

Exhibit No.:	
Issue:	Revenue Requirement
Witness:	Greg R. Meyer
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Missouri Industrial Energy Consumers
Case No.:	ER-2012-0166
Date Testimony Prepared:	July 6, 2012

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**In the Matter of Union Electric Company,
d/b/a Ameren Missouri's Tariff to Increase
Its Annual Revenues for Electric Service**

Case No. ER-2012-0166
Tariff No. YE-2012-0370

Direct Testimony and Schedule of

Greg R. Meyer

Revenue Requirement

On behalf of

Missouri Industrial Energy Consumers

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STATE OF MISSOURI)

) SS

COUNTY OF ST. LOUIS)


Affidavit of Greg R. Meyer

Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.

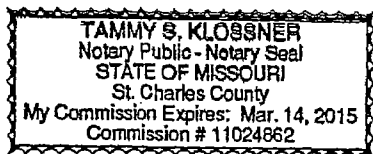
2. Attached hereto and made a part hereof for all purposes are my direct testimony and schedule which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2012-0166.

3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.



Greg R. Meyer

Subscribed and sworn to before me this 5th day of July, 2012.





Notary Public

**In the Matter of Union Electric Company,
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Greg R. Meyer

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**In the Matter of Union Electric Company,
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Direct Testimony of Greg R. Meyer

1 have a substantial impact on these companies' cost of doing business, and thus they
2 are vitally interested in the outcome.

3 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

4 A I am recommending several adjustments to the Company's proposed revenue
5 requirement. In total, they reduce Ameren Missouri's proposed revenue requirement
6 by \$48.1 million. Listed below is each adjustment with a short explanation discussing
7 the adjustment and the approximate value of the issue.

- 8 1. Energy Efficiency Regulatory Asset ("EERA"). I am recommending that the
9 deferred expenses incurred by Ameren Missouri through September 30, 2011
10 be included in rate base and that the operating expenses reflect an amortization
11 of this amount over a six-year period. I further recommend that this regulatory
12 treatment be trued-up based on the prudently incurred costs deferred through
13 July 31, 2012. Approximate value \$6.2 million.
- 14 2. Renewable Energy Standard ("RES") Cost – I recommend that all prudently
15 incurred costs through March 31, 2012 be included in rate base and the
16 operating expenses reflect a six-year amortization. I am recommending that the
17 normalized level of solar rebate costs allowed in the last rate case, Case
18 No. ER-2011-0028, be discontinued. I am also recommending that these
19 amounts should be trued-up based on the prudently incurred costs deferred
20 through July 31, 2012. Approximate value \$10.7 million.
- 21 3. Storm Costs – I recommend an annualized level of expense based on a 62-
22 month average (April 2007 – May 2012) of storm costs. I also recommend that
23 Ameren Missouri's proposed amortization and rate base treatment be
24 disallowed. I am also opposing Ameren Missouri's request to establish a storm
25 tracker. Approximate value \$4.4 million.
- 26 4. Storm Assistance Revenue – I am recommending a normalized level of storm
27 assistance revenue of \$800,000. Approximate value \$1.8 million.
- 28 5. Property Taxes – I recommend that the annualized level of property taxes be
29 based on the actual property taxes paid in 2011. I also recommend that the
30 Commission reject Ameren Missouri's proposal to include property taxes for a
31 landfill gas generation project. Approximate value \$12.4 million.
- 32 6. Property Tax Refund – I am recommending that the property tax refund Ameren
33 Missouri was awarded regarding its 2010 property taxes be amortized over two
34 years. Approximate value \$1.5 million.

7. Cash Working Capital – I am recommending a 21.01-day collection lag, a 35.21-day expense lag for medical and dental expenses, and the elimination of the CWC requirement for income taxes. Approximate value \$5.6 million.
8. Callaway Refueling Expense – I am recommending that the level of overtime for Callaway Refuel 18 be reduced by \$1.6 million. I am also recommending that the actual level of maintenance expense (exclusive of overtime) be used to normalize the level of expense. Approximate value \$400,000.
9. Shoreline Management Program Revenue – I am recommending the level of fees for the program based on the 12 months ended April 30, 2012. Approximate value \$1 million.
10. Amortization of Fiscal 2012 MPSC Assessment Cost – I am recommending that the Commission disallow Ameren Missouri's request for a two-year amortization of the additional fiscal 2012 MPSC assessment cost. Approximate value \$600,000.
11. Vegetation Management and Infrastructure Inspection Trackers – I recommend the test year level of costs be reflected in cost of service. I recommend that the deferred expenses from February 28, 2011 through October 31, 2011 be amortized over three years. I recommend that these expenses be monitored through the true-up period. Finally, I also recommend that the tracker for these expenses be discontinued. Approximate value \$2.2 million.
12. Missouri Energy Efficiency Investment Act – I recommend the expense levels identified in the Stipulation and Agreement in Case No. EO-2012-0142 be reflected in Ameren Missouri's cost of service. Approximate value \$1.4 million.
13. Heavy Underground Training Program – I recommend that the cost of the program be monitored through the true-up period. I am also making some general recommendations regarding training programs.

I have included a table of contents that lists each issue and the corresponding beginning page for that issue.

The fact that I do not address an issue should not be interpreted as approval or acceptance by MIEC of any position taken by Ameren Missouri, unless I state otherwise in my testimony.

1 **Energy Efficiency Regulatory Asset (“EERA”)**

2 **Q PLEASE BRIEFLY EXPLAIN THIS ISSUE.**

3 A The EERA reflects the accumulated cost of various programs offered by Ameren
4 Missouri to its customers to encourage the efficient use of electric service. Examples
5 of these programs are rebates for high efficiency lighting and appliances, as well as
6 the provision of education and information about using electricity efficiently.

7 **Q WHAT REGULATORY TREATMENT HAVE THESE COSTS RECEIVED IN**
8 **PREVIOUS RATE CASES?**

9 A Ameren Missouri was allowed to defer these costs and receive rate recognition in
10 previous rate cases, beginning with Ameren Missouri’s Case No. ER-2008-0318.

11 **Q WHAT LEVEL OF COST ARE YOU RECOMMENDING IN THIS CASE**
12 **ASSOCIATED WITH THE EERA RECOGNIZED IN PREVIOUS CASES?**

13 A I recommend the continued recognition of the amounts and the regulatory treatment
14 resulting from Missouri Public Service Commission (“MPSC” or “Commission”)
15 decisions and approved stipulation and agreements as ordered in Case
16 Nos. ER-2008-0318, ER-2010-0036 and ER-2011-0028. I recommend inclusion in
17 rate base of the unamortized balances through the end of the July 31, 2012 true-up
18 period, for the amounts recognized in Case Nos. ER-2010-0036 and ER-2011-0028,
19 as ordered by the Commission. I also recommend the annual amortizations
20 established for the deferred amounts recognized in the three previous rate cases.

1 **Q WHAT LEVEL OF EERA COSTS IS AMEREN MISSOURI PROPOSING IN THIS**
2 **CASE FOR DEFERRALS SINCE THE LAST RATE CASE?**

3 A In his direct testimony filing, Mr. Weiss proposed a \$42.7 million rate base inclusion
4 for the unamortized deferred EERA costs from February 28, 2011 through July 31,
5 2012 and an annual amortization expense of these costs of \$7.1 million.

6 **Q WHAT LEVEL OF COST ARE YOU RECOMMENDING FOR THE EERA**
7 **DEFERRED SINCE THE LAST RATE CASE?**

8 A I recommend that the balance deferred through the end of the September 30, 2011
9 test year be included in rate base and that operating expenses reflect an amortization
10 of this amount over a six-year period. These amounts should be trued-up based on
11 the prudently incurred costs deferred through July 31, 2012.

12 **Q HOW DO YOUR RECOMMENDATIONS AFFECT THE REVENUE REQUIREMENT**
13 **CALCULATED BY AMEREN MISSOURI?**

14 A My recommendations reduce Ameren Missouri's rate base and operating expenses
15 by approximately \$22.6 million and \$3.8 million, respectively, prior to the true-up.
16 These adjustments to Ameren Missouri's current case reduce the revenue
17 requirement by \$6.2 million.

18 **Renewable Energy Standard ("RES") Cost**

19 **Q PLEASE BRIEFLY EXPLAIN THIS ISSUE.**

20 A In November 2008, Missouri voters approved Proposition C, which mandates that
21 15% of the energy sales by the state's four investor-owned electric utilities must be
22 derived from renewable sources, including .3% of total sales (2% of 15%) from solar

1 applications by 2021. In June 2010, the MPSC established 4 CSR 240-20.100 for
2 compliance with Proposition C, including the recovery of related costs.

3 **Q WHAT OPTIONS ARE AVAILABLE TO UTILITY COMPANIES TO RECOVER THE**
4 **COST OF COMPLYING WITH THE RULE?**

5 A The rule allows a utility company to request recovery of RES costs through a
6 regulatory accounting mechanism ("RESRAM") that allows for rate changes between
7 rate cases. In the alternative, a utility may defer RES costs for recovery in
8 subsequent rate cases.

9 **Q WHAT HAS AMEREN MISSOURI PROPOSED IN THIS CASE FOR RES COSTS?**

10 A Mr. Weiss is proposing to include \$7.8 million in rate base associated with actual
11 deferred RES costs through September 30, 2011 and estimated deferrals through
12 July 31, 2012 and a \$3.9 million amortization of these deferrals in expense over a
13 two-year period. In addition, Mr. Weiss has included an ongoing expense level, equal
14 to total deferrals through July 31, 2012, of \$7.8 million in operating expense.

15 **Q HAS AMEREN MISSOURI REQUESTED A RESRAM?**

16 A No. Therefore, I recommend that the RES costs incurred by Ameren Missouri be
17 addressed through deferral and amortization. This option is discussed in Commission
18 Rule 4 CSR 240-20.100(6)(D):

19 "In the interim between general rate proceedings the electric utility may
20 defer the costs in a regulatory asset account, and monthly calculate a
21 carrying charge on the balance in that regulatory asset account equal
22 to its short-term cost of borrowing. All questions pertaining to rate
23 recovery of the RES compliance costs in a subsequent general rate
24 proceeding will be reserved to that proceeding, including the prudence
25 of the costs for which rate recovery is sought and the period of time
26 over which any costs allowed rate recovery will be amortized."

Greg R. Meyer
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1 **Q IS THIS TREATMENT CONSISTENT WITH THE COMMISSION’S REPORT AND**
2 **ORDER IN THE PREVIOUS GENERAL RATE PROCEEDING, CASE**
3 **NO. ER-2011-0028?**

4 **A Yes. In its Report and Order on page 97 in Case No ER-2011-0028, the Commission**
5 **stated:**

6 “Ameren Missouri may defer its RES compliance costs through an
7 Accounting Authority Order as permitted by Commission Rule 4 CSR
8 240-20.100(6)(D).”

9 In its Report and Order on page 101, the Commission also established a level
10 of expense equal to the amount spent for solar rebates as of the true-up date in that
11 case and stated that:

12 “Ameren Missouri shall include \$885,266 in its rates for ongoing solar
13 rebate expenses. Ameren Missouri shall accumulate in an AAO the
14 amount it has paid for solar rebates from the beginning of the program
15 until new rates become effective in this case. The recovery of those
16 costs and future costs deferred in the AAO will be decided in Ameren
17 Missouri’s next rate case.”

18 **Q WHAT LEVEL OF RES COSTS ARE YOU RECOMMENDING FOR INCLUSION IN**
19 **THIS RATE CASE?**

20 **A In response to MIEC Data Request No. 5.17, Ameren Missouri provided an update of**
21 **the RES costs incurred through March 31, 2012, which I have used in my**
22 **calculations. In compliance with 4 CSR 240-20.100(6)(D), I recommend that all**
23 **prudently incurred RES costs through March 31, 2012 (in excess of the amount of**
24 **solar rebate expense established in the last rate case) be included in rate base, and**
25 **that operating expenses reflect an amortization of this amount over a six-year period.**
26 **These amounts should be trued-up based on the prudently incurred costs deferred**
27 **through the July 31, 2012 true-up cut-off date. I also recommend that any RES costs**

1 incurred after the true-up date in this case be deferred through the next general rate
2 proceeding in compliance with 4 CSR 240-20.100(6)(D).

3 This section of the Rule does not contemplate an ongoing or normalized level
4 of expense, other than amortization of prior deferrals. I am not recommending a
5 continuation of the solar rebate expense as established in the last case or the RES
6 normalized expense proposed by Ameren Missouri in this case. Therefore, it is
7 necessary to adjust the test year expense to remove the level of solar rebate
8 expense.

9 **Q WHY IS A SIX-YEAR AMORTIZATION APPROPRIATE?**

10 A Section (4)(C) of Commission Rule 4 CSR 240-20.100 states that:

11 "The installed solar electric systems must remain in place on the
12 account holder's premises for the duration of its useful life which is
13 deemed to be ten (10) years unless determined otherwise by the
14 commission."

15 To date most of the RES costs incurred by Ameren Missouri relate to solar
16 rebates, which based on the Rule should provide compliance benefits for 10 years. I
17 believe a 10-year amortization is justified for the deferrals to date. However, I am
18 recommending a conservative amortization period of only six years and also being
19 consistent with the Commission's ordered amortization period for deferred energy
20 efficiency costs.

21 **Q HOW DO YOUR RECOMMENDATIONS AFFECT THE REVENUE REQUIREMENT**
22 **CALCULATED BY AMEREN MISSOURI IN THIS CASE?**

23 A My recommendations reduce Ameren Missouri's rate base and operating expenses
24 by approximately \$1.3 million and \$10.6 million, respectively, prior to the true-up.

1 These adjustments to Ameren Missouri's case reduce the revenue requirement by
2 approximately \$10.7 million.

3 **Storm Costs**

4 **Q WHAT LEVEL OF MAJOR STORM EXPENSE HAS AMEREN MISSOURI**
5 **INCLUDED IN ITS COST OF SERVICE?**

6 A Ameren Missouri is requesting \$7.8 million for recovery of major storm expense. The
7 \$7.8 million represents a three-year average of major storm costs from
8 October 2008 - September 2011.

9 **Q WHAT LEVEL OF MAJOR STORM EXPENSE DID AMEREN MISSOURI INCUR IN**
10 **THE TEST YEAR?**

11 A Ameren Missouri incurred \$14.1 million of expense for major storms during the test
12 year.

13 **Q IS AMEREN MISSOURI PROPOSING ANY OTHER ADJUSTMENTS FOR MAJOR**
14 **STORM EXPENSE IN THIS CASE?**

15 A Yes. Ameren Missouri is proposing to amortize the difference between what was built
16 into rates in the last case for major storms (\$7.1 million) and the test year level \$14.1
17 million over three years commencing with the operation of law date in this case. This
18 amortization would increase expense by \$2.3 million annually.

1 **Q DID AMEREN MISSOURI PROPOSE TO INCLUDE THE TEST YEAR AMOUNT IN**
2 **EXCESS OF WHAT WAS INCLUDED IN RATES IN AMEREN MISSOURI'S LAST**
3 **RATE CASE IN RATE BASE?**

4 A Yes. Ameren Missouri has proposed to include the \$7.0 million in rate base.

5 **Q WHAT LEVEL OF MAJOR STORM EXPENSE DO YOU PROPOSE FOR THIS**
6 **RATE CASE?**

7 A I recommend that the level of major storm expense allowed in this case be
8 approximately \$6.5 million.

9 **Q HOW DID YOU QUANTIFY THE \$6.5 MILLION?**

10 A The \$6.5 million represents a 62-month average of storm costs from
11 April 2007 - May 2012. I used a 62-month average because that is the entire period
12 of time since the costs of major storms have been accumulated for purposes of
13 determining a normalized level of expense.

14 **Q ARE YOU ALSO RECOMMENDING A \$2.3 MILLION AMORTIZATION?**

15 A No. I am opposed to the \$2.3 million amortization.

16 **Q WHAT IS THE BASIS FOR YOUR OPPOSITION?**

17 A The test year amount of \$14.1 million includes a \$7.5 million charge in February
18 2011. Rates from Ameren Missouri's last rate case (Case No. ER-2011-0028)
19 recovered those costs. Deducting the \$7.5 million from the test year level of \$14.1
20 million results in a remaining balance of \$6.6 million (\$14.1 million - \$7.5 million). The
21 \$6.6 million is less than the \$7.1 million built into rates in Ameren Missouri's last rate

1 case. Therefore, an additional amortization is unwarranted. In addition, since the
2 amount in rates is more than the remaining test year balance of \$6.6 million, I am
3 also opposed to the rate base inclusion of the \$7.0 million proposed by Ameren
4 Missouri.

5 **Q DO YOU HAVE A GENERAL OPPOSITION TO THE INCLUSION IN RATE BASE**
6 **OF THE UNAMORTIZED BALANCE OF ITEMS SUCH AS STORM COST?**

7 A Yes. Storms are acts of God. As such, it is inappropriate for ratepayers to bear the
8 entire burden of cost recovery for these events. In Case No. WR-95-145, the
9 Commission ordered a sharing of the burden of cost recovery for acts of God by
10 denying rate base inclusion of the unamortized balance of Accounting Authority Order
11 ("AAO") deferrals it had previously granted for damage incurred as a result of
12 flooding.

13 **Q WHAT IS THE REVENUE REQUIREMENT EFFECT ON AMEREN MISSOURI'S**
14 **COST OF SERVICE REFLECTING YOUR ADJUSTMENTS?**

15 A I recommend reducing the level of expense proposed by Ameren Missouri from
16 \$7.8 million to \$6.5 million. I am also opposed to Ameren Missouri's annual
17 amortization of \$2.3 million, and its request to increase rate base by \$7.0 million. The
18 total reduction to Ameren Missouri's cost of service for the above adjustments is
19 \$4.4 million.

1 **Q DID AMEREN MISSOURI PROPOSE ANYTHING FURTHER REGARDING MAJOR**
2 **STORMS?**

3 A Yes. In his direct testimony on page 6, lines 14-16, Mr. Warner Baxter proposes a
4 two-way storm restoration cost tracker be implemented in this rate case.

5 **Q DO YOU SUPPORT THE IMPLEMENTATION OF A TRACKER FOR STORM**
6 **EXPENSE?**

7 A No, I do not. I am generally opposed to the use of trackers for expense. I believe it is
8 a much better regulatory approach to consider all relevant facts when setting rates.
9 To selectively carve out portions of the total cost of service calculation to be tracked
10 separately deviates from the all relevant factors concept.

11 **Storm Assistance Revenue**

12 **Q DID AMEREN MISSOURI ADJUST TEST YEAR MISCELLANEOUS REVENUES**
13 **FOR STORM ASSISTANCE TO OTHER UTILITIES?**

14 A Yes. Ameren Missouri has proposed to reduce test year miscellaneous revenues by
15 \$2.6 million to eliminate payments it received for providing storm assistance to other
16 utilities.

17 **Q DO YOU AGREE WITH AMEREN MISSOURI'S MISCELLANEOUS REVENUE**
18 **ADJUSTMENT?**

19 A No, I do not. First, Ameren Missouri witness Gary Weiss claims that assistance to
20 other utilities is very unusual and non-recurring. However, in response to MPSC Data
21 Request No. 341, Ameren Missouri lists 11 occasions since July 2005 when Ameren
22 Missouri provided storm assistance to other utilities.

1 Second, the amount proposed by Ameren Missouri was not entirely booked to
2 miscellaneous revenues during the test year (October 2010 - September 2011). In
3 response to MPSC Data Request No. 341, Ameren Missouri shows that
4 approximately \$521,000 of storm assistance eliminated by the Company was
5 recorded to miscellaneous revenues subsequent to the test year.

6 In addition, the amounts listed by Mr. Weiss in his workpapers supporting his
7 adjustment to miscellaneous revenues do not tie to the response to MPSC Data
8 Request No. 341. Ameren Missouri has overstated storm assistance miscellaneous
9 revenues by \$521,000. After making these adjustments, the level of storm assistance
10 miscellaneous revenues recorded in the test year is \$1.6 million.

11 **Q WHAT IS YOUR RECOMMENDATION TO ADDRESS THE \$1.6 MILLION OF**
12 **MISCELLANEOUS REVENUES?**

13 A I propose to establish a normalized level of storm assistance revenue of \$800,000 for
14 purposes of the case. Therefore, I have reduced test year miscellaneous revenues
15 by approximately \$800,000.

16 **Q WHAT IS THE EFFECT OF YOUR PROPOSED ADJUSTMENT TO AMEREN**
17 **MISSOURI'S COST OF SERVICE?**

18 A My proposed adjustment would lower Ameren Missouri's cost of service by
19 \$1.8 million.

1 **Property Taxes**

2 **Q WHAT LEVEL OF PROPERTY TAXES HAS AMEREN MISSOURI INCLUDED IN**
3 **THE COST OF SERVICE?**

4 A Ameren Missouri is requesting an annualized level of property taxes of \$139.9 million.

5 **Q WHAT WAS THE TEST YEAR LEVEL OF PROPERTY TAXES?**

6 A The test year level of recorded property taxes was \$129.7 million.

7 **Q HAS AMEREN MISSOURI IDENTIFIED THE BASIS FOR THE INCREASES IN**
8 **PROPERTY TAXES?**

9 A Yes. Ameren Missouri has proposed two adjustments to reflect the increase in
10 property taxes. The first adjustment reflects increased property taxes which are
11 based on the 2012 budgeted levels. The second adjustment reflects increased
12 property taxes for the addition of Ameren Missouri's renewable landfill gas generation
13 project (Maryland Heights plant).

14 **Q DO YOU AGREE WITH THE LEVEL OF PROPERTY TAXES PROPOSED BY**
15 **AMEREN MISSOURI?**

16 A No. I believe Ameren Missouri has significantly overstated the level of property taxes.

17 **Q DO YOU AGREE WITH AMEREN MISSOURI'S PROPOSAL TO INCLUDE THE**
18 **BUDGETED LEVEL OF PROPERTY TAXES FOR 2012?**

19 A No. I am opposed to a 2012 budgeted level of property taxes. First, the 2012
20 property taxes will not be paid until December 31, 2012, which is five months beyond
21 the true-up cut-off date in this case, and 15 months beyond the end of the test year in

1 this case. Second, Ameren Missouri does not know the tax rate that will be applied to
2 the assessed value of the property. The tax rate will not be known by Ameren
3 Missouri until beyond the true-up date in this rate case. Finally, Ameren Missouri is
4 proposing a budgeted number which, in this instance, cannot be considered known
5 and measurable. For all these reasons, I am opposed to Ameren Missouri's
6 budgeted increase in property taxes.

7 **Q WHAT LEVEL OF PROPERTY TAXES DO YOU PROPOSE?**

8 A I am proposing the actual level of property taxes that Ameren Missouri paid in 2011.¹
9 I have reduced that balance for taxes capitalized, gas transfers and non-utility
10 transfers. By recognizing the level of property taxes paid in 2011 adjusted as
11 described above, I am recommending that Ameren Missouri's property taxes included
12 in the revenue requirement be reduced by approximately \$11 million from the amount
13 claimed by Ameren Missouri.

14 **Q WHAT LEVEL OF PROPERTY TAXES IS AMEREN MISSOURI PROPOSING TO**
15 **INCLUDE IN COST OF SERVICE FOR THE MARYLAND HEIGHTS PLANT?**

16 A Ameren Missouri is proposing to increase property taxes by \$1.4 million.

17 **Q DO YOU AGREE WITH AMEREN MISSOURI'S PROPOSAL?**

18 A No. The Maryland Heights plant is projected to be in service in July 2012. July 2012
19 is the end of the true-up period. Property taxes for the Maryland Heights plant will not

¹The actual property taxes paid in 2011 do not reflect any property taxes being paid to Illinois. Ameren does not pay property taxes in Illinois for 2011 until May - September 2012. I, therefore, have included the 2010 Illinois property taxes paid in 2011.

1 be paid until December 31, 2013, 17 months beyond the true-up cut-off date. These
2 taxes are far beyond the true-up period and should not be allowed in this case.

3 **Q PLEASE SUMMARIZE YOUR PROPERTY TAX ADJUSTMENT.**

4 A I propose to include the actual last known property taxes that Ameren Missouri paid in
5 December 31, 2011. I also propose to eliminate the property taxes associated with
6 the Maryland Heights plant from the cost of service in this case.

7 **Q WHAT IS THE TOTAL REVENUE REQUIREMENT EFFECT OF YOUR**
8 **ADJUSTMENTS?**

9 A My adjustments would reduce Ameren Missouri's revenue requirement by
10 \$12.4 million.

11 **Property Tax Refund**

12 **Q DID AMEREN MISSOURI APPEAL THE TAXES IT PAID IN 2010?**

13 A Yes. Ameren Missouri appealed a portion of its 2010 property taxes to the State Tax
14 Commission.

15 **Q WHAT WERE THE RESULTS OF THAT APPEAL?**

16 A Ameren Missouri was awarded a refund of \$2.9 million.

17 **Q DID AMEREN MISSOURI PROPOSE TO INCLUDE THAT REFUND OF**
18 **\$2.9 MILLION IN ITS COST OF SERVICE?**

19 A No.

1 **Q HAVE YOU DEVELOPED A POSITION REGARDING THE TAX REFUND?**

2 A Yes. I believe the tax refund should be amortized back to ratepayers over a two-year
3 period. Ameren Missouri's ratepayers paid in rates the property taxes which were
4 ultimately refunded back to Ameren Missouri. Ameren Missouri ratepayers should
5 have their cost of service reduced for the refund. I, therefore, recommend that
6 Ameren Missouri's cost of service be reduced by \$1.5 million to reflect a two-year
7 amortization of the tax refund.

8 **Cash Working Capital ("CWC")**

9 **Q PLEASE BRIEFLY EXPLAIN THE TERMS LEAD-LAG STUDY, REVENUE LAG,**
10 **COLLECTION LAG AND EXPENSE LEAD.**

11 A A lead-lag study analyzes the cash inflows and outflows of payments the Company
12 receives from its customers for the service it provides and the disbursements it makes
13 to vendors to provide that service. These cash flows are measured in numbers of
14 days. A lead-lag analysis compares the number of days the Company is allowed to
15 take or actually takes to make payments after receiving service from a vendor
16 (expense lead), with the number of days it takes the Company to receive payment for
17 the service provided to customers (revenue lag). A component of the revenue lag
18 that measures the period between the billing date and the customer payment date is
19 the revenue collection lag. My testimony will address the medical and dental claims
20 payment expense lead and the revenue collection lag. I am also addressing the
21 CWC requirement for income tax expense.

1 **Medical and Dental Expense Payment Lead**

2 **Q PLEASE EXPLAIN THIS ISSUE.**

3 A Part of the calculation of the employee benefits expense lead for CWC reflects
4 payments for medical and dental claims. My testimony will describe the flow of funds
5 from Ameren Missouri for these payments and the proper lead to assign to employee
6 medical and dental expenses for CWC.

7 **Q HOW ARE MEDICAL PAYMENTS MADE FOR AMEREN MISSOURI?**

8 A Medical and dental claims are paid through a Voluntary Employee Beneficiary
9 Association trust ("VEBA"). Daily claims are paid by Mellon Bank, the trustee of the
10 VEBA, to multiple vendors providing medical and dental claims services. The amount
11 in the VEBA trust represents approximately one month of benefit expenses.

12 **Q HOW ARE THE PAYMENTS TO THE VEBA AND THE COST OF MEDICAL AND**
13 **DENTAL CLAIMS REFLECTED IN THE COST OF SERVICE?**

14 A The 13-month average balance of the VEBA is included in prepayments in rate base,
15 to allow Ameren Missouri to earn a return on the funds it makes available to pay
16 claims on a daily basis. The cost of the claims is reflected in the employee benefits
17 included in operating expense. The CWC requirement associated with payments to
18 replenish the VEBA is reflected in CWC.

19 **Q WHAT IS THE FREQUENCY OF PAYMENTS TO THE VEBA?**

20 A Ameren Services pays Mellon Bank at the end of each month to replenish the VEBA
21 trust for the claim payments incurred during the month. Ameren Missouri
22 subsequently pays Ameren Services on the 20th of the following month.

1 **Q WHAT PERIOD OF TIME SHOULD THE MEDICAL AND DENTAL EXPENSE CWC**
2 **EXPENSE LEAD REFLECT?**

3 A Since claims are paid throughout the month, the average period of time from the
4 payment of claims until the end of the month is 15.21 days ($[(365 \div 12) \div 2]$). Ameren
5 Missouri then pays to replenish the VEBA 20 days following the end of the previous
6 month. Therefore, the total lead is 35.21 days ($15.21 + 20$). This is the appropriate
7 lead to assign to medical and dental expense for CWC.

8 ***CWC Income Tax Expense***

9 **Q PLEASE EXPLAIN THIS ISSUE.**

10 A Income tax expense is included in the calculation of CWC to recognize the cash
11 requirement associated with making income tax payments to the Internal Revenue
12 Service ("IRS"). However, if circumstances exist that result in no payment of income
13 taxes, then a CWC requirement does not exist.

14 **Q IS AMEREN CORPORATION CURRENTLY PAYING INCOME TAXES?**

15 A It is my understanding that due to additional deductions for bonus depreciation and
16 other tax items, as well as the availability of significant net operating losses from prior
17 years, Ameren Corporation has paid little or no income tax in recent years. This
18 situation would also be true if Ameren Missouri was liable for income tax payment as
19 a stand-alone entity.

1 **Q WHAT IS YOUR RECOMMENDATION REGARDING THE TREATMENT OF**
2 **INCOME TAXES FOR CWC?**

3 A Unless the circumstances change regarding Ameren Missouri's current payment of
4 income taxes, I recommend that no CWC requirement be calculated for income tax
5 expense.

6 ***Revenue Collection Lag***

7 **Q WHAT DOES THE COLLECTION LAG REPRESENT?**

8 A The collection lag represents the amount of time, on average, customers take to
9 make payment following the receipt of their utility bills. The collection lag is one
10 component of the entire revenue lag, which measures the period between the receipt
11 of service by the customer and the receipt of payment for that service by the utility
12 company.

13 **Q WHAT PERIOD OF TIME ARE YOU RECOMMENDING FOR THE COLLECTION**
14 **LAG?**

15 A I am recommending a 21.01-day collection lag for determining the CWC requirement
16 in this case.

17 **Q WHAT IS YOUR BASIS FOR THIS RECOMMENDATION?**

18 A My recommendation relies primarily on the results of the CURST Report, which was
19 specifically maintained by Ameren Missouri for use in rate cases. Beginning with rate
20 cases in the 1980s and continuing through Case No. ER-2007-0002, this report was
21 used by the Company to determine the collection lag in rate cases. The other parties
22 to the case accepted the reasonable results produced by this report. Later in my

testimony, I will also discuss the Service and Billing Practices Regulation and how it supports my 21.01-day collection lag recommendation.

Q YOU STATED THAT THE CURST REPORT WAS CONSISTENTLY USED BY AMEREN MISSOURI PRIOR TO CASE NO. ER-2007-0002. WHY IS AMEREN MISSOURI NO LONGER USING THIS REPORT?

A The Company is now using an aged accounts receivable report as a reflection of the collection lag. However, this method does not rely on actual customer payment behavior. And, although the Company knew that the MPSC Staff and MIEC continued to rely on it, Ameren Missouri stopped producing the CURST Report in 2010.

Q WHAT IS THE COLLECTION LAG PRODUCED BY THE MARCH 2010 CURST REPORT?

A The results of the CURST Report for the 12 months ended March 2010 adjusted for payments over one year are displayed in the table below.

TABLE 1			
<u>CURST Report Results</u>			
<u>Customer Class</u>	<u>Revenues</u>	<u>Dollar Days</u>	<u>Average Lag</u>
Residential	\$285,113,635	\$7,109,513,354	24.94
Commercial	\$215,534,210	\$3,790,190,769	17.59
Industrial	\$ 73,859,887	\$1,224,400,160	16.58
Other	<u>\$ 13,133,261</u>	<u>\$ 222,004,045</u>	16.90
Total	\$587,640,992	\$12,346,108,328	21.01

1 **Q HOW DOES THE SERVICE AND BILLING PRACTICES REGULATION SUPPORT**
2 **YOUR 21.01-DAY COLLECTION LAG RECOMMENDATION?**

3 A 4 CSR 240-13.015, which defines the terms used in Chapter 13 – Service and Billing
4 Practices for Residential Customers of Electric, Gas and Water Utilities, states that
5 residential customers, billed monthly, will have at least 21 days to pay their utility bill
6 prior to assessment of a delinquent charge. The deterrent of a delinquent fee and the
7 desire of customers to maintain a good payment record with the utility provide
8 significant inducement for customers to pay by the 21st day.

9 **Q PLEASE SUMMARIZE YOUR TESTIMONY FOR CWC?**

10 A Based on my analysis, the appropriate expense lead to use for medical and dental
11 expense is 35.21 days. In addition, due to current circumstances, which have
12 resulted in Ameren Corporation not making income tax payments, I recommend a
13 zero CWC requirement for income tax expense. Also, based on the results from the
14 CURST report, the Service and Billing Practices Regulation and the lack of any other
15 analysis in this proceeding that reflects actual customer payment behavior, the
16 appropriate revenue collection lag for CWC is 21.01 days.

17 **Q HOW DO YOUR RECOMMENDATIONS AFFECT THE REVENUE REQUIREMENT**
18 **PROPOSED BY AMEREN MISSOURI?**

19 A My recommendations reduce the CWC requirement included in rate base by
20 approximately \$52.3 million and the revenue requirement by approximately
21 \$5.6 million.

1 **Callaway Refueling Expense**

2 **Q DID AMEREN MISSOURI INCLUDE A LEVEL OF EXPENSE FOR THE**
3 **REFUELING OF THE CALLAWAY NUCLEAR PLANT (“CALLAWAY”)?**

4 A Yes. Ameren Missouri increased production maintenance expense by \$25.8 million
5 to reflect two-thirds of the \$38.7 million of estimated expenses for Callaway
6 Refuel 18. The \$38.7 million is comprised of maintenance project expenses of
7 \$32.0 million and \$6.7 million of incremental Ameren Missouri overtime. The
8 \$38.7 million reflects the total expenses to refuel Callaway, which occurs every
9 18 months. The \$25.8 million included in Ameren Missouri’s cost of service is the
10 annual amount of that expense.

11 **Q DO YOU AGREE WITH AMEREN MISSOURI’S PROPOSED ADJUSTMENT TO**
12 **COST OF SERVICE?**

13 A No. I believe the amount allowed for Callaway Refuel 18 should be reduced from the
14 level proposed by Ameren Missouri. The amounts proposed by Ameren Missouri are
15 based on estimates of the expenses necessary to complete Refuel 18. MPSC Data
16 Request No. 84 lists the actual costs to perform Refuel 18. The actual operations
17 and maintenance expenses to perform the work was \$31.2 million compared to the
18 Ameren Missouri estimate of \$32 million. I propose to reflect the actual costs. The
19 incremental overtime amount incurred was \$8.5 million compared to the
20 \$6.9 budgeted level. (MPSC Data Request No. 84). I propose to reflect the
21 budgeted level of overtime of \$6.9 million.

1 **Q WHAT IS THE BASIS FOR YOUR REDUCTION IN THE AMOUNT OF OVERTIME**
2 **FOR REFUEL 18?**

3 A MPSC Data Request No. 84 requested a description of what was involved in the
4 refueling and an explanation of any significant difference in time and costs. Refuel 18
5 was originally scheduled for 30 days, but the actual refueling time lasted 41 days.
6 The extension of the schedule affected the actual overtime that was incurred.

7 I have attached as Schedule GRM-1 the response to MPSC Data Request No.
8 84. The description included the following statements:

9 "Refuel 18 duration was originally scheduled for 30 days and final
10 schedule duration ended up being 41 days which had an adverse
11 effect on Budget due to Overtime as well as affecting Station
12 Capability Factors."

* * *

13 "Lack of Site preparation challenged Refuel performance by missing or
14 jeopardizing numerous milestones prior to refuel start."

15 Therefore, I am proposing to limit the overtime to the budgeted level identified
16 by Ameren Missouri of \$6.9 million. Adjusting the overtime level back to the
17 budgeted level is a reduction of \$1.6 million. Ratepayers should not be required to
18 pay in rates increased overtime for extending refueling outages due to lack of
19 performance by Ameren Missouri.

20 **Q WHAT IS THE TOTAL REDUCTION TO AMEREN MISSOURI'S COST OF**
21 **SERVICE RESULTING FROM YOUR RECOMMENDATIONS?**

22 A Reflecting the actual maintenance cost of Refuel 18 of \$31.2 million and the budgeted
23 overtime level of \$6.9 million produces a total cost for Refuel 18 of \$38.1 million.
24 Annualizing the \$38.1 million produces a total cost of \$25.4 million. Therefore,
25 Ameren Missouri's revenue requirement would be reduced by \$400,000.

1 **Shoreline Management Program Revenue and Expenses**

2 **Q PLEASE BRIEFLY EXPLAIN THIS ITEM.**

3 A As part of the operation of the Bagnell Dam, Ameren Missouri has a Shoreline
4 Management Program for the Lake of the Ozarks. In conducting this program, the
5 Company collects various fees.

6 **Q WHAT LEVEL OF REVENUES ASSOCIATED WITH THESE FEES ARE YOU**
7 **RECOMMENDING IN THIS CASE?**

8 A In order to reflect the most current fees, I have adjusted the test year ending
9 September 30, 2011 to the levels experienced for the 12 months ended April 30,
10 2012.

11 **Q SHOULD THIS AMOUNT BE ADJUSTED AS PART OF THE TRUE-UP THROUGH**
12 **JULY 31, 2012?**

13 A I will continue to monitor changes in the level of fees, as new information becomes
14 available, to determine if additional adjustments are necessary as part of the true-up
15 audit.

16 **Q HOW DOES YOUR RECOMMENDATION AFFECT THE REVENUE**
17 **REQUIREMENT CALCULATED BY AMEREN MISSOURI?**

18 A My recommendation increases Ameren Missouri's miscellaneous revenues by
19 approximately \$1 million. The net effect on Ameren Missouri's revenue requirement
20 is a decrease of approximately \$1 million.

1 **Amortization of Fiscal 2012 MPSC Assessment Cost**

2 **Q PLEASE EXPLAIN THIS ISSUE.**

3 A In the previous general rate proceeding, Case No. ER-2011-0028, the end of the
4 true-up period was February 28, 2011. As a result, events that occurred after that
5 date were not considered in the calculation of revenue requirement in that case.
6 Therefore, the annualized amount of the MPSC assessment included in revenue
7 requirement in Case No. ER-2011-0028 reflected the last known annual assessment
8 level, the 2011 fiscal year ended June 30, 2011. However, the 2012 fiscal year
9 MPSC assessment received by Ameren Missouri was higher than the 2011 fiscal year
10 amount included in the calculation of the revenue requirement used to determine
11 rates in Case No. ER-2011-0028.

12 In the current rate case, Ameren Missouri witness Weiss is proposing, through
13 a two-year amortization, to increase revenue requirement by one half of the
14 difference between the 2012 fiscal year MPSC assessment amount and the 2011
15 fiscal year level recognized in the rates established in Case No. ER-2011-0028. In
16 addition, Ameren Missouri is proposing to reflect the 2012 fiscal year MPSC
17 assessment amount in the calculation of revenue requirement, subject to true-up
18 through July 31, 2012.

19 **Q WHAT IS YOUR RESPONSE TO MR. WEISS'S AMORTIZATION PROPOSAL**
20 **ASSOCIATED WITH THE 2012 FISCAL YEAR MPSC ASSESSMENT?**

21 A Ameren Missouri's amortization proposal of fiscal year 2012 MPSC assessment
22 amounts is inappropriate. Mr. Weiss has proposed special regulatory treatment for a
23 single expense item from the multitude of revenue, expense and investment
24 components that are audited and considered for inclusion in the cost of service in a

1 rate case. The event that resulted in Mr. Weiss's proposal occurred subsequent to
2 the true-up period in the last case. Through his adjustment, Mr. Weiss seeks to
3 include more than 12 months of MPSC assessment in the cost of service. This type
4 of proposal by Mr. Weiss has significant impacts on the applicability of test year and
5 true-up concepts.

6 **Q ARE YOU AWARE OF ANY ITEMS THAT WERE INCLUDED IN THE COST OF**
7 **SERVICE IN CASE NO. ER-2011-0028 THAT WERE OVERSTATED IN RELATION**
8 **TO THE AMOUNT INCURRED BY AMEREN MISSOURI?**

9 A Yes. I have not attempted to perform an exhaustive analysis, but I am aware that the
10 level of property taxes that was used to determine the revenue requirement for
11 establishing rates in Case No. ER-2011-0028, which were effective July 31, 2011,
12 was overstated had the actual amount paid in December 2011 been used to calculate
13 annualized property tax expense.

14 **Q DID AMEREN MISSOURI REQUEST AN AAO WHEN IT REALIZED THAT THE**
15 **AMOUNT INCLUDED IN THE COST OF SERVICE IN CASE NO. ER-2011-0028**
16 **WAS LESS THAN THE 2012 FISCAL YEAR MPSC ASSESSMENT?**

17 A No. Ameren Missouri made entries on its books to defer an additional MPSC
18 assessment amount in August 2011, but made no request for an AAO.

19 **Q PLEASE SUMMARIZE YOUR POSITION.**

20 A Ameren Missouri is requesting to include an amortization of MPSC assessment
21 expense that became effective four months after the true-up cut-off date in the
22 previous rate case. Ameren Missouri has failed to abide by the test year and true-up

1 concepts ordered by the Commission in rate cases and seeks to include more than
2 an annual level of MPSC assessment expense in revenue requirement. Therefore,
3 this adjustment should be disallowed by the Commission.

4 **Q HOW DOES YOUR RECOMMENDATION AFFECT THE REVENUE**
5 **REQUIREMENT CALCULATED BY AMEREN MISSOURI IN THIS CASE?**

6 A My recommendation reduces Ameren Missouri's operating expenses and the revenue
7 requirement by approximately \$600,000.

8 **Vegetation Management and**
9 **Infrastructure Inspection Trackers**

10 **Q PLEASE EXPLAIN THIS ITEM.**

11 A In 2008, The Commission promulgated new rules for vegetation management and
12 infrastructure inspection. These rules established scheduling and trimming
13 requirements for trees near the Company's facilities and inspection and replacement
14 frequency for distribution facilities. As part of Case No. ER-2008-0318, in order to
15 provide recovery of the cost of complying with the new rules, the Commission allowed
16 Ameren Missouri to track the amount included in operating expense for vegetation
17 management and infrastructure inspection against the actual amount incurred and
18 defer the difference. In the following case, a three-year amortization of the deferral
19 was included in the cost of service. The tracker mechanism was extended in Case
20 Nos. ER-2010-0036 and ER-2011-0028.

1 **Q WHAT IS YOUR RECOMMENDATION REGARDING THE EXTENSION OF THE**
2 **TRACKER IN THE CURRENT CASE?**

3 A I recommend that the trackers for vegetation management and infrastructure
4 inspection be discontinued following the current case. In its Report and Order on
5 page 61 in Case No. ER-2010-0036, the Commission recognized that the tracker was
6 a temporary mechanism designed to facilitate the new rules.

7 “Because there is still a great deal of uncertainty about the amount of
8 spending needed to comply with the rules, the Commission finds that
9 the tracker is still needed. That does not mean the tracker will become
10 permanent. AmerenUE’s witness suggests the company will have a
11 level of experience needed to better predict costs in two to four years.²
12 It may not take that long, and the Commission will certainly revisit this
13 issue in AmerenUE’s next rate case, but for this case, the Commission
14 will renew the existing vegetation management and infrastructure
15 inspection tracker.” [Footnote omitted.]

16 **Q HOW LONG HAVE THE TRACKERS AND THE RULES BEEN IN EXISTENCE?**

17 A The trackers were established in Case No. ER-2008-0318 and rates from that case
18 became effective in March 1, 2009. Through the operation of law in the current case,
19 these trackers will have been in place for almost four years. Four years was the
20 maximum time period the Commission cited in its Report and Order in Case
21 No. ER-2010-0036 for the trackers to be in existence.

22 The rules have been in place since mid-2008. In addition, Ameren Missouri
23 began complying with the new vegetation management rule on January 1, 2008, six
24 months before the rule was enacted. Ameren Missouri will have been complying with
25 the current vegetation management rule for five years by the operation of law date in
26 this case. The expense history available and the level of experience Ameren
27 Missouri has for compliance with these rules should allow for the establishment of an
28 ongoing amount and an end to the tracking mechanism in this case.

1 **Q PLEASE SUMMARIZE YOUR TESTIMONY.**

2 A Based on the period of time the tracker has been in place, it has served its purpose of
3 facilitating the transition to the rules enacted by the Commission in mid-2008. Also,
4 based on Ameren Missouri's experience with the rules, there is sufficient historical
5 data available to establish a reasonable ongoing level of expense to include in the
6 cost of service in this case. Therefore, I recommend that the Commission eliminate
7 the tracking mechanism for vegetation management and infrastructure inspections in
8 this case. I also recommend that the most recent 12 months of actual incurred cost
9 for vegetation management and infrastructure inspections, as of the end of the
10 September 30, 2011 test year be used as the ongoing level in the cost of service for
11 this case. In addition, I recommend that the actual amount deferred (actual amount
12 incurred less the level included in rates) from the February 28, 2011 true-up cut-off
13 date in the last case through October 31, 2011 be amortized over three years,
14 consistent with past Commission orders. These levels should be monitored through
15 the July 31, 2012 true-up cut-off date in the current case to determine if any further
16 adjustment is warranted.

17 **Q HOW DO YOUR RECOMMENDATIONS AFFECT THE COMPANY'S**
18 **CALCULATION OF REVENUE REQUIREMENT?**

19 A My recommendations reduce Ameren Missouri's operating expense and revenue
20 requirement by \$2.2 million.

1 **Missouri Energy Efficiency Investment Act (“MEEIA”)**

2 **Q DID AMEREN MISSOURI PROPOSE AN ADJUSTMENT TO REFLECT ITS**
3 **CURRENT MEEIA FILING (CASE NO. EO-2012-0142)?**

4 A Yes. Ameren Missouri proposed to increase operating expenses for program costs in
5 the amount of \$48.4 million. In addition, Ameren Missouri proposed to increase
6 operating expenses for its performance mechanism by \$32.5 million. In total, Ameren
7 Missouri proposed to increase expenses by \$80.9 million.

8 **Q HAVE THE PARTIES TO THE MEEIA FILING REACHED AN AGREEMENT**
9 **REGARDING CASE NO. EO-2012-0142?**

10 A Yes. It is my understanding the parties have reached a Unanimous Stipulation and
11 Agreement (“S&A”).

12 **Q WHAT WERE THE RESULTS OF THE S&A?**

13 A As a result of the S&A the parties have agreed to a level of program costs totaling
14 \$49.1 million and a performance mechanism level of expense of \$30.5 million.

15 **Q WHAT IS YOUR PROPOSAL IN THIS CASE?**

16 A I recommend that the level of expense included in Ameren Missouri’s cost of service
17 be reduced by \$1.4 million to reflect the results of the S&A.

18 **Heavy Underground Training Program**

19 **Q PLEASE EXPLAIN THIS ISSUE.**

20 A In the previous general rate proceeding, Case No. ER-2011-0028, the Commission
21 increased revenue requirement by \$1,250,000 to fund a new heavy underground

1 training program ("Program"). In the current rate case, Ameren Missouri witness
2 Weiss is proposing to reflect the entire \$1,250,000 awarded by the Commission as an
3 increase to operating expense.

4 **Q WHAT IS YOUR RESPONSE TO MR. WEISS'S PROPOSAL?**

5 A I am continuing to evaluate the implementation and costs of the Program, but I am
6 concerned about the level of expenditures to date and the pace of implementation.

7 **Q WHEN DID THE COMPANY BEGIN IMPLEMENTING THE PROGRAM?**

8 A Based on the Company's response to MIEC Data Request No. 6.18, only four
9 trainees and the training advisor began the Program on December 5, 2011. The rest
10 of the trainees did not start until February 6, 2012. These start dates reflect a
11 significant lag between when training began and when Ameren Missouri began
12 collecting rates that included the cost of the Program, July 31, 2011. Ameren
13 Missouri has spent less than 40% of the amount awarded by the Commission through
14 March 31, 2012.

15 **Q DID THIS SAME TYPE OF TIME DELAY OCCUR FOR THE DISTRIBUTION**
16 **PROGRAM THAT AMEREN MISSOURI WAS ORDERED TO IMPLEMENT IN**
17 **CASE NO. ER-2010-0036?**

18 A Yes. In Case No. ER-2010-0036, the Commission awarded Ameren Missouri
19 \$1.29 million for training personnel costs and \$2.1 million for training equipment and
20 materials, amortized over five years. Rates from that case were effective on June 21,
21 2010. However, by February 2011, eight months after the effective date of rates, less

1 than 40% of the personnel costs and less than 16% of the equipment and materials
2 cost had been spent.

3 **Q IN EITHER OF THESE CASES DID THE COMMISSION FIND THAT THE**
4 **COMPANY WAS NOT PROVIDING SAFE AND ADEQUATE SERVICE AS A**
5 **RESULT OF NOT HAVING THESE TRAINING PROGRAMS?**

6 A No. In both cases, the Commission found that the evidence presented did not
7 demonstrate that the Company had failed to supply safe and adequate service to the
8 public. The Commission further found that it does not have the authority to dictate
9 the manner in which the Company conducts its business.

10 **Q WHAT IS YOUR RECOMMENDATION REGARDING THE TRAINING PROGRAM**
11 **THE COMMISSION AUTHORIZED IN CASE NO. ER-2011-0028?**

12 A I recommend that the cost of the Program be monitored through the true-up period to
13 determine the appropriate level to include in the cost of service in this case.

14 **Q DO YOU HAVE ANY RECOMMENDATION REGARDING THE CURRENT**
15 **TRAINING PROGRAMS AND THE AUTHORIZATION OF FUTURE TRAINING**
16 **PROGRAMS?**

17 A Yes. The current practice of awarding dollars in rate cases for training programs is
18 problematic in several ways. The delay in spending for the programs following the
19 effective date of rates has resulted in prefunding plant expenditures and operating
20 expenses. Also, amortizing equipment cost over five years results in bypassing the
21 depreciation rates that were approved by the Commission for these assets.

1 Additionally, the current practice also supplants the obligation of management to
2 determine the training needs of its workforce.

3 Unless the Commission finds that there is evidence to demonstrate that the
4 Company failed to supply safe and adequate service to the public as a result of
5 insufficient training, I recommend that the institution of training programs be left up to
6 the discretion of Ameren Missouri's management. Ameren Missouri's management
7 has the responsibility to ensure that it maintains an adequate workforce that is
8 properly trained and supplements this workforce with qualified outside contractors, as
9 needed, to provide safe and adequate service.

10 Finally, the Commission should require an evaluation of the programs it has
11 previously authorized. This evaluation should at least provide a determination of
12 whether the value of the training programs justifies the level of funding provided by
13 ratepayers.

14 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 **A Yes, it does.**

Qualifications of Greg R. Meyer

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am an Associate in the field of public utility regulation with the firm of Brubaker &
6 Associates, Inc. (BAI), energy, economic and regulatory consultants.

7 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
8 **EXPERIENCE.**

9 A I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree
10 in Business Administration, with a major in Accounting. Subsequent to graduation, I
11 was employed by the Missouri Public Service Commission. I was employed with the
12 Commission from July 1, 1979 until May 31, 2008.

13 I began my employment at the Missouri Public Service Commission as a
14 Junior Auditor. During my employment at the Commission, I was promoted to higher
15 auditing classifications. My final position at the Commission was an Auditor V, which I
16 held for approximately ten years.

17 As an Auditor V, I conducted audits and examinations of the accounts, books,
18 records and reports of jurisdictional utilities. I also aided in the planning of audits and
19 investigations, including staffing decisions, and in the development of staff positions in
20 which the Auditing Department was assigned. I served as Lead Auditor and/or Case

Greg R. Meyer
Appendix A
Page 1

1 Supervisor as assigned. I assisted in the technical training of other auditors, which
2 included the preparation of auditors' workpapers, oral and written testimony.

3 During my career at the Missouri Public Service Commission, I presented
4 testimony in numerous electric, gas, telephone and water and sewer rate cases. In
5 addition, I was involved in cases regarding service territory transfers. In the context of
6 those cases listed above, I presented testimony on all conventional ratemaking
7 principles related to a utility's revenue requirement. During the last three years of my
8 employment with the Commission, I was involved in developing transmission policy
9 for the Southwest Power Pool as a member of the Cost Allocation Working Group.

10 In June 2008, I joined the firm of Brubaker & Associates, Inc. as a Consultant.
11 Since joining the firm, I have presented testimony and/or testified in the state
12 jurisdictions of Florida, Idaho, Illinois, Indiana, Maryland, Missouri and Washington. I
13 have also appeared and presented testimony in Alberta and Nova Scotia, Canada.
14 These cases involved addressing conventional ratemaking principles focusing on the
15 utility's revenue requirement. The firm Brubaker & Associates, Inc. provides
16 consulting services in the field of energy procurement and public utility regulation to
17 many clients including industrial and institutional customers, some utilities and, on
18 occasion, state regulatory agencies.

19 More specifically, we provide analysis of energy procurement options based
20 on consideration of prices and reliability as related to the needs of the client; prepare
21 rate, feasibility, economic, and cost of service studies relating to energy and utility
22 services; prepare depreciation and feasibility studies relating to utility service; assist
23 in contract negotiations for utility services, and provide technical support to legislative
24 activities.

1 In addition to our main office in St. Louis, the firm has branch offices in
2 Phoenix, Arizona and Corpus Christi, Texas.

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

Data Request No.: MPSC 0084 - Lisa Ferguson

1. Provide the duration of time, by specific dates, and a breakdown of all costs related to Callaway refueling 18 that occurred during the period covering October 1, 2010 through July 31, 2012. 2. For Callaway refueling 18 detailed in item 1 above, describe what was involved with this refueling and explain in detail any significant differences in time duration and costs involved in comparison to previous or subsequently planned refuelings.

RESPONSE

Prepared By: Rich Ellsworth
Title: Assistant Outage Manager
Date: February 16, 2012

Callaway's 18 Refueling Outage was executed from October 15th to November 25th 2011, 41 Days, 4 Hours and 46 Minutes.

Detailed Breakdown of Cost:

Project	<u>Actual</u> <u>RF18</u> <u>2011</u>	<u>Budget</u> <u>RF18</u> <u>2011</u>	<u>Variance</u> <u>RF18</u> <u>2011</u>
0M015 - MMC Training	1,133,692	1,150,000	(16,308)
0M019 - OUTAGE COST - TMX412 RENTAL		15,000	(15,000)
0M190 - OUTAGE COST - BORIC ACID	27,771	50,567	(22,797)
0M191 - OUTAGE COST - LITHIUM HYDROXIDE	38,232	18,596	19,636
0M219 - HP OPER. PROT. CLOTHING FOR REFUEL	241,587	200,000	41,587
0M262 - MMC Overhead	1,675,615	2,400,000	(724,385)
0M263 - QC CONTRACTOR SUPPORT - REFUEL	411,886	350,000	61,886
0M377 - Contract Investigative Services		20,000	(20,000)
0M403 - HP VENDOR TECHNICIANS - REFUEL	1,128,938	900,000	228,938
0M405 - WELDING ENGINEERING SUPPORT FOR RF	93,344	100,000	(6,656)
0M408 - DECON-CONTAM CONTROL HP SUPP-RF 9	165,915	90,000	75,915
0M414 - Mechanical Refuel O&M	4,888,922	2,875,980	2,012,942
0M418 - HARTFORD STM BOILER INSPECTN COV RF	42,859	45,000	(2,141)
0M425 - TREVITEST SAFETY VALVES - REFUEL	39,928	34,000	5,928
0M426 - REFUEL VALVE PACKING PROGRAM	1,990	55,000	(53,010)
0M428 - REACTOR COOLANT PUMP-REFUEL	498,780	385,000	113,780
0M429 - Support Refuel O&M	879,016	1,322,720	(443,705)
0M430 - COOLING TOWER REPAIR-REFUEL		239,988	(239,988)

0M444 - HP DECON LABORERS - REFUEL	267,895	350,000	(82,105)
0M450 - REACTOR VESSEL HEAD DIS&RE- ASSEMBLY	2,561,318	2,716,310	(154,992)
0M453 - ELECTRICAL REFUEL O&M	386,963	1,056,851	(669,888)
0M456 - MECHANICAL SNUBBER TESTING-REFUEL	121,000	155,503	(34,503)
0M463 - MAIN TURBINE-REFUEL OUTAGE	2,659,078	1,994,135	664,943
0M466 - STEAM GENERATOR RF MTCE ACTIVITIES	6,079,139	6,154,000	(74,861)
0M476 - NDE SERVICES-OUTAGE (REFUEL	517,717	536,340	(18,623)
0M477 - INSERVICE INSPECTION - REFUEL	124,392	150,000	(25,608)
0M480 - DIESEL GENERATOR INSPECTIONS- REFUEL	908,957	698,514	210,443
0M484 - I&C REFUEL O&M	692,163	465,527	226,636
0M546 - FFD REFUEL/TEMP. STAFF		25,000	(25,000)
0M546 - FFD REFUELTEMP. STAFF	19,265		19,265
0M601 - RF ON-SITE INVESTIGATORS	38,631	40,000	(1,369)
0M681 - VENDOR MTCE OF ROD CONTROL DRPI SYS	93,036	39,882	53,154
25956 - Repl 6 Cond Waterbox Iso Valves	160,960	150,000	10,960
M0100 - MOV & AOV TESTING AND REPAIR-REFUEL	1,665,785	2,000,000	(334,215)
M0116 - FME COORDINATORS	76,582	63,654	12,928
M0123 - HEAT EXCHANGER EDDY CURRENT	142,112	303,890	(161,778)
M0164 - TRAILER EXPENSE - REFUEL	67,060	50,000	17,060
M0174 - C COLD LEG FLAW INSPECTION & EVAL	1,031,064	800,000	231,064
M0175 - COMMUNICATIONS VENDOR SUPPORT - RF	39,255	40,000	(745)
M0177 - VENDOR JANITORIAL&CLEANING SVCS(RF)	68,453	79,568	(11,115)
M0179 - RPV UPPER HEAD NDE	83,064	168,825	(85,761)
M0197 - FLUOR INVESTIGATION SERVICES	28,535	5,000	23,535
M0240 - CONDENSER TUBE CLEANING - REFUEL		50,000	(50,000)
M0307 - Subcritical Rod Worth Measurement	250,230	236,700	13,530
M0326 - CTMT Cooler Clean and Inspect	139,690		139,690
M0326 - Containment Cooler Clean & Test		150,000	(150,000)
M0333 - Evaluate A Lower Amperage Fuses CR	94,053	48,622	45,431
M0337 - RF ON-SITE Clerical Support	33,035	42,000	(8,965)
M0339 - Containment Suppt Personnel & Equip	774,817	900,000	(125,183)
M0366 - Polar Crane Operation and Maint	446,758	783,574	(336,816)
M0367 - Refuel Outage Promotions	17,582	25,000	(7,418)
M0386 - Replc Obsolete MW-hr Metering Equip		15,000	(15,000)
M0395 - Screens-Condenser Waterbox Drains	9,992	6,000	3,992
M0407 - RF On-Site Safety Support	4,980	35,000	(30,020)
M0408 - RF Asbestos Bulk Sample Services	2,381	15,000	(12,619)
M0409 - RF17 RB MFW piping replacements	(22)		(22)
M0410 - MP 07-0151 Redundant Fuse Mod		121,725	(121,725)
M0416 - ESW Pipe Inspections - Refuel	107,376	50,000	57,376
M0443 - Outage Cost - Hydrogen Peroxide	36,276	18,387	17,888
M0447 - CCW HX Performance Testing	71,771	70,000	1,771
M0457 - Containment Logistics Support	107,000	500,000	(393,000)
M0467 - NFPA-805 Hot Shorts RWST Vlv Issue		95,000	(95,000)
M0469 - RF Machine Gripper Cable Mod		10,000	(10,000)
M0471 - Modify Sequencer for EFHV0037 & 38	450	80,000	(79,550)
M0482 - REPLACE MCC 74 STATUS RELAYS	41,334		41,334
O&M Total	\$31,238,598	\$31,546,858	(\$308,260)

Project	<u>Actual</u> <u>RF18</u> <u>2011</u>	<u>Budget</u> <u>RF18</u> <u>2011</u>	<u>Variance</u> <u>RF18</u> <u>2011</u>
23704 - RF18 Chrom Moly Pipe Replacement	949,592	1,273,964	(324,372)
25907 - Intercooler HTX Replacement	2,040,204	1,341,863	698,341
25956 - Repl 6 Cond Waterbox Iso Valves	38,483	799,937	(761,453)
26773 - Instal Ck Vlvs due to ESW Wtr Hmmer	842,957	946,226	(103,269)
28549 - RF18 Feedwater Pipe Replacements	3,140,462		3,140,462
29182 - RF18 ESW Piping Replacement	1,133,849		1,133,849
29185 - RF18 Relief Valve Replacements	296,594		296,594
29218 - RF18 Aux Spray Line Replacement	127,610		127,610
Capital Total	<u>\$8,569,752</u>	<u>\$4,361,991</u>	<u>\$4,207,761</u>
Overtime Total	8,482,452	6,913,057	1,569,395
Grand Total	\$48,290,802	\$42,821,906	\$5,468,896

2. For Callaway refueling 18 detailed in item 1 above, describe what was involved with this refueling and explain in detail any significant differences in time duration and costs involved in comparison to previous or subsequently planned refuelings.

Callaway Plant struggled with schedule performance during Refuel 18. Total outage duration was scheduled for 30 days and completed at 41.1 days. The greatest extension of this duration was due to the Steam Generator Bowl Drain plug dislodging during Eddy Current Testing. This with other resultant offload issues resulted in a 6.5 day extension to the outage schedule. Also, Reactor Disassembly caused us a nearly 1 day delay due to equipment problems. The only other major delay was Mode 4 to getting back on line. This was primarily due to sequencing and resource availability issues.

Refuel 18 duration was originally scheduled for 30 days and final schedule duration ended up being 41 days which had an adverse effect on Budget due to Overtime as well as affecting Station Capability Factors. Due to various issues in Refuel 18, the original schedule ended up extending by about 11 days (720 hours original duration, 988 hours final duration). Lack of Site preparation challenged Refuel performance by missing or jeopardizing numerous milestones prior to refuel start. A Common Cause Analysis was performed and revealed one prevalent common cause after breaker open: inadequate preparation, oversight, and contingency planning by the Reactor Service Organization.

The table below shows YTD Refuel 18 costs (forecasts) compared to the planned amount at the start of the outage and compared to the budget amount.

<u>Millions</u>	<u>2011 Year-End Forecast as of July 21</u>	<u>Planned</u>	<u>Act to Plan Variance</u>	<u>Budgeted</u>	<u>Actual to Budget Variance</u>
Overtime	\$11.8	\$7.8	+\$4.0	\$7.8	+\$4.0
O&M Projects	\$31.3	\$26.6	+\$4.7	\$25.0	+\$6.3
Capital Projects	<u>\$10.3</u>	<u>\$10.8</u>	<u>-\$0.5</u>	<u>\$8.8</u>	<u>-\$1.5</u>
Total	\$53.4	\$45.2	+\$8.2	\$41.6	+\$11.8

The following projects had significant budget impact:

O&M

- 0M414 - Mechanical Refuel O&M
- 0M428 - REACTOR COOLANT PUMP-REFUEL
- 0M463 - MAIN TURBINE-REFUEL OUTAGE
- 0M480 - DIESEL GENERATOR INSPECTIONS
- 0M484 - I&C REFUEL O&M
- 0M546 - FFD REFUEL/TEMP. STAFF
- M0174 - C COLD LEG FLAW INSPECTION & EVAL

Capital:

- 25907 - Intercooler HTX Replacement
- 28549 - RF18 Feedwater Pipe Replacements
- 29182 - RF18 ESW Piping Replacement
- 29185 - RF18 Relief Valve Replacements
- 29218 - RF18 Aux Spray Line Replacement