

Exhibit No.:
Issue: Revenue Requirement
Witness: Greg R. Meyer
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2012-0166
Date Testimony Prepared: September 7, 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
)
)

Surrebuttal Testimony and Schedules of

Greg R. Meyer

Revenue Requirement

On behalf of

Missouri Industrial Energy Consumers

NON-PROPRIETARY VERSION

September 7, 2012



BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

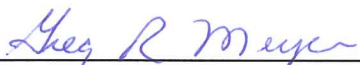
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| In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service |))))) | Case No. ER-2012-0166 Tariff No. YE-2012-0370 |
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| STATE OF MISSOURI |) | |
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| COUNTY OF ST. LOUIS |) | |

Affidavit of Greg R. Meyer

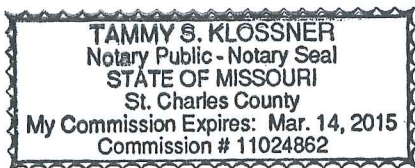
Greg R. Meyer, being first duly sworn, on his oath states:

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 surrebuttal testimony and schedules 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 schedules 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 6th day of September, 2012.





 Notary Public

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

| | | |
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**Table of Contents to the
Surrebuttal Testimony of Greg R. Meyer**

| | |
|---|----|
| Renewable Energy Standard ("RES") Costs..... | 2 |
| Storm Costs | 6 |
| Storm Assistance Revenues..... | 9 |
| Storm Tracker | 11 |
| Property Taxes..... | 14 |
| Property Tax Refund..... | 18 |
| Cash Working Capital | 19 |
| Infrastructure Inspections and Vegetation Management Trackers | 22 |
| Coal Inventory..... | 26 |
| Schedule GRM-SUR-1 | |
| Schedule GRM-SUR-2 | |
| Schedule GRM-SUR-3 | |

**Greg R. Meyer
Table of Contents**

**BEFORE THE PUBLIC SERVICE COMMISSION
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Its Annual Revenues for Electric Service)
_____)

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

Surrebuttal Testimony 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 ARE YOU THE SAME GREG R. MEYER WHO PREVIOUSLY FILED DIRECT**
5 **TESTIMONY IN THIS PROCEEDING?**

6 A Yes, I am.

7 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A This information is included in Appendix A to my direct testimony on revenue
9 requirements filed July 6, 2012.

10 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

11 A This testimony is presented on behalf of the Missouri Industrial Energy Consumers
12 (“MIEC”). These companies purchase substantial quantities of electricity from
13 Ameren Missouri (or “Company”).

Greg R. Meyer
Page 1

1 Their cost of electricity would increase approximately 14.6% if Ameren
 2 Missouri is granted the full amount of the increase it requested. This proceeding will
 3 have a substantial impact on these companies' cost of doing business, and thus they
 4 are vitally interested in the outcome.

5 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS**
 6 **PROCEEDING?**

7 A My surrebuttal testimony will address the rebuttal testimonies of Ameren Missouri
 8 witnesses regarding various issues as summarized in the table below.

| Issue | Ameren Missouri Witnesses | | | | | |
|---|---------------------------|-------------|--------------|------------|-------------|---------------|
| | David Wakeman | Lynn Barnes | Chris Cudney | Gary Weiss | Robert Neff | Michael Adams |
| RES Costs | | | | X | | |
| Storm Costs | | X | | | | |
| Storm Assistance Revenues | X | | | | | |
| Storm Tracker | X | X | | | | |
| Property Taxes | | | X | | | |
| Property Tax Refund | | | | X | | |
| CWC | | | | | | X |
| Infrastructure and Vegetation Management Trackers | X | X | | | | |
| Coal Inventory | | | | | X | |

9 **Renewable Energy Standard (“RES”) Costs**

10 **Q DID AMEREN MISSOURI FILE REBUTTAL TESTIMONY REGARDING THE**
 11 **TREATMENT OF RES COSTS?**

12 A Yes. Ameren Missouri witness Gary Weiss discussed this issue in his rebuttal
 13 testimony.

1 **Q PLEASE DESCRIBE THE ISSUES YOU HAVE WITH MR. WEISS'S REBUTTAL**
2 **TESTIMONY.**

3 A There are two issues regarding the RES costs. The first issue is Ameren Missouri's
4 violation of the Commission Rule regarding the proper recognition of RES cost in the
5 calculation of revenue requirement. The second issue deals with the proper period to
6 use for amortizing RES costs.

7 **Q PLEASE DESCRIBE THE FIRST ISSUE.**

8 A In this case, Ameren Missouri is proposing to include in base rates \$7.8 million of
9 RES costs as an ongoing level of expense. Including an ongoing level of expense
10 could be permissible under the Commission Rule if Ameren Missouri had filed for a
11 Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM"). However,
12 Ameren Missouri has not filed for a RESRAM.

13 If a utility has not filed a RESRAM, the utility can collect RES costs in rates
14 through a second alternative. The second alternative, based on the Commission
15 Rule, specifies the following:

16 (D) Alternatively, an electric utility may recover RES compliance costs
17 without use of the RESRAM procedure through rates established in a
18 general rate proceeding. In the interim between general rate
19 proceedings the electric utility may defer the costs in a regulatory asset
20 account, and monthly calculate a carrying charge on the balance in
21 that regulatory asset account equal to its short-term cost of borrowing.
22 All questions pertaining to rate recovery of the RES compliance costs
23 in a subsequent general rate proceeding will be reserved to that
24 proceeding, including the prudence of the costs for which rate recovery
25 is sought and the period of time over which any costs allowed rate
26 recovery will be amortized. Any rate recovery granted to RES
27 compliance costs under this alternative approach will be fully subject to
28 the retail rate impact requirements set forth in section (5) of this rule.
29 (Code of State Regulations, 4 CSR 240-20.100 Electric Utility
30 Renewable Energy Standard Requirements, page 45)

1 Ameren Missouri interprets the above language as allowing a utility to
2 establish a base level of expenses and then track that level against actual
3 expenditures between rate cases.

4 Ameren Missouri's interpretation is not supported by the above language. The
5 above language states that a utility can defer RES costs in between rate proceedings
6 in a regulatory asset and calculate a carrying charge on the balance. There is
7 absolutely no mention of tracking a level of expenses already included in rates
8 against the accumulated deferred level. Ameren Missouri's interpretation is beyond
9 the language in the Rule.

10 In addition, Ameren Missouri's interpretation is illogical. If rates already
11 included an expense level, it would be inappropriate to defer the total cost of RES
12 and calculate a carrying cost on the balance. If a tracker were intended by the Rule,
13 only the difference between the amount included in expense and actual RES costs
14 would be accumulated between cases. A carrying cost would be calculated on only
15 the difference. The Rule is devoid of any language describing the mechanics of
16 tracking RES cost.

17 **Q DOES STAFF AGREE WITH YOUR UNDERSTANDING OF THE COMMISSION**
18 **RULE?**

19 **A** Yes. On page 133 of the Staff's Revenue Requirement Cost of Service Report in this
20 case, the following statement is found.

21 Ameren Missouri's direct filed case differs from either of the two
22 options discussed above and proposes a treatment not authorized by
23 rule.

24 Therefore, both the MIEC and the Staff agree that Ameren Missouri's
25 proposed ratemaking treatment for RES costs will violate Commission Rule. The

1 MIEC's proposal is in total compliance with Commission Rule, and thus Ameren
2 Missouri's request to establish a base level of expense at \$7.8 million should be
3 denied.

4 **Q IN AMEREN MISSOURI'S LAST RATE CASE, THE COMMISSION ALLOWED A**
5 **LEVEL OF EXPENSE FOR SOLAR REBATES. DID THAT RECOGNITION OF**
6 **EXPENSE COMPLY WITH THE COMMISSION RULE?**

7 A No. In the last rate case, the issue of compliance with the Commission Rule was not
8 challenged by any party. However, in this case, it has been discovered that Ameren
9 Missouri's proposal violates the Commission Rule, and therefore the issue has been
10 brought to the Commission's attention.

11 **Q PLEASE DESCRIBE THE DIFFERENT AMORTIZATIONS PROPOSED BY THE**
12 **PARTIES.**

13 A Ameren Missouri proposed to amortize the expenses incurred through the true-up
14 period (\$7.8 million) over two years with the unamortized balance included in rate
15 base.

16 The Staff has proposed two alternatives. One alternative is to amortize the
17 expenses incurred through the true-up over a three-year period with no rate base
18 recognition of the unamortized balance. The second alternative is to amortize the
19 expenses over six years with rate base recognition of the unamortized balance.

20 The MIEC recommended a six-year amortization and rate base inclusion of
21 the unamortized balance.

22 In the last case, the MIEC proposed a ten-year amortization. Ten years was
23 advocated by MIEC as that was the period that the Commission Rule noted was the

1 appropriate life for solar projects. However, the Commission noted in its last Report
2 and Order that ten years was too long. Therefore, the MIEC has recommended a
3 six-year amortization consistent with the Commission's Order regarding Ameren
4 Missouri's energy efficiency program. Ameren Missouri's proposed two-year
5 amortization is simply too short, given the Commission's determination of the life of a
6 solar project, and Ameren Missouri has provided no support for such a short period of
7 time.

8 **Q PLEASE SUMMARIZE YOUR POSITION.**

9 A The MIEC has presented the RES issue in a way that is consistent with the
10 Commission Rule. The Staff agrees that Ameren Missouri's proposal violates the
11 Commission Rule. The MIEC thus proposes that the Commission enforce its Rule
12 and reject Ameren Missouri's proposal to establish a base level of expense for RES
13 costs. The MIEC also believes a six-year amortization period is appropriate in light of
14 the Commission Rule and prior Orders. Ameren Missouri's two-year amortization
15 period for these expenses is not justified.

16 **Storm Costs**

17 **Q DID AMEREN MISSOURI FILE REBUTTAL TESTIMONY REGARDING STORM**
18 **COSTS?**

19 A Yes. Ameren Missouri witness Lynn Barnes filed rebuttal testimony discussing storm
20 costs.

1 **Q WHAT LEVEL OF STORM COSTS ARE AMEREN MISSOURI, STAFF AND THE**
2 **MIEC PROPOSING FOR PURPOSES OF THIS RATE CASE?**

3 A Ameren Missouri proposed a level of \$7.82 million based on a three-year average of
4 historic costs from October 2008 - September 2011. The Staff has proposed a level
5 of \$6.98 million based on a five-year average of historic costs from
6 May 1, 2007 - April 30, 2012. The MIEC proposed a level of \$6.5 million based on a
7 62-month average from April 2007 - May 2012.

8 **Q DO YOU BELIEVE AMEREN MISSOURI'S PROPOSED LEVEL OF \$7.82 MILLION**
9 **IS REASONABLE?**

10 A No. I believe the level proposed by Ameren Missouri is excessive. In her rebuttal
11 testimony, Ms. Barnes takes exception to the 62-month period I chose for analyzing
12 historic storm costs. In her rebuttal testimony, Ms. Barnes states the following:

13 Unless there are compelling reasons to do so, we ordinarily normalize
14 items using a combination of 12-month periods, not five 12-month
15 periods plus 2 months.

16 Ms. Barnes further states:

17 Using an unusual timespan that results in a lower cost level does not
18 seem to make sense.

19 **Q HOW DO YOU RESPOND TO THESE STATEMENTS?**

20 A I found Ms. Barnes' statements to be inconsistent with a prior Ameren Missouri
21 position regarding storm costs. In Case No. ER-2011-0028, Ameren Missouri, and
22 specifically Ms. Barnes, testified to using a 47-month average (April 2007 - February
23 2011). I do not understand how three 12-month periods, plus 11 months, is

1 reasonable in one case, but a similar position becomes unreasonable in another
2 case.

3 Furthermore, in Ameren Missouri's last rate case, the MIEC proposed a
4 24-month average for storm costs. Ms. Barnes argued in rebuttal testimony that a
5 longer period was more appropriate. However, it appears that she has abandoned
6 that argument in this case where she has sponsored a shorter period which results in
7 a higher level of expense. Ms. Barnes' position suggests that Ameren Missouri is
8 using a specific time span to support a **higher** cost level.

9 **Q WHY DID YOU PROPOSE TO USE A 62-MONTH AVERAGE?**

10 A As I stated in my direct testimony, 62 months is the entire period of time for which
11 Ameren Missouri has recorded major storm expenses in its workpapers. In addition,
12 in its last Report and Order in Case No. ER-2011-0028, the Commission found that
13 average storm costs over a longer period was a better predictor than one over a
14 shorter period of time.

15 Ameren Missouri has provided no compelling argument why the shorter
16 averaging period for storms is appropriate. It appears that Ms. Barnes ignored both
17 the prior Commission Order and her prior position when developing Ameren
18 Missouri's storm adjustment.

19 **Q DO YOU HAVE ANYTHING FURTHER REGARDING THIS ISSUE?**

20 A Yes. Based on my review of the rebuttal testimony, it does not appear that a severe
21 storm has occurred since my direct testimony cut-off date of May 31, 2012.
22 Therefore, another two months have passed without Ameren Missouri experiencing a

1 major storm. Including June and July of 2012 in the average would lower the storm
2 expense I proposed in my direct testimony.

3 **Q PLEASE SUMMARIZE YOUR POSITION.**

4 A The level of storm expense proposed by Ameren Missouri (\$7.8 million) is excessive.
5 Both the MIEC and Staff have used a longer amortization period to determine the
6 normalized level of storm expense. These longer periods of time (62 or 60 months) is
7 consistent with the Commission's findings in Case No. ER-2011-0028. Ameren
8 Missouri is proposing a 36-month average in order to inflate the level of storm costs.
9 The MIEC's proposed level of \$6.5 million for storm costs should be adopted by the
10 Commission.

11 **Storm Assistance Revenues**

12 **Q DID AN AMEREN MISSOURI WITNESS ADDRESS STORM ASSISTANCE**
13 **REVENUES IN THEIR REBUTTAL TESTIMONY?**

14 A Yes. Ameren Missouri witness David Wakeman filed rebuttal testimony on this issue.
15 Mr. Wakeman is opposed to including a normalized level of storm assistance
16 revenues in the cost of service. Although Mr. Wakeman recognizes that Ameren
17 Missouri has received revenue from providing storm assistance on 11 occasions, he
18 states that there is variation in the number of occurrences between years. Mr.
19 Wakeman also expresses concerns about the inability to actually earn that revenue in
20 a particular year. Therefore, he opposes the normalization adjustment and proposes
21 to include the revenue in a storm tracker.

1 **Q HOW DO YOU RESPOND TO MR. WAKEMAN?**

2 A Mr. Wakeman's response appears to support my recommendation for how to treat
3 this item. Ameren Missouri has provided storm assistance in the past and can be
4 reasonably expected to provide it in the future; therefore, storm assistance is a
5 recurring item. Also, the amount experienced in the test year is higher than in recent
6 history and should be spread over several years so rates will reflect a normal level.
7 My recommendation addresses the reasonable expectation of future storm
8 assistance revenue and the concern of including too high a level in annual rates.

9 **Q WHAT IS YOUR RESPONSE TO MR. WAKEMAN'S SUGGESTION THAT THE**
10 **REVENUES FROM STORM ASSISTANCE BE INCLUDED IN THE COMPANY'S**
11 **PROPOSED STORM TRACKER?**

12 A As I stated in my direct testimony, I am opposed to a storm tracker, which I will
13 discuss later in my testimony. Without a storm tracker, the issue becomes should a
14 normalized level of miscellaneous revenues be built into rates for Ameren Missouri
15 providing storm assistance. The answer is quite simply, yes.

16 When Ameren Missouri provides storm assistance, it is reimbursed by the
17 utilities for whom it provides service, thus generating additional revenue for Ameren
18 Missouri. However, Ameren Missouri ratepayers are covering a portion of the costs
19 for such assistance without receiving any benefit. Some recognition of these
20 miscellaneous revenues from other utilities through a normalization is an appropriate
21 offset to the costs covered by ratepayers. The \$800,000 normalized level of
22 miscellaneous revenues is conservative when compared to the level of revenues
23 recorded by Ameren Missouri for the 11 occasions it provided storm assistance. The

1 average miscellaneous revenues recorded by Ameren Missouri on those 11
2 occasions was \$1.1 million on an annual basis.

3 **Q PLEASE SUMMARIZE YOUR POSITION.**

4 A I continue to support an adjustment to normalize miscellaneous revenues for the
5 provision of storm assistance. These revenues represent a reimbursement of the
6 costs which current ratepayers are currently paying in rates. Thus, the Commission
7 should recognize a normalized level of miscellaneous revenues as the appropriate
8 regulatory treatment of the storm assistance revenues that were experienced during
9 the test year and as reimbursement of the costs paid by ratepayers in rates.

10 **Storm Tracker**

11 **Q WHICH AMEREN MISSOURI WITNESSES FILED REBUTTAL TESTIMONY**
12 **DISCUSSING ITS PROPOSED STORM TRACKER?**

13 A Ameren Missouri witnesses Lynn Barnes and David Wakeman filed rebuttal testimony
14 requesting a storm tracker.

15 **Q PLEASE DESCRIBE THE ISSUE.**

16 A Ameren Missouri believes that a storm tracker is needed to eliminate the uncertainty
17 associated with storms and assure the Company of recovery of storm costs. In
18 addition, a storm tracker would return to ratepayers revenues in excess of costs for
19 storm assistance.

1 **Q DO YOU BELIEVE THE CURRENT REGULATORY PROCESS HAS ADEQUATELY**
2 **PROTECTED AMEREN MISSOURI IN ITS STORM RESTORATION EFFORTS?**

3 A Yes, I do. The current process of establishing a base level of storm costs with the
4 option to file for an accounting authority order (“AAO”) has worked well for Ameren
5 Missouri, and this process should continue. It appears Ameren Missouri’s storm
6 tracker request is predicated on the unfounded belief that at some point Ameren
7 Missouri has not collected the entire amount of storm costs it has incurred.

8 **Q DO YOU BELIEVE AMEREN MISSOURI’S COST FOR STORM RESTORATION**
9 **HAS BEEN PAID FOR BY AMEREN MISSOURI’S RATEPAYERS?**

10 A Yes, I do. Based on an analysis I have performed for the period from the March 1,
11 2009 effective date of rates in Case No. ER-2008-0318 through the July 31, 2012
12 true-up cut-off date in the current case, Ameren Missouri has recovered every dollar
13 expended for storm costs. The details of my analysis supporting the above result are
14 attached to my surrebuttal testimony as Schedule GRM-SUR-1.

15 **Q PLEASE DESCRIBE SCHEDULE GRM-SUR-1.**

16 A Schedule GRM-SUR-1 measures the amount of storm restoration expenses included
17 in rates beginning in Case No. ER-2008-0318 through the true-up cut-off date in the
18 current case compared to the actual storm restoration costs incurred by Ameren
19 Missouri for the same period of time. As can be seen from the schedule, Ameren
20 Missouri has or will collect in rates approximately \$8.2 million more than the actual
21 costs it incurred to restore service.

1 Q GIVEN THIS SITUATION, ARE YOU STILL OPPOSED TO A STORM TRACKER
2 CONSIDERING THOSE FUNDS WOULD HAVE BEEN RETURNED TO
3 RATEPAYERS HAD A STORM TRACKER BEEN IN EFFECT?

4 A Yes, as I have previously stated, I am generally opposed to trackers. A tracker fails
5 to consider all relevant factors occurring in the time period it is in effect. Thus,
6 trackers effectively become automatic adjustments in a rate case, barring a finding
7 that the costs incurred were imprudent.

8 An example may help to explain my concerns. Suppose a severe storm
9 struck a portion of Ameren Missouri's service territory on July 4, 2012, and required
10 storm restoration expenses in excess of the annual amount built into rates. Given
11 that Ameren Missouri is currently earning significantly above its authorized return on
12 equity, it is likely Ameren Missouri would not file a rate case to recover the
13 incremental restoration costs. However, under a storm tracker format, Ameren
14 Missouri would record the excess storm restoration expenses and reflect the impact
15 of those expenses in the context of Ameren Missouri's next rate case. Clearly, with
16 the storm tracker, Ameren Missouri could avoid the all "relevant factors" test at the
17 time of the storm, delaying potential recovery until a future rate case.

18 However, under the current process, the earnings situation of the Company
19 can be examined prior to approval of an AAO to defer storm costs. In addition, the
20 future recovery of these deferred costs, if any, are examined during the next rate
21 case. Finally, there is usually a time limit placed on the utility, which requires it to file
22 a rate case by a specific date in order to receive consideration for recovery of the
23 deferred costs.

1 **Q PLEASE SUMMARIZE YOUR POSITION.**

2 A Although my analysis reveals that customer rates have provided more revenues than
3 storm costs, I am still opposed to a storm tracker for Ameren Missouri.

4 Ameren Missouri has failed to demonstrate that the current available
5 mechanisms have not adequately reimbursed it for storm restoration costs. In fact,
6 the opposite is true.

7 I am supportive of the rate case process whereby all relevant factors are
8 examined at one point in time to determine just and reasonable rates. Events which
9 happen in between rate cases should be examined by the utility to determine if
10 regulatory relief is required. Tracking specific expenses should be minimized.

11 **Property Taxes**

12 **Q WHAT IS AMEREN MISSOURI'S POSITION REGARDING PROPERTY TAXES?**

13 A Ameren Missouri witness Chris Cudney filed rebuttal testimony on property taxes.
14 Ms. Cudney states that Ameren Missouri's property taxes should be \$130,382,527.
15 This figure was derived by applying a normalized 11¢ rate levy increase over the
16 2011 tax rates to the 2012 certified valuations. In addition, Ms. Cudney offers an
17 alternate value of \$128,254,011 based on the 2012 certified valuations and the 2011
18 actual tax rates.

19 **Q WHAT DID YOU PROPOSE FOR PROPERTY TAXES?**

20 A I proposed to include the actual property taxes paid in 2011. This represents the last
21 known and measurable property tax expense for Ameren Missouri.

1 **Q DO YOU AGREE WITH EITHER OF MS. CUDNEY'S CALCULATIONS?**

2 A No. Both of Ms. Cudney's calculations to determine the actual 2012 property taxes
3 rely on values which are not known and measurable. Ms. Cudney's first calculation
4 assumes the 2011 actual tax rates will increase by 11¢ in 2012. Her second
5 calculation assumes that the 2012 actual tax rates will not change from those
6 established in 2011. Both of these assumptions are speculation at this time.

7 The 2012 tax rates, when actually determined, will be based on the 2012
8 assessed value that will determine the actual property taxes paid in 2012. By using
9 the 2011 actual tax rates, one is assuming the change/increase from 2011 assessed
10 values to 2012 assessed values will not impact the tax rate. I do not believe this to
11 be true.

12 **Q HOW ACCURATE WAS AMEREN MISSOURI'S ESTIMATE OF PROPERTY**
13 **TAXES IN THE LAST CASE?**

14 A Ameren Missouri filed for \$135.1 million of property taxes. Ameren Missouri's actual
15 electric property taxes expensed in 2011 was \$124.7 million.

16 **Q IS THERE ANOTHER REASON WHY THE COMMISSION SHOULD REJECT THE**
17 **COMPANY'S PROPOSED ADJUSTMENT?**

18 A Yes. The payment of 2012 property taxes reflecting final rates and assessed values
19 will not occur until December 31, 2012, which is five months after the true-up period in
20 this case. The proposed amount best reflects an isolated adjustment to Ameren
21 Missouri's true-up. In proposing an isolated adjustment, Ameren Missouri has the
22 obligation to present in its case an analysis demonstrating that all other relevant

1 factors have been analyzed to determine that this isolated adjustment is necessary.
2 It has not presented such an analysis.

3 The selection of a test year, known and measurable periods and/or true-ups
4 are important concepts in every rate case. Many parties to these cases take very
5 seriously the implications associated with such time periods. If utilities are allowed to
6 violate the true-up period for isolated adjustments, the concept of all relevant factors
7 and the setting of just and reasonable rates will be defeated. One must remember
8 that the utility has significant control over which events are considered in its cost of
9 service through the timing of the decision to file a rate case.

10 **Q IN THE LAST AMEREN MISSOURI RATE CASE, THERE WAS A DISCUSSION**
11 **ABOUT THE ACCRUAL OF PROPERTY TAXES AND INCLUSION OF ACCRUED**
12 **PROPERTY TAXES IN A RATE CASE. CAN YOU COMMENT ON THIS**
13 **CONCEPT?**

14 A Yes. Ameren Missouri accrues for property taxes on its books and records for the
15 calendar year. Accruing for property taxes allows Ameren Missouri to recognize a
16 more levelized monthly expense on its books instead of a lump sum payment in
17 December. However, the accrual of property taxes on its books should not be
18 justification for including the payment of these taxes five months beyond the true-up
19 period in this rate case.

20 **Q DO YOU HAVE ANYTHING FURTHER TO DISCUSS REGARDING THE ISSUE OF**
21 **PROPERTY TAXES?**

22 A Yes. In its direct testimony, Ameren Missouri proposed to include property taxes for
23 the Maryland Heights gas landfill project. The increased property taxes for this

1 project were estimated at \$1.4 million. I cannot determine from Ms. Cudney's
2 testimony if the property taxes associated with this project are included in her totals.

3 **Q ARE YOU STILL OPPOSED TO INCLUDING PROPERTY TAXES ASSOCIATED**
4 **WITH THE MARYLAND HEIGHTS LANDFILL GAS PROJECT IN THIS CASE?**

5 A Absolutely. The Maryland Heights landfill gas project went into service in the second
6 quarter of 2012. Therefore, property taxes associated with this project will not be
7 payable until December 2013, which is 19 months after the true-up in this case and
8 12 months beyond the operation of law date. In fact, Ameren Missouri will not even
9 have accrued any taxes on this project prior to the operation of law date in this case.
10 These taxes are clearly beyond any reasonable cut-off date for inclusion in the cost of
11 service in the current rate case.

12 **Q PLEASE SUMMARIZE YOUR POSITION.**

13 A The two alternative property tax estimates developed by Ms. Cudney rely on
14 estimated property tax rates or estimated increases in historic tax rates. Neither
15 calculation uses known and measurable facts to determine 2012 property taxes.

16 The level of property taxes payable in December 2012 is beyond the true-up
17 period in this case. Inclusion of these taxes in the cost of service constitutes an
18 isolated adjustment.

19 Property taxes associated with the Maryland Heights landfill gas project are
20 not due to be paid until December 2013. This is clearly an unreasonable adjustment
21 for inclusion in the cost of service in this rate case.

22 Therefore, I recommend that the Commission recognize the actual 2011
23 property taxes paid for establishing Ameren Missouri's cost of service.

Greg R. Meyer
Page 17

1 **Property Tax Refund**

2 **Q DID AMEREN MISSOURI FILE REBUTTAL TESTIMONY REGARDING THE**
3 **PROPERTY TAX REFUND?**

4 A Yes. Gary Weiss filed rebuttal testimony opposing the MIEC's and Staff's proposal to
5 amortize the refund over two years.

6 **Q DID MR. WEISS PROVIDE ANY EXPLANATION FOR HIS OPPOSITION TO THE**
7 **REFUND?**

8 A Yes. Mr. Weiss discusses the rationale for his position on page 28 of his rebuttal
9 testimony. Basically, Mr. Weiss states that once rates are set in a rate case, there
10 will be changes in both expense levels and revenues during the time those rates are
11 in effect. Depending on the changes in the revenues or expenses, either ratepayers
12 or shareholders will benefit between rate cases. Therefore, it is inappropriate to
13 single out the tax refund for special treatment.

14 **Q DO YOU AGREE WITH THIS PORTION OF HIS TESTIMONY?**

15 A Yes. I agree with his explanation about the changes in expenses and revenues
16 between rate cases. His statements reflect the appropriate ratemaking framework
17 and also argue against the tracking mechanisms favored by Ameren Missouri.

18 **Q THEN WHY HAVE YOU PROPOSED TO REFUND THE PROPERTY TAXES AT**
19 **ISSUE HERE?**

20 A As part of its last rate case, Ameren Missouri agreed to track any possible tax
21 refunds. In addition to the tracking of the possible tax refunds, Staff asked the

1 Commission to credit customers with any refunds received by Ameren Missouri. The
2 Commission denied the Staff's request noting:

3 Any such order the Commission could issue in this case would be
4 ineffective, as this Commission cannot bind a future Commission.
5 (Report and Order, Case No. ER-2011-0128, page 111)

6 In addition to approving tracking of the tax refunds, the Commission stated the
7 following:

8 If Ameren Missouri does receive a tax refund, then the Commission
9 would certainly expect that the company would return that refund to its
10 customers who are ultimately paying the tax bill. It is hard to imagine
11 any circumstance in which such a refund would not be ordered. (Id.,
12 page 110)

13 It is important to note the context in which these statements were made by the
14 Commission in its Order. In Case No. ER-2011-0028, the Commission accepted the
15 Staff's estimated level of property taxes for inclusion in the cost of service, which
16 reflected a significant expense increase. That level of property taxes turned out to be
17 higher than the taxes actually paid in 2011. Given the Commission's decision to
18 accept tracking any possible tax refunds, as offered by Ameren Missouri and
19 supported by the parties, and the Commission's discussion regarding tax refunds, the
20 MIEC continues to support the two-year amortization of the tax refund.

21 **Cash Working Capital**

22 **Q DID AN AMEREN MISSOURI WITNESS ADDRESS CASH WORKING CAPITAL**
23 **(“CWC”) IN THEIR REBUTTAL TESTIMONY?**

24 **A** Yes. Ameren Missouri witness Michael Adams filed rebuttal testimony on this issue.
25 Mr. Adams is opposed to my recommendations for the number of days for the

1 revenue collection lag and elimination of income taxes from the CWC requirement.
2 Mr. Adams has accepted my calculation of the employee benefits expense lag.

3 Mr. Adams continues to support an accounts receivable aging method as the
4 appropriate calculation of the revenue lag and the inclusion of all income tax expense
5 in the CWC requirement. In support of his position on the collection lag he provides
6 an analysis of actual customer payment history and a daily accounts receivable turn-
7 over calculation. In support of his inclusion of income taxes he simply states that,
8 "The Company employs statutory tax rates and payment dates when calculating its
9 income tax expense for revenue requirement purposes. As such, there would still be
10 an income tax component of the CWC requirement, regardless of whether a tax
11 expense was actually incurred and/or paid." (Rebuttal Testimony of Michael J.
12 Adams, pages 22-23)

13 **Q HOW DO YOU RESPOND TO MR. ADAMS REGARDING THE COLLECTION LAG**
14 **CALCULATIONS?**

15 A Mr. Adams' actual customer payment analysis is flawed because it does not use
16 dollar weighting. By this, I mean that each customer in his analysis receives equal
17 weighting in the determination of the average payment date, regardless of the amount
18 of the payment. For example, a customer who pays their bill in full by the 15th of the
19 month is weighted the same as a customer who makes a partial payment of 10% of
20 the same bill on day 50. Under Mr. Adams' calculations, the average lag for these
21 two customers would be 32.5 days $([15 + 50] \div 2)$. However, with dollar weighting the
22 average lag would correctly be 18.18 days $([(15 \text{ days} \times \$200) + (50 \text{ days} \times$
23 $\$20)] \div \$220)$.

1 Mr. Adams' accounts receivable turnover lag is an improvement, but is still
2 incomplete. His accounts receivable turnover analysis results in a collection lag of
3 26.02 days. Although he refers to the difference between the lag he supports, 28.75
4 days, and the 26.02 days as "slightly lower," it would reduce his CWC requirement by
5 \$18 million. In addition, it is unclear whether Mr. Adams has made an adjustment to
6 his accounts receivable analysis for bad debts, an adjustment he has previously
7 acknowledged must be made. Adjusting Mr. Adams' accounts receivable turnover
8 analysis for bad debts would further reduce the 26.02-day collection lag.

9 **Q DO YOU HAVE ANY ADDITIONAL PROBLEMS WITH MR. ADAMS'**
10 **ARGUMENTS?**

11 **A** Yes. In summarizing his arguments on page 19 he states, "The report fails to reflect
12 the aging of bills that have not been paid (i.e., accounts receivable) and thus would
13 understandably reflect a lower collection lag than is actually experienced by the
14 Company when all payments and receivables are considered in the calculation." This
15 statement shows the fundamental flaw in Mr. Adams' understanding of the purpose of
16 computing a CWC requirement. The purpose of CWC, which has long been accepted
17 by this Commission, is to determine the cash required to pay the day-to-day
18 expenses of the utility. Therefore, customers who are not paying their bills are not
19 providing cash to pay the day-to-day expenses of the Company. These customers
20 are of no concern in the determination of the CWC requirement, because the
21 non-collection of customers' bills is included as an uncollectible expense in the rate
22 case.

1 **Q PLEASE SUMMARIZE YOUR POSITION REGARDING THE COLLECTION LAG.**

2 A All the analyses supported by Mr. Adams either produce unreasonable results and
3 consider items beyond the scope of a CWC requirement, or have been inaccurately
4 or incompletely calculated. As a result, his recommendations should not be accepted
5 by the Commission. Instead, the Commission should accept my recommendation of
6 a 21-day collection lag which relies on the CURST246 Report, which measures the
7 actual payments of customers and was specially designed for use during rate cases
8 to determine the collection lag.

9 **Q WHAT IS YOUR RESPONSE TO MR. ADAMS' REBUTTAL TESTIMONY
10 REGARDING THE INCLUSION OF INCOME TAX?**

11 A If Ameren Missouri pays no current income tax expense, a zero CWC requirement
12 should be reflected for income taxes. Due to the fact that Ameren Missouri is able to
13 take advantage of significant tax deductions, most, if not all, of its income tax
14 expense represents deferred amounts that are not paid currently. As a result, this
15 expense does not require cash and should not be considered in calculating the CWC
16 requirement.

17 **Infrastructure Inspections and Vegetation Management Trackers**

18 **Q PLEASE DESCRIBE THE ISSUE.**

19 A In their rebuttal testimonies, Company witnesses Lynn Barnes and David Wakeman,
20 both argue for a continuation of the trackers for vegetation management and
21 infrastructure inspection expenses. The MIEC is opposed to continuing these
22 trackers.

1 **Q WHAT IS YOUR PROPOSAL REGARDING THE TRACKERS?**

2 A The trackers were initially established because the Commission was not sure what
3 the costs would be to comply with new Commission Rules on vegetation
4 management and infrastructure inspections. The trackers for these expenses were
5 established in Ameren Missouri's rate case, Case No. ER-2008-0318. The trackers
6 were again approved in Ameren Missouri's last two rate cases, Case Nos. ER-2010-
7 0036 and ER-2011-0028.

8 I propose to end the trackers in this case because the expenses incurred by
9 Ameren Missouri to comply with the Commission Rules have shown little volatility
10 since the trackers were first established. I have attached Schedule GRM-SUR-2 to
11 this testimony which shows the rolling 12-month balances for the combined
12 expenses. As can be seen from the schedule, the annual levels of expense have
13 remained fairly constant from March 2009 through July 2012. This analysis clearly
14 shows that these expenses have levelized and there is no need for a tracker.

15 I have also included two tables below which show the level of expense for
16 both the vegetation management and infrastructure inspections for each rate case.

| Historical Expense Comparison of Vegetation Management Costs | | |
|---|---|---|
| <u>Case No.</u> | <u>True-Up Level (\$/Millions)</u> | <u>Difference from Previous Case (\$/Millions)</u> |
| ER-2008-0318 | 49.7 | |
| ER-2010-0036 | 50.4 | .7 |
| ER-2011-0028 | 52.2 | 1.8 |
| ER-2012-0166 | 54.1 | 1.9 |

| Historical Expense Comparison of Infrastructure Inspections | | |
|--|---|---|
| <u>Case No.</u> | <u>True-Up Level (\$/Millions)</u> | <u>Difference from Previous Case (\$/Millions)</u> |
| ER-2008-0318 | 5.6 | |
| ER-2010-0036 | 7.6 | 2.0 |
| ER-2011-0028 | 7.8 | .2 |
| ER-2012-0166 | 6.2 | 1.6 |

1 As these tables and Schedule GRM-SUR-1 clearly show, the variation in
2 these expenses are not material, and the need for a tracker no longer exists. In fact,
3 on a combined basis, the true-up level in this case is only \$300,000 higher than in the
4 previous rate case, Case No. ER-2011-0028, a change of less than 1%. The
5 Company has enough operating history to establish normal levels of expense for
6 these activities.

7 **Q CAN YOU DESCRIBE WHERE AMEREN MISSOURI IS IN REGARD TO**
8 **COMPLIANCE WITH THE INFRASTRUCTURE INSPECTION AND VEGETATION**
9 **MANAGEMENT RULES?**

10 **A** Yes. Ameren Missouri completed the urban cycle of the vegetation management trim
11 cycle by December 2011. Ameren Missouri will complete the rural trim cycle by
12 December 2013. Ameren Missouri completed its initial urban inspection on
13 December 2011 and will complete its initial rural inspections by December 2013.

14 At the current time, Ameren Missouri has completed 100% of its urban trim
15 cycle and infrastructure patrol inspection. Likewise, Ameren Missouri has completed
16 78% of its rural trim cycle and infrastructure patrol inspections.

1 In other words, Ameren Missouri has achieved significant milestones toward
2 completing the tree trimming and inspection process, and by December 2013 (12
3 months after the operation of law date in this case) Ameren Missouri will have
4 completed the entire trim cycle of its system and inspected its entire system. The
5 completion percentages discussed above demonstrate that Ameren Missouri has
6 sufficient cost data to establish an ongoing level of expense for these activities.

7 **Q HAS THE COMMISSION INDICATED THAT THESE TRACKERS SHOULD**
8 **CONTINUE INDEFINITELY?**

9 A No. On page 41 in its Report and Order in Case No. ER-2008-0318, dated
10 January 27, 2009, the Commission issued the following statement regarding the use
11 of trackers.

12 “The Commission does not intend to allow the overuse of tracking
13 mechanisms in this case, or in future rate cases.”

14 In a subsequent part of the Order (page 41), the Commission stated:

15 “This is a limited tracker that will have only a limited effect on
16 AmerenUE’s business risk.”

17 In addition, on page 68 of the Commission’s Report and Order in Case
18 No. ER-2010-0036, dated May 28, 2010, the Commission stated the following:

19 “As the Commission has previously indicated, trackers should be used
20 sparingly because they tend to limit a utility’s incentive to prudently
21 manage its costs. If all such costs can simply be passed on to
22 ratepayers, there is a natural incentive for the company to simply incur
23 the cost. If the company must consider whether it will be able to
24 recover a cost, it is more likely to think before it spends and maximize
25 any possible cost savings.”

26 These statements not only support my position for ending the vegetation and
27 inspection trackers, but also support my position opposing the Company’s request for
28 new trackers for storms and RES cost.

Greg R. Meyer
Page 25

1 Q DO YOU HAVE ANY FURTHER COMMENTS REGARDING EITHER MS. BARNES'
2 OR MR. WAKEMAN'S TESTIMONIES?

3 A Yes. It appears from reading Mr. Wakeman's testimony that he is proposing that the
4 infrastructure inspection and vegetation management trackers would become
5 permanent trackers for Ameren Missouri operations. I would note that in both
6 Commission Orders in Case Nos. ER-2010-0036 and ER-2011-0028, the
7 Commission indicated that these trackers would not become permanent. Thus, Mr.
8 Wakeman is proposing a ratemaking mechanism that is contrary to the Commission's
9 direction. Moreover, any justification to continue these trackers has ceased.

10 Q PLEASE SUMMARIZE YOUR POSITION.

11 A The use of trackers for vegetation management and infrastructure inspections is no
12 longer necessary. I have shown that the expenses have not reflected significant
13 volatility since the inception of the trackers. Further, I have provided Commission
14 Orders which describe the Commission's intent to not rely heavily on trackers or
15 establish permanent tacking mechanism for these items.

16 Coal Inventory

17 Q DID AMEREN MISSOURI FILE REBUTTAL TESTIMONY REGARDING THE
18 PROPOSED LEVEL OF COAL INVENTORY?

19 A Yes. Ameren Missouri witness Robert Neff filed rebuttal testimony concerning coal
20 inventory. Mr. Neff requested an increase in the level of coal inventory at the coal
21 generating units. Mr. Neff explains that the level included in the Company's direct
22 case was insufficient due to delivery issues associated with flooding in 2011 along the

1 Mississippi River. In addition, Mr. Neff requested that Ameren Missouri be permitted
2 to increase its coal inventory for coal-in-transit.

3 **Q DO YOU AGREE WITH MR. NEFF'S PROPOSALS TO INCREASE THE COAL**
4 **INVENTORY LEVELS FROM THOSE PROPOSED IN AMEREN MISSOURI'S**
5 **DIRECT CASE?**

6 A I am opposed to Mr. Neff's request to include coal-in-transit in the level of coal
7 inventory. I am not opposing Ameren Missouri's request to increase its coal inventory
8 levels to reflect the decline resulting from the 2011 flood along the Missouri River.
9 However, I want to make clear that by not objecting to this adjustment, I am not
10 agreeing to a level of inventory or Ameren Missouri's proposed calculation of
11 inventory for purposes of Ameren Missouri's future rate cases.

12 **Q WHAT IS COAL-IN-TRANSIT?**

13 A Coal-in-transit is coal that has been purchased and loaded into Ameren Missouri's rail
14 cars, but has not yet arrived at the plant.

15 **Q WHAT IS THE BASIS FOR YOUR OPPOSITION TO INCLUDING**
16 **COAL-IN-TRANSIT IN COAL INVENTORY?**

17 A I believe that the coal inventory levels proposed by Ameren Missouri which are at the
18 generating plant are sufficient to meet the needs of Ameren Missouri. Ameren
19 Missouri relies on a computer program called Utility Fuel Inventory Model ("UFIM").
20 UFIM is a computer-based model used to help develop coal inventory policies. The
21 levels of coal inventory developed by UFIM for Ameren Missouri will be met with the

1 proposed adjustment related to flooding discussed in the rebuttal testimony of Mr.
2 Neff.

3 I have attached as Highly Confidential Schedule GRM-SUR-3, four graphs
4 which depict the level of coal inventory at each Ameren Missouri generating unit. As
5 can be seen from the graphs, Ameren Missouri has specified a level of inventory in
6 terms of max burn days that is significantly greater than the economic level
7 developed by UFIM, even before consideration of Mr. Neff's addition of coal-in-transit.

8 In addition to that level, Ameren Missouri is requesting an additional
9 **** _____ **** tons of coal-in-transit be included in inventory. The rate base value of
10 the coal-in-transit is **** _____ ****. I am opposed to the recognition of the additional
11 coal-in-transit for purposes of this case. The coal levels maintained at the generating
12 plants are in excess of the recommended levels derived by UFIM. Therefore, the
13 additional coal-in-transit should not be included in inventory. As a result, I
14 recommend the Commission disallow Ameren Missouri's proposal to include coal-in-
15 transit in rate base.

16 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

17 **A** Yes, it does.

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NP
Greg R. Meyer
Page 28

Ameren Missouri

Base Level of Storm Cost

| <u>Description</u> | <u>Annual Amount</u> | <u>In Rates From:</u> | | <u>Monthly</u> | <u>Total</u> |
|--|---------------------------|-----------------------|------------------------|----------------|-------------------|
| | | <u>Beginning</u> | <u>Ending</u> | | |
| ER-2008-0318 | \$ 5,200,000 ¹ | 3/1/2009 ² | 6/30/2010 ³ | \$ 433,333 | \$ 6,933,333 |
| ER-2010-0036 | \$ 6,400,000 ¹ | 7/1/2010 ³ | 7/31/2011 ⁴ | \$ 533,333 | \$ 6,933,333 |
| ER-2011-0028 | \$ 7,100,000 ⁵ | 8/1/2011 | 7/31/2012 ⁶ | \$ 591,667 | \$ 7,100,000 |
| Total Collected | | | | | \$ 20,966,667 |
| ER-2010-0036 - Amortization ⁷ | | | | | <u>4,000,000</u> |
| Total | | | | | \$ 24,966,667 |
| Less: Storm Costs Incurred ⁸ | | | | | <u>16,763,343</u> |
| Over Collection | | | | | \$ 8,203,324 |

Sources:

¹Report & Order ER-2010-0036, Pages 66-69.

²Order Approving Compliance Tariff Sheets in Case No. ER-2008-0318.

³Order Approving Compliance Tariff Sheets in Case No. ER-2010-0036. Actual Effective Date For Tariffs Issued From ER-2010-0036 Was 6/21/2010. 7/1/2010 Used for Ease of Calculation.

⁴Using the End of the True-Up Period For Ease of Calculation Below.

⁵Report & Order ER-2011-0028, Page 24

⁶True-Up cut-off date in Case No. ER-2012-0166

⁷Amortization established for the amount of storm costs experienced during the test year in excess of the normalized on-going expense included in the cost of service in Case No. ER-2010-0036

⁸GSW-WP-E445

Schedule GRM-SUR-2 is Deemed Highly Confidential

Schedule GRM-SUR-3 is Deemed Highly Confidential