Exhibit No.:	
Issue(s):	*Revenue Requirement, Donated Property, Off System Sales, Fuel & Purchased Power, Fuel Additives, MISO/SPP Revenue & Expense, DOE Reimbursements, FERC ROE, NL Distribution Maintenance, Paperless Bill, Income Taxes, ADIT, Kersting Estates, Community Solar, Amortizations, SB 872*
Witness:	*Lisa M. Ferguson*
Sponsoring Party:	*MoPSC Staff*
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY
Revenue requirement

OF

LISA M. FERGUSON

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. ER-2024-0319

Jefferson City, Missouri
December 3, 2024

** Denotes Confidential Information **

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DIRECT TESTIMONY

OF

LISA M. FERGUSON

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. ER-2024-0319

Q. Please state your name and business address.

A. My name is Lisa Ferguson. My business address is 111 N. Seventh Street, St. Louis, MO 63101.

Q. Please describe your educational background and work experience.

A. I attended Truman State University where I earned a Bachelor of Science degree in Accounting and a Master of Accountancy degree. I have been employed by the Missouri Public Service Commission ("Commission") since June 2008 with the Auditing Department.

Q. What is your current position with the Commission?

A. I am a Utility Regulatory Audit Supervisor in the St. Louis office.

Q. What knowledge, skills, experience, and training do you have in the areas of which you are testifying as an expert witness?

Q. I have been employed with the Commission for over 16 years. During that time, I have assisted, conducted, and supervised audits and have also examined the books and records of electric, gas, water and wastewater utilities in many cases before the Commission in the state of Missouri. I have also received continuous training on technical ratemaking matters since I began my employment at the Commission.

Q. Have you previously testified before this Commission?

A. Yes. A list of cases and issues that I have addressed in verbal and written testimony are attached to this testimony as Schedule LMF-d1.

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

A. I am sponsoring Staff's Direct Accounting Schedules that are being filed concurrently with this direct testimony. Staff's recommendation regarding the amount of the revenue requirement increase for Ameren Missouri operations is mostly based on actual historical information through the period ending June 30, 2024. As discussed in Staff witness Ben Burton's direct testimony, he describes including estimated adjustments for plant and reserve out through December 31, 2024. Staff has not officially accepted these adjustments but has included them as part of its true-up estimate. Staff will revise its recommendation for the amount of the revenue requirement increase based on actual information through December 31, 2024, as part of its true-up audit.

In this testimony, I will provide an overview of the results of Staff's direct audit and its recommended revenue requirement for Ameren Missouri. During Staff's examination, several Staff members participated in the review of Ameren Missouri's books and records. The components of Staff's review include (1) capital structure and return on equity, (2) rate base investment, (3) revenue, (4) operation & maintenance expenses, (5) depreciation & amortization expense, and (6) income taxes, all of which are represented in the formula below.

OVERVIEW OF STAFF'S REVENUE REQUIREMENT DIRECT TESTIMONY

Q. Please explain the components of the cost of service for a regulated, investor-owned public utility.

A. The cost of service for a regulated, investor-owned public utility is its cost of providing utility service determined by the following formula:

COS = O + (V-D)R where,

COS = Cost of Service

O = Operating Costs (Payroll, Maintenance, etc.), Depreciation, and Taxes

V = Gross Valuation of Property Required for Providing Service (including plant and additions or subtractions of other rate base items)

D = Accumulated Depreciation Representing Recovery of Gross Depreciable Plant Investment

V – D = Rate Base (Gross Property Investment less Accumulated Depreciation = Net Property Investment)

R = Rate of Return

(V-D)R = Return Allowed on Rate Base

At other times, the terminology "cost of service" and "revenue requirement" have been used interchangeably. In this testimony, Staff will refer to the "revenue requirement" in terms of the increase or decrease in revenues based on the current total cost of service as compared to the current revenue level that exists in current rates.

Q. What is the objective of an audit of a regulated, investor-owned public utility for ratemaking purposes?

A. The objective of the audit is to determine the appropriate amounts of the cost of service components for the regulated entity within its tariffed service territory. All relevant factors are examined and a proper relationship of revenues, expenses, and rate base is maintained. The following summarizes the process for making the revenue requirement determination:

(1) Selection of a test year. The test year income statement represents the starting point for determining a utility's existing annual revenues, operating costs, and net operating

income. Net operating income represents the return on investment based upon existing rates. The test year approved by the Commission for Case No. ER-2024-0319 is the twelve months ended March 31, 2024, with a true-up through December 31, 2024.[1] Several types of adjustments such as "annualization," "normalization", and "disallowance" adjustments are made to the test year results when the unadjusted amounts do not fairly represent the utility's most current, ongoing, and appropriate annual level of revenues and operating costs. These adjustments are described later in this testimony.

(2) Selection of a "test year update period." A proper determination of revenue requirement is dependent upon matching the components of rate base, return on investment, revenues and operating costs at a point in time. This is referred to as the "matching" principle. It has been standard practice in Missouri for ratemaking to utilize a period that is beyond the established test year in which to match the major components of a utility's revenue requirement. By utilizing an update period, information can be reflected beyond the established test year and be based upon more current information. The Commission did not order an "official" update period in this case; however, the Staff has utilized June 30, 2024, as most data request responses and general ledger files have been provided through this date.[2]

(3) Selection of a "true-up date" or "true-up period." A true-up date generally is established when a significant change in a utility's cost of service occurs after the end of the test year update period, but prior to the operation-of-law date, and the significant change in cost of service is one the parties and/or Commission has decided should be considered for

[1] Case No. ER-2024-0319, *Order Setting Procedural Schedule and Adopting Test Year, August 28, 2024*.
[2] Case No. ER-2024-0319, *Order Setting Procedural Schedule and Adopting Test Year, August 28, 2024*.

establishing the cost of service in the current case. In this case, the Commission has authorized a true-up period of December 31, 2024.[3]

(4) Determination of the Rate of Return, which is represented by the "R" in the formula above. An examination of the cost-of-capital must occur to allow Ameren Missouri the opportunity to earn a fair rate of return on its net investment ("rate base") that is utilized in providing utility service. Staff witness, Dr. Seoung Joun Won, of the Commission's Financial Analysis Department, has performed a cost-of-capital analysis of which he discusses the results of his analysis in his direct testimony.

(5) Determination of Rate Base, which is represented by "(V-D)" in the formula above. A utility's rate base represents the net investment that is used in providing utility service, and this net investment is what the rate of return is applied to that permits the utility the opportunity to earn a return. Staff has utilized a rate base as of the June 30, 2024, in this case for its direct filing; however, the estimated plant and reserve has been included through December 31, 2024, as a true-up estimate that will be adjusted to actual during Staff's true-up audit. Rate base includes plant-in-service, accumulated reserve, cash working capital, materials and supplies, prepayments, fuel inventories, customer advances, customer deposits, accumulated deferred income tax ("ADIT"), as well as various regulatory assets and liabilities, etc.

(6) Net Operating Income from Existing Rates, which is represented by the "O" in the formula above. In order to develop net income from existing rates, the operating revenues, expenses, depreciation, and taxes for the test year is used. The utility's revenue and expense categories are examined to determine whether the unadjusted test year results require

[3] Case No. ER-2024-0319, *Order Setting Procedural Schedule and Adopting Test Year, August 28, 2024*.

adjustment to fairly represent the utility's most current level of operating revenue and expense. Several changes can occur during any given year that will impact a utility's annual level of operating revenue and expense. The test year has been adjusted to reflect the Staff's determination of the appropriate ongoing levels of revenue and expense.

(7) Determination of Net Operating Income Required. The net income required for Ameren Missouri is calculated by multiplying Staff's recommended rate of return by Staff's recommended rate base. Net income required is then compared to net income available from existing rates in Item (6) above. The difference, after factoring-up for income taxes, represents the incremental change in the utility's rate revenues required to cover its operating costs and to provide a fair return on investment used in providing electric service. If a utility's current rates are insufficient to cover the operating costs and provide a fair return on investment, the comparison of net operating income required (Rate Base x Recommended Rate of Return) to net income available from existing rates (Operating Revenue less Operating Costs, Depreciation, and Income Taxes) will result in a positive amount, which indicates that the utility requires a rate increase. If the comparison results in a negative amount, this indicates that the utility's current rates may be excessive.

Q. Please identify the types of adjustments that are proposed to unadjusted test year results so as to reflect the current annual level of operating revenue and expense for a utility.

A. The following types of adjustments are used to reflect a utility's current annual level of operating revenue and expense:

(1) Normalization Adjustments. A utility's rates are intended to reflect normal ongoing operations. A normalization adjustment is required when the test year contains an abnormal event. An example of this type of adjustment is weather normalization.

Actual weather conditions during the test year are compared to 30-year "normal" values. The weather normalization adjustment restates the test year sales volumes and revenues to reflect normal weather conditions.

(2) Annualization Adjustments. Annualization adjustments are required when changes have occurred during the test year, update and/or true-up period that have not been fully reflected in the unadjusted test year results. An example of this is payroll. Because Ameren Missouri's test year is the 12 months ending March 31, 2024, with known and measurable adjustments through June 30, 2024; it does not include an entire year of the pay increase for employees that occurred in January 2024. Staff used the payroll rates in effect at January 1, 2024, and applied those rates to the actual employee levels experienced at June 30, 2024, to annualize payroll expense. An adjustment was proposed to the test year to capture the impact of the payroll increase as if that increase existed for the entire annual period. The same process will be utilized for the true-up period, through December 31, 2024, to recognize the management and union pay increase that occurs in January 1, 2025.

(3) Disallowance adjustments. Disallowance adjustments are proposed to eliminate costs during the test period that are not considered to be prudent, reasonable, appropriate, non-recurring or not of benefit to Missouri ratepayers and thus not proper for recovery from ratepayers. Staff has proposed items such as certain board of director fee expenses and other items for removal from the test year in this current case.

(4) Isolated Adjustments. An isolated adjustment is proposed due to an event that generally occurs beyond the test year, update or true-up cut-off date. These adjustments occur anytime a party proposes to include the effects of an event without considering the revenue requirement associated with the offsetting items.

The Commission allows parties to request the inclusion of the revenue requirement associated with isolated adjustments in the calculation of the cost of service. These adjustments must be proposed with caution as these adjustments must be known and measurable and must be examined to determine whether its inclusion will affect the relationship between revenue, expense and investment. There are no isolated adjustments proposed as a part of Staff's direct filing in this case. While Staff has endeavored to include all aspects of the cost of service at June 30, 2024, in this case, there may be a minimal number of items that are not be included at that date. For instance, Rush Island officially retired on October 15, 2024, which is past the "update period" of June 30, 2024. As it is known that Rush Island will no longer generate, Staff has not included Rush Island in its fuel modeling and has removed its impacts from numerous net-based energy cost ("NBEC") items. However, isolated adjustments are not necessary in this case as Staff's true-up audit will examine a full range of cost of service items which will assist in maintaining the timing of revenue, expense and investment.

Q. What amount of revenue requirement increase did Ameren Missouri request in this case and what return on equity ("ROE") percentage was this request based?

A. Ameren Missouri requested an increase in annual revenue of $446.2 million. The increase in annual revenue contemplates a 10.25% ROE. This overall proposed increase in revenue requirement does not consider the possible impact of the tax issue raised in Ameren Missouri witness Mitchell J. Lansford's supplemental direct testimony.

Q. How is the revenue requirement determined for a regulated utility?

A. First, the utility's cost of service must be calculated. Staff has examined all aspects of the case that would affect the test year in this case. Staff began with utilizing the test year of the 12 months ending March 31, 2024. Staff then examined all aspects of the

cost of service. This historical test year was ordered by the Commission through its *Order Setting Procedural Schedule and Adopting Test Year* on August 28, 2024. Staff has also updated its cost of service calculations for many items through June 30, 2024.

Q. Please describe Staff's direct cost of service (revenue requirement) filing in this rate proceeding.

A. The results of Staff's audit of Ameren Missouri's books and records as part of this proceeding can be found in the Staff's filed Accounting Schedules and is summarized on Accounting Schedule 1, Revenue Requirement. Accounting Schedule 1 demonstrates that Staff's recommended revenue requirement in this proceeding is $397,920,137. The recommended revenue requirements are premised on a mid-point recommended rate of return ("ROR") after tax of 7.09%. Staff is recommending a midpoint ROE of 9.74%, with a range of 9.49% to 9.99% as calculated by Staff witness Dr. Seoung Joun Won. Staff's revenue requirement at the low and high ROR range of 6.96% to 7.22% is $374,751,357 to $421,268,520.

Q. Did Staff include a true-up allowance in its Accounting Schedules?

A. Yes. Staff has included plant and reserve estimated through December 31, 2024, depreciation on that estimated plant, the PISA regulatory asset and associated amortization for July through December 2024, labor and benefits, property tax, revenue for the Renewable Solutions Program, Production Tax Credits for the Huck Finn facility that will come into service in true-up once it meets in-service criteria, operations & maintenance costs for the Huck Finn, Boom Town and Cass County facilities that will come into service in true-up once they meet in-service criteria, remaining ADIT associated with Rush Island as of its retirement date, and energy sales and capacity for Huck Finn, Boom Town, and Cass County. The overall

true-up estimate is a reduction to revenue requirement of $1,650,604. The true-up audit will include actual costs incurred through December 31, 2024.

Q. Please list the items that are included in Staff's recommended rate base in its direct case.

A. The following rate base items were updated as of the update period of June 30, 2024, either through a balance as of that date or a 13-month average balance June 30, 2024: Cash Working Capital, Materials and Supplies, Fuel Inventories, Prepayments, Renewable Energy Credits (RECs), Customer Deposits, Customer Advances, regulatory asset and liability balances for Pensions & OPEBs, PAYS regulatory asset, PISA regulatory Assets, expired and expiring amortizations that receive rate base treatment, property tax tracker, and ADIT. All of the rate base items will be restated as a balance or 13-month average as of December 31, 2024, as part of Staff's true-up audit.

Q. Please explain how the various Staff members contributed to create a combined work product in rate proceedings.

A. The Staff auditors in this case relied upon the work from several other Staff departments in order to calculate the revenue requirement for Ameren Missouri in this case. Weather normalized revenue, depreciation rates and the recommended rate of return are some examples of data analysis and inputs that are provided to the Auditing Department for inclusion in the Accounting Schedules. Each Staff member who has contributed a calculation or input for inclusion in the Accounting Schedules has submitted direct testimony in this case providing discussion on each topic that they were assigned along with their recommendation on the issue. Signed affidavits and credentials for all Staff members who contributed to the direct cost of service filing and for which they are responsible are attached to each Staff member's testimony.

Q. What are the biggest differences between the revenue requirements for Ameren Missouri as compared to the revenue requirement filed by Staff in this case?

A. There are 6 main revenue requirement differences. The differences are based on Staff's cost of service through June 30, 2024, with true-up estimate as compared to projections proposed by Ameren Missouri through December 31, 2024. Many of the values listed below will change when Staff and Ameren Missouri update their respective revenue requirements through the true-up cutoff date, December 31, 2024.

- **ROE, Capital Structure and Cost of Debt – Issue Value $55.94 million –** Ameren Missouri's ROE request is 10.25%. Staff's mid-point recommendation is 9.74%. The value of the difference between Ameren Missouri and Staff for ROE is $48.84 million. Ameren Missouri requests a capital structure of 47.464% long-term debt, 0.539% preferred stock and 51.997% equity. Staff's recommended capital structure is 47.63% long-term debt, 0.57% preferred stock and 51.80% equity. Staff also recommends a cost of long-term debt of 4.24% and a cost of 4.18% for preferred stock while Ameren Missouri requests 4.309% and 4.180%. The value of the difference between Ameren Missouri and Staff for capital structure and cost of debt is $7.1 million.

- **Energy Sales – Issue Value $110.7 million** – Staff has included **lower** energy sales in its direct cost of service, due to inputs in its fuel modeling. Staff did not include an abnormally high natural gas and fuel oil price for 2022 in its three-year average when determining the accounting prices and market energy prices for use in Staff's fuel model.

- **Energy Sales at High Prairie – Issue Value $12 million -** Staff imputed and included an additional amount of revenue related to High Prairie operations.

- **Fuel Expense for Coal, Natural Gas, Oil – Issue Value $15.7 million –** Based on results of Staff's fuel modeling, Staff has included a lower amount of fuel expense related to coal, natural gas and oil in the cost of service.

- **Payroll and Payroll Taxes – Issue Value $15.5 million –** Staff has included the known and measurable payroll increase and associated payroll taxes for 2024, but has not yet included the payroll increase for 2025.

There are other differences that exist between Staff and Ameren Missouri's direct filings, however these other differences have lesser value than those listed and discussed above.

Q. Is it possible that significant differences exist between Staff's revenue requirement and other parties to this case besides Ameren Missouri?

A. Yes. The other parties who have different positions than those of Ameren Missouri, and possibly Staff, will also file direct testimony concurrently with Staff's filing. Those differences will be reviewed and addressed in further rounds of testimony.

Q. Please describe the direct testimony Staff has filed for this current rate proceeding.

A. Each Commission Staff member has direct testimony that sponsors specific issues. The testimony provides an explanation of each specific area of concern or adjustment with Staff's recommendation. Schedule LMF-d2 attached to this testimony summarizes Staff's witnesses which contributed to Staff's direct cost of service and their associated area of responsibility.

Q. Please list the Staff witness and the issue for which they are responsible for which significant differences exist between Staff and Ameren Missouri.

A. The Staff expert/witness for each significant difference is listed below:

Issue	Staff Witness
Return on Equity & Capital Structure	Dr. Seoung Joun Won
Energy Sales	Shawn Lange, J. Tevie, L. Ferguson
High Prairie Energy Sales	Claire Eubanks
Fuel Expense	Shawn Lange, Lisa Ferguson
Payroll & Payroll Taxes	Jane Dhority

Q. As a part of this testimony, do you individually address any revenue requirement issues?

A. Yes. I address donated property; fuel expense; fuel additives; purchased power and off system sales; Midcontinent Independent System Operator ("MISO") expense and revenue; Southwest Power Pool ("SPP") expense and revenue; capacity and ancillary revenue and expense; Federal Energy Regulatory Commission ("FERC") ROE complaint case matters; FERC ROE consultant and legal costs; non-labor distribution maintenance expense; paperless billing; current and deferred income tax expense; the Inflation Reduction Act ("IRA") Tracker; ADIT including discussion regarding the inadvertent normalization violation discussed in the Supplemental Direct Testimony of Mitchell J. Lansford, excess deferred federal and state income taxes ("EDIT"); Kersting Estates; Community Solar/Neighborhood Solar; all other amortization expense and the newly enacted Senate Bill 872 regarding sales taxes.

DONATED PROPERTY

Q. Did Ameren Missouri donate property, vehicles, or equipment subsequent to the December 31, 2022, true-up cutoff in the last rate case?

A. Yes. Over the time period of March 2023 through April 2024, Ameren Missouri donated several capital items, such as a 2012 Ford F550 service body truck, (2) 2012 Ford E350

cargo vans, miscellaneous cabinets, tables, chairs, laptops, fire equipment, and (3) extension ladders which had a salvage value of approximately $153,418.

Q. Was this property included in customer rates?

A. Yes, the property was recorded in the general plant accounts and was accumulating depreciation reserve.

Q. Is Staff proposing an adjustment regarding the salvage value associated with the donated property?

A. Yes. Staff proposes to increase reserve in FERC accounts 391, 392, 394, and 398 to account for the involuntary donation of property in order to make customers whole for the salvage value that customers did not receive based on the disposition of property as a donation rather than a sale.

ENERGY AND CAPACITY REVENUE

Q. Please explain what non-rate revenue Ameren Missouri receives.

A. Amongst other revenues, Ameren Missouri receives revenue through capacity and energy sales. When not necessary to serve its own load, Ameren Missouri is able to sell a portion of its generation capacity to other utility companies. Receipt of revenues from capacity sales to other utilities reduces Ameren Missouri's cost-of-service. Ameren Missouri is able to sell its capacity first through independent contracts with other utility parties. Any remaining capacity is sold through MISO's planning resource auction ("PRA"). The MISO planning year spans the period of June 1 to May 31. The MISO resource adequacy auction is annual and is designed to ensure that MISO has sufficient planning resources in each local resource zone ("LRZ"). The PRA only covers the immediate planning year. Ameren Missouri's capacity revenue changes each year as of June 1 as that date coincides with the start of the next planning

year. Ameren Missouri clears all available generation remaining after independent contracts in each planning year's PRA. The FERC approved a change to the PRA construct in August 2022 and, starting with the 2023 planning year, the resource adequacy construct began using a seasonal capacity framework. The MISO resource adequacy construct now sets capacity requirements for each season rather than annually and the requirements are based on the region's energy needs each season. This change occurred to address the increasing number of renewable energy generators as well as to address the increasing number of emergency events that occur year-round such as outages from extreme weather, generation retirements and a declining excess reserve margin. In this case, Staff has included capacity sales and zonal deliverability benefits based on contracts and MISO expenses from the 2024-2025 planning year. This amount was then adjusted to remove any impacts for Rush Island as it will no longer be available for future capacity and, at this point, does not include the Boom Town, Cass County and Huck Finn solar facilities as they have not yet gone into service nor met in-service criteria. Annualized capacity revenue related to Atchison and High Prairie were provided to Staff witness Paul K. Amenthor for inclusion in the renewable energy standard rate adjustment mechanism ("RESRAM"). Once the Huck Finn solar facility goes into service, the capacity revenue associated with this facility will also be included in the RESRAM. Staff will re-examine the level of capacity sales and any new capacity contracts as part of its true-up audit using information through December 31, 2024.

In general, Ameren Missouri sells all of its generation into the MISO market, and purchases all of the energy needed to serve its native load from MISO as well. These transactions can generate profits which represent the net of gross proceeds and the associated cost of generation or purchased power. It is appropriate to include the revenues

earned from energy sales in the cost of service because the facilities used in generating the electricity sold are paid for by ratepayers, as is the electricity purchased in order to meet Ameren Missouri's native load. For these reasons, the customers should benefit from these revenues earned by Ameren Missouri. Energy sales represent an efficient utilization of Ameren Missouri's electric facilities and systems that have been put in place to meet the electricity needs of its customers. Energy sales revenues were calculated in Staff's production cost model by using the hourly-market energy prices as determined by Staff witness Justin Tevie. Staff's cost of service calculation includes the annualized energy sales revenue as calculated by Staff witness Shawn E. Lange, PE using Staff's production cost model. It should be noted that Staff has reflected contracts for sale of power to Missouri municipalities as energy sales, consistent with its treatment for these contracts in previous rate proceedings. Staff will continue to examine energy sales revenues through December 31, 2024, which represents the true-up cut-off date in this case.

FUEL AND PURCHASED POWER EXPENSE

Q. Please describe Ameren Missouri's generating fleet.

A. Ameren Missouri's electric supply is primarily generated from company owned generation centers; however, Ameren Missouri does at times purchase power in instances such as when energy centers have outages, extreme weather conditions, or availability of power at a lower cost than generation. As part of its audit in this rate case, Staff reviewed Ameren Missouri's coal commodity and coal transportation contracts, as well as nuclear, natural gas, and fuel oil prices as provided in Ameren Missouri's fuel reports, workpapers, and responses to Staff data requests. The chart below identifies the generating facilities that

Ameren Missouri owns and operates for the production of electric power with descriptions of each facility: **

[redacted]

[4] Per Ameren Missouri's Confidential Response to Staff Data Request 0040.

**

Q. What role did you play in determining the normalized level of fuel expense?

A. I provided annualized fuel accounting prices to Staff witness Shawn E. Lange, PE, to utilize in Staff's production cost modeling. Specifically, coal, variable gas, fuel oil and nuclear accounting prices were provided.

Q. Please explain how you determined the accounting prices for each of the fuel modeling inputs.

A. Certainly.

Coal Accounting Prices

The coal prices are used to compute Ameren Missouri's fuel costs based on the total coal unit generation that is determined by Staff's production cost model. Staff performed a review of all of Ameren Missouri's current coal commodity and transportation contracts.

Staff's coal prices on a per-MMBtu basis reflect Ameren Missouri's mine-specific coal commodity, coal railcar costs including depreciation, and coal rail and barge transportation contracts that will be in effect as of December 31, 2024. Staff also included an ongoing level of expense of fuel hedge surcharges associated with rail transportation. These hedges are tied to the prices of on-highway diesel as reported by the Energy Information Administration, an agency of the U.S. Department of Energy ("DOE"). Staff's fuel expense adjustment includes all changes to coal commodity and transportation costs based upon contracts in effect through December 31, 2024. Staff will review the coal and coal transportation contracts through January 1, 2025, as part of its true-up audit.

Nuclear Accounting Prices

Uranium is a naturally radioactive metal that undergoes a complex three-stage process, involving conversion, enrichment, and fabrication, in order to be transformed into fuel rod assemblies (long metal tubes filled with precisely fashioned small fuel pellