless disallowed (this totals \$30,893). The Staff may have
4 disallowed this sum because the Company provided insufficient data for the Staff to
5 properly categorize them. The Company has, since the Staff's filing, been able to locate
6 documentation that provides the details of these dues and has provided that
7 documentation to the Staff that supports \$26,754 of professional membership dues.
8 There were also a few cases where the expenses (\$4,139) had been incorrectly coded as
9 membership dues but they were actually normal expense account items. Consequently,
10 the Company believes the entire sum of \$30,893 should be included in determining the
11 revenue requirement.

12 Finally there are three sub-groups related to EEI, the Utility Water Act Group
13 ("UWAG"), the United Solid Waste Activities Group ("USWAG") and the Utility Air
14 Regulatory Group ("UARG") with membership fees of \$40,186, \$38,386 and \$171,960
15 respectively. UWAG, USWAG and UARG provide a united utility position on water,
16 solid waste and air quality issues that reduce the cost to utilities that ratepayers would
17 ultimately have to pay. The savings to the Company's customers from these membership
18 fees far exceeds their cost.

19 **Q. What portion of the \$494,000 should be included in the revenue**
20 **requirement?**

21 A. The items discussed above total \$380,261, and this amount should be
22 included in the revenue requirement.

IX. MISCELLANEOUS EXPENSES

Q. What type of expenses does Staff witness Carle recommend be disallowed as miscellaneous expenses because she believes they provide no ratepayer benefit?

A. Of the \$527,063 of miscellaneous expenses that Ms. Carle recommends be disallowed, \$254,548 consists of Company labor and related benefits. It appears that the Staff did not realize this, and that the Staff intends to correct this oversight. The majority of the remaining \$272,515 of miscellaneous expenses that the Staff is proposing to disallow appears to consist of normal operating expenses that should be included in the revenue requirement. For example, \$10,430 of the amount is duplicative of dues and/or donations that the Staff proposed for disallowance and is thus double-counted; \$35,000 was spent on a right-of-way assessment study with the World Bird Sanctuary to find environmentally friendly ways to maintain the transmission right-of-ways and incorporate nest boxes for birds, which improves the environment for customers and the public as a whole; \$15,076 is a part of the operating expenses needed to maintain the shoreline at the Lake of the Ozarks, which is a required expense as part of the Company's FERC license to operate and maintain the lake and operate the Osage Hydro-Electric Plant; and \$14,711 is for the development and purchase of a software package that is used for simulating multiple scenarios of forward spot prices for commodities, which benefits ratepayers by facilitating the Company's ability to deal with commodity risk for natural gas, coal, rail surcharges and power. Ms. Carle also recommended disallowance of \$5,000 of legal fees in connection with the industry settlement of various issues with the Internal Revenue Service related to tax issues of capitalization versus expense. Efforts to

1 control income taxes benefit ratepayers and the associated costs should be allowed by the
2 Commission. In addition, Ms. Carle proposed to disallow \$29,536 of expenses related to
3 the Company's health center and some maintenance expenses related to the general office
4 building. The Company's health center is critical to the Company's efforts to control its
5 medical insurance costs and keep a healthy and productive work force. The cost for the
6 Company's newswire service of \$14,232 also was proposed for disallowance. The
7 Company needs to be aware of issues in the media that might impact the Company, and
8 the newswire service provides this information at less cost and with more coverage than
9 the Company could do on its own. Finally, there was \$16,093 disallowed for employee
10 recognition awards and motivational speakers. A highly motivated work force is not only
11 good for the Company but also provides benefits to ratepayers. Ms. Carle did not
12 demonstrate that any of these expenditures were imprudent and, for the reasons detailed
13 above, her recommended disallowance of these costs should be rejected.

14 **X. SIoux CONSTRUCTION ACCOUNTING**

15 **Q. What is the Sioux Construction Accounting?**

16 A. The First Non-Unanimous Stipulation and Agreement in Case No.
17 ER-2010-0036 states on Page 5, Item 5: "AmerenUE shall be allowed to continue to
18 accrue Allowance for Funds Used During Construction ("AFUDC") on the wet flue gas
19 desulfurization units ("scrubbers") AmerenUE is presently installing on the No. 1 and
20 No. 2 generating units at AmerenUE's Sioux generating station, with the rate of return on
21 equity ("ROE") adopted by the Commission in this case to apply to the equity component
22 of that AFUDC. AmerenUE shall also be allowed to defer the depreciation expense (but
23 no other Sioux scrubber related expense) of the Sioux scrubbers during the period

1 commencing when the costs of the Sioux scrubbers are booked to plant-in-service and
2 ending the earlier of: (a) the effective date of new rates in AmerenUE's next general rate
3 proceeding or (b) January 1, 2012."

4 **Q. When were the Sioux scrubbers placed in service and reflected in**
5 **rates?**

6 A. The Sioux scrubbers were placed in service in November 2010. In Case
7 No. ER-2011-0028 the Company agreed that it would not include in rate base in that case
8 expenditures made after January 1, 2011. This allowed the Staff to have an audit cut-off
9 date that was two months earlier than the true-up cut-off date of February 28, 2011,
10 which facilitated the Staff's ability to verify invoices and otherwise audit the expenditures
11 relating to that portion of the scrubbers that would be included in rate base in that case.
12 Although the scrubbers were fully in service as of December 31, 2010, not all of the work
13 on the scrubber project was complete, meaning that there was a relatively small portion
14 of the project costs (approximately 2%) not incurred until after December 31, 2010.

15 **Q. What was the consequence of cutting off the inclusion of expenditures**
16 **at December 31, 2010 to facilitate the Staff's audit?**

17 A. It meant that approximately \$13.5 million of the scrubber project was not
18 included in rate base in the last case, but that without continuing construction accounting,
19 the Company would both fail to earn any return on this part of an in-service asset and
20 would also have its income reduced by additional depreciation expense between early
21 2011 and when rates in this case take effect in January 2013. The intent of the
22 Stipulation was to prevent both of those circumstances with regard to the Company's
23 investment in the scrubbers. Therefore, the Company applied the agreed-upon

1 construction accounting to all expenditures made on the scrubbers from December 31,
2 2010 through July 30, 2011 (the expenditures were complete by then), the date the new
3 rates from Case No. ER-2011-0028 became effective.

4 **Q. How does the Staff's recommendation on the Sioux construction**
5 **accounting differ from the Company's?**

6 A. The Staff stopped applying construction accounting at July 30, 2011 for all
7 of the Sioux scrubber investment, even on the expenditures after December 31, 2010 that
8 were not reflected in rate base and rates on July 31, 2011 and that won't be reflected until
9 January 2013.

10 **Q. Is the Staff's recommendation to stop the construction accounting on**
11 **the investment not in rates on July 30, 2011 appropriate?**

12 A. No, it is not. Staff apparently reads the Stipulation as supporting its
13 position, but the Stipulation is at best unclear and the Company never intended to, in
14 effect, lose a return and have its earnings lowered by depreciation expense on the Sioux
15 scrubbers if it timely filed a subsequent rate case to include its investment in rate base.
16 When the Company entered into the Stipulation the Company also did not assume that
17 the Staff would cut-off its audit of the Sioux construction expenditures at a certain date
18 prior to the true-up cut-off date in that rate case, and thereby did not include all
19 expenditures in rate base. I was involved in negotiating the Stipulation, and I believe it
20 was the intent of the parties that construction accounting would apply to the entire
21 investment in the Sioux scrubbers so long as a rate case was filed by January 1, 2011 and
22 as long as the scrubbers were in service on or before the true-up cut-off date in that rate
23 case.

1 **XI. ENERGY EFFICIENCY AMORTIZATION**

2 **Q. What is the issue with the energy efficiency amortization?**

3 A. In developing the energy efficiency amortization amounts relating to the
4 Company's pre-Missouri Energy Efficiency Investment Act ("MEEIA") programs, Staff
5 witness Oligschlaeger appears to have inadvertently eliminated the amortization amounts
6 approved for the prior years included in the test year totaling \$2,898,944. At the
7 Technical Conference on July 30, 2012 the Staff provided a list of adjustments to their
8 filed revenue requirement and one of the adjustments was to increase the energy
9 efficiency amortization for the prior periods in the test year by \$2,898,944. I assume the
10 Staff will correct their revenue requirement in the true-up filing to include this item.

11 **XII. EXTENSION OF VARIOUS AMORTIZATION PERIODS**

12 **Q. Please describe the extension of the amortization period for various**
13 **items being amortized.**

14 A. On page 23 of the direct testimony of MIEC witness Carver there is a list
15 of the amortization items the MIEC, along with Staff, are recommending be extended or
16 eliminated. The items listed are: Vegetation & Inspection Regulatory Liability; RSG
17 Adjustment; VSE, ISP Severance Cost; 2006 Storm Amortization; and 2007 & 2008
18 Storm Amortizations. In the Staff Report, various Staff witnesses recommend
19 comparable amortization extensions except for the 2006 Storm Amortization. The Staff
20 is recommending stopping that amortization and increasing operating expense for that
21 item. The amortizations for the items listed are currently scheduled to end within a year
22 after the new rates from this case are effective. MIEC and Staff witnesses are both
23 recommending a two-year amortization of these items' unamortized balances as of

1 January 1, 2013. The Company agrees with this extension of amortizations, including the
2 2006 Storm Amortization. The Company accepts the revised amortizations shown on
3 MIEC witness Carver's Schedule SCC-1 Page 1 of 2, except for the first item Vegetation
4 Management/Infrastructure Inspection Tracker Regulatory Liability. For the Vegetation
5 Management/Infrastructure Inspection Tracker regulatory liability (which is now a
6 regulatory asset), the Company is recommending it be handled as part of the true-up
7 filing. This regulatory liability/asset's unamortized balance as of the true-up cut-off date
8 should be adjusted for all amortizations through December 31, 2012, and that balance
9 should then be amortized over two years. In addition Staff witness Boateng recommends
10 a two-year amortization of the SO₂ allowance tracker's unamortized balance as of
11 January 1, 2013. The Company agrees with this extension of amortization for the SO₂
12 allowance tracker.

13 **XIII. PROPERTY TAX APPEAL/REFUND**

14 **Q. Did Ameren Missouri appeal its property tax assessment from the**
15 **State Tax Commission for 2010 and later receive refunds of \$2.9 million?**

16 **A.** Yes, Ameren Missouri appealed its 2010 property tax assessment from the
17 State Tax Commission. However, Ameren Missouri was required to pay the higher
18 assessed property taxes in December 2010. Later in the summer of 2011 Ameren
19 Missouri reached a settlement of the 2010 property tax assessment with the State Tax
20 Commission, and from August 2011 through February 2012 refunds totaling \$2.9 million
21 were received by the Company.

22 **Q. What is the recommendation of the Staff and MIEC regarding this**
23 **\$2.9 million property tax refund?**

1 A. Both Staff witness Carle and MIEC witness Meyer recommend that the
2 \$2.9 million property tax be refunded to ratepayers through a two-year amortization.

3 **Q. Does the Company agree with amortizing the property tax refund to**
4 **ratepayers in this case?**

5 A. No, their recommendation is inappropriate. When a revenue requirement
6 was established in the Company's last case the assumption was that the revenue
7 requirement would cover the Company's costs once rates took effect. From that time
8 (July 31, 2011) customers have paid for *service* from the Company, but they have not
9 paid any specific cost, except for fuel costs, which are tracked dollar-for-dollar through
10 the fuel adjustment clause (subject to the 95%/5% sharing). Once rates are set, due to
11 regulatory lag a utility may receive revenues that are more than assumed, or less. If a
12 particular item of expense turns out to be less than assumed, the Company benefits, just
13 as if a certain item of expense turns out to be more than assumed the Company bears the
14 higher cost. The reason we are here is that the test year (as trued-up) level of revenues is
15 not sufficient to allow the Company to recover its costs and earn what the Commission
16 determined just one year ago was a fair return. It is inappropriate to add to that problem
17 by in effect confiscating revenues derived from a single cost item, while ignoring the
18 much greater increases in other cost items. While the Company received this \$2.9
19 million refund, there were many operating expenses where the Company spent more than
20 was assumed when rates were last set (e.g., labor \$28 million more; employee benefits
21 \$28 million more). Moreover, from July 2011 through June 2012, the Company did not
22 consistently earn its allowed ROE, meaning that even if one engaged in the fiction that
23 customers "pay costs" the customers have failed to pay all of the Company's costs.

1 Consequently, there is no basis to require the Company to refund this one revenue item
2 from a prior period.

3 **Q. Does this conclude your rebuttal testimony?**

4 **A. Yes, it does.**

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

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

1. My name is Gary S. Weiss. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Manager, Regulatory Accounting.

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 14th day of August, 2012.

Tina Donohue
Notary Public

My commission expires:

