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Sioux Construction Accounting
Witness: Roberta A. Grissum
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

SURREBUTTAL TESTIMONY

OF

ROBERTA A. GRISSUM

UNION ELECTRIC COMPANY,

d/b/a AMEREN MISSOURI

CASE NO. ER-2012-0166

Jefferson City, Missouri
September 2012

Staff Exhibit No. 223
Date 9-27-12 Reporter KS
File No. ER-2012-0166

EXHIBIT 223

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OF

ROBERTA A. GRISSUM

UNION ELECTRIC COMPANY,

d/b/a AMEREN MISSOURI

CASE NO. ER-2012-0166

Q. Please state your name and business address.

A. My name is Roberta A. Grissum. My business address is 111 North 7th Street, Suite 105, St. Louis, Missouri 63101.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission")
as a Utility Regulatory Auditor IV.

Q. Are you the same Roberta A. Grissum who contributed to Staff's Revenue Requirement Cost of Service Report filed July 6, 2012 in this case?

A. Yes, I am.

EXECUTIVE SUMMARY

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Ameren Missouri witness Gary S. Weiss regarding the issues of estimated revenues for the City of Owensville, miscellaneous revenues related to pole attachments and Sioux construction accounting.

REVENUES FOR THE CITY OF OWENSVILLE

Q. On page 3 of Mr. Weiss' rebuttal testimony at lines 7 through 10, he indicates that Staff did not include estimated annual revenues of \$2,420,105 from the City of Owensville in its revenue requirement and that Staff intends to include the revenues from the City of Owensville in its true-up filing. Is this correct?

A. Yes. Staff inadvertently failed to include a true-up estimate for revenues that are expected to be collected from the customers in the City of Owensville service territory in its cost of service calculation. Staff does intend to review the five months of actual data from March 2012 through July 2012 during the true-up phase of this case and annualize revenues on a weather normalized basis to reflect an overall annualized and normalized ongoing level of revenues associated with the customers acquired as part of Ameren Missouri's acquisition of the City of Owensville service territory that was completed during March 2012.

MISCELLANEOUS REVENUES – POLE ATTACHMENTS

Q. On page 4 of Mr. Weiss' rebuttal testimony at lines 21 through 23, and continuing on page 5 at lines 1 through 5, he indicates that the Federal Communication Commission ("FCC") issued an order requiring utilities to reduce the telecommunication company rate for pole attachments to mirror the rate being charged to cable television companies in April 2011. Did Staff reflect this reduction in rate in the other revenues included in its cost of service calculation filed on July 6, 2012?

A. No. Staff was not made aware of this FCC ruling until the settlement conference that was held from July 30, 2012 through August 1, 2012.

Q. On page 5 of Mr. Weiss' rebuttal testimony at lines 7 through 11, he proposes to reduce other revenues by an amount of \$2,375,977 to reflect the change in revenues caused

1 by the April 2011 FCC ruling relating to pole attachment fees charged to other utilities. Does
2 Staff agree with this proposal?

3 A. Yes. Staff has reviewed the FCC filing as well as the other revenues recorded
4 in Ameren Missouri's books and records since the time of the FCC ruling and will adjust its
5 cost of service calculation to reflect the reduced level of revenues associated with this recent
6 FCC ruling.

7 **SIOUX CONSTRUCTION ACCOUNTING**

8 Q. What is the issue with regard to Sioux construction accounting?

9 A. In Case No. ER-2010-0036, the Commission approved the *First*
10 *Non-Unanimous Stipulation and Agreement* that outlined the ratemaking treatment to be given
11 to the Company's investment in the Sioux Wet Flue Gas Desulfurization Project ("Sioux
12 WFGD" or "Sioux scrubbers"), which was agreed to by the signatories that included Ameren
13 Missouri. On page 3 of that agreement, Item 5 states the following:

14 5. AmerenUE shall be allowed to continue to accrue Allowance for
15 Funds Used During Construction ("AFUDC") on the wet flue gas
16 desulfurization units ("scrubbers") AmerenUE is presently installing on
17 the No. 1 and No. 2 generating units at AmerenUE's Sioux generating
18 station, with the rate of return on equity ("ROE") adopted by the
19 Commission in this case to apply to the equity component of that
20 AFUDC. AmerenUE shall also be allowed to defer the depreciation
21 expense (but no other Sioux scrubber related expense) of the Sioux
22 scrubbers during the period commencing when the costs of the Sioux
23 scrubbers are booked to plant-in-service and ending the earlier of:
24 (a) the effective date of new rates in AmerenUE's next general rate
25 proceeding or (b) January 1, 2012.

26 The issue in this proceeding is that the Staff and the Company interpret this
27 *Stipulation and Agreement* language differently for purposes of calculating the deferred
28 depreciation expense and AFUDC to be included in the cost of service for this proceeding.

1 In addition, it is important to understand that the Sioux scrubbers were placed into
2 service in November 2010 during the Company's last rate case, Case No. ER-2011-0028. As
3 part of the last rate case, expenditures for the scrubbers were cut-off at December 31, 2010,
4 two months prior to the established true-up cut-off date of February 28, 2011, to allow
5 sufficient time for Staff to review supporting documentation concerning Sioux scrubber
6 costs. It is also important to remember that the effective date of rates established by the
7 Commission in the "next general rate proceeding" referred to in the *Stipulation and*
8 *Agreement* quoted above was July 31, 2011 in Case No. ER-2011-0028. The Company
9 continued to incur costs associated with the Sioux scrubber project, approximately \$13.5
10 million, from January 1, 2011 through March 31, 2012. Staff contends that only \$9.9 million
11 of investment incurred for the Sioux scrubber project between January 1, 2011 and July 31,
12 2011 is eligible for construction accounting treatment based upon the *First Non-Unanimous*
13 *Stipulation and Agreement* in Case No. ER-2010-0036. Company witness Weiss suggests that
14 it is now appropriate to extend construction accounting treatment to the entire \$13.5 million
15 investment incurred between January 1, 2011 and March 31, 2012 through the effective date
16 of rates established in this proceeding (no later than January 2, 2013).

17 Q. How does the Staff interpret the *Stipulation and Agreement* language approved
18 by the Commission in Case No. ER-2010-0036?

19 A. Staff reflected construction accounting treatment for all of Company's
20 investment in the Sioux scrubber project incurred from January 1, 2011 through July 31, 2011
21 as part of the cost of service calculation in this proceeding. Staff contends that all accruals of
22 deferred depreciation expense and AFUDC on this investment should end at July 31, 2011.
23 The *First Non-Unanimous Stipulation and Agreement* agreed to by the signatories and

1 approved by the Commission in Case No. ER-2010-0036 does not offer any provision to
2 extend construction accounting to any plant additions incurred for the Sioux scrubber project
3 beyond the effective date of rates established in Case No. ER-2011-0028 as July 31, 2011.
4 Therefore, Staff believes it has complied with the *First Non-Unanimous Stipulation and*
5 *Agreement* as approved by the Commission in its approach to this issue in this proceeding.

6 Q. What revenue requirement difference exists between the Staff's and the
7 Company's proposed level of inclusion for deferred depreciation expense and AFUDC related
8 to the Sioux scrubber construction project?

9 A. Staff is recommending an adjustment to amortization expense (FERC
10 Acct. 407) in the amount of \$19,404, which represents the annualized deferred depreciation
11 expense and AFUDC calculated for the period January 1, 2011 through July 31, 2011, on all
12 plant additions related to the Sioux scrubbers that occurred after December 31, 2010, but prior
13 to August 1, 2011. The total deferred depreciation expense and AFUDC calculated for the
14 period January 1, 2011 through July 31, 2011 is \$402,629, to be amortized over a period of
15 249 months.

16 The Company is proposing an adjustment to amortization expense (FERC Acct. 407)
17 in the amount of \$130,515, which represents the annualized deferred depreciation expense
18 and AFUDC calculated for the period January 1, 2011 through December 31, 2012, on all
19 plant additions related to the Sioux scrubber project that occurred between January 1, 2011
20 and March 31, 2012. The total deferred depreciation expense and AFUDC calculated by
21 Ameren Missouri for the period January 1, 2011 through December 31, 2012, is \$2,708,188,
22 to be amortized over 249 months, as established in Case No. ER-2010-0036.

1 The difference between Staff's position in amortization expense and that of
2 Company's is \$111,111 [$\$130,515 - 19,404 = \$111,111$] on an annualized deferred
3 depreciation expense and AFUDC basis.

4 Q. On page 25 of Mr. Weiss' rebuttal testimony at lines 12 through 23, he
5 describes his belief that the "intent" of the *Stipulation and Agreement* approved in Case No.
6 ER-2010-0036 is for construction accounting to be applied "to the entire investment in the
7 Sioux scrubbers so long as a rate case was filed by January 1, 2011 and as long as the
8 scrubbers were in service on or before the true-up cut-off date in that rate case." Does Staff
9 agree with Mr. Weiss' belief?

10 A. No. Staff contends that the intent of the *Stipulation and Agreement* is clear in
11 that it states a very specific cutoff, i.e. July 31, 2011, for application of construction
12 accounting related to the Sioux scrubber project. Ameren Missouri is now attempting to
13 continue the construction accounting treatment well beyond the July 31, 2011 cutoff date
14 agreed to in Case No. ER-2010-0036. Furthermore, Staff's legal counsel has advised me that
15 the intent of the language was to halt all accruals of deferred depreciation expense and
16 AFUDC at July 31, 2011.

17 Q. What is the Staff's response to Company witness Weiss' statement found on
18 page 25, lines 13 through 15 of his rebuttal testimony, that "...the Stipulation is at best
19 unclear and the Company never intended to, in effect, lose a return and have its earnings
20 lowered by depreciation expense on the Sioux scrubbers if it timely filed a subsequent rate
21 case to include its investment in rate base."

22 A. The *First Non-Unanimous Stipulation and Agreement* agreed to by the
23 signatories and approved by the Commission does not contemplate construction accounting

1 treatment as part of any "timely filed subsequent rate case." If the Company thought the
2 Stipulation was "at best unclear", it could have attempted to negotiate new settlement
3 language to include construction accounting treatment for its investment in Sioux scrubbers
4 beyond July 31, 2011, or even have raised the issue before the Commission, as part of its last
5 rate case, Case No. ER-2011-0028.

6 **VEGETATION MANAGEMENT AND INFRASTRUCTURE INSPECTION TRACKER**

7 Q. Does the Staff agree with Company witness Weiss' rebuttal testimony position
8 found on page 27, lines 4 through 9 that the unamortized balance for the regulatory asset
9 associated with the vegetation management and infrastructure inspection tracker should be
10 adjusted for all amortization through December 31, 2012 and that balance should be
11 amortized over two years?

12 A. No. Relating to the tracker established for these costs in Case No.
13 ER-2011-0028, the Staff identified a net under-collection for the period March 1, 2011
14 through the true-up ending date of July 31, 2012, in the amount of \$2,465,063. This net
15 under-collection amount represents a \$2,896,420 under-collection for vegetation management
16 and a (\$431,357) over-collection for infrastructure inspections for the true-up period ending
17 July 31, 2012. Staff recommends this net under-collection as of the end of the true-up period
18 be amortized over three years. Staff also proposes that any unamortized amount related to the
19 tracker established in Case No. ER-2010-0036 be rolled into the current amortization
20 established in this proceeding, and then be amortized over a three-year period so that only one
21 tracker remains.

22 Q. Does this conclude your surrebuttal testimony?

23 A. Yes, it does.

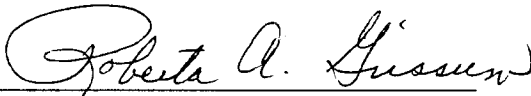
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF ROBERTA GRISSUM

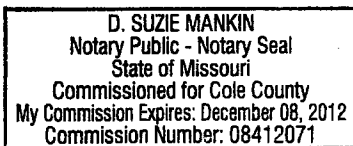
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

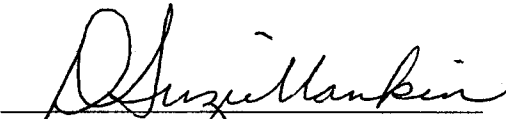
Roberta A. Grissum, of lawful age, on her oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Roberta A. Grissum

Subscribed and sworn to before me this 6th day of September, 2012.





Notary Public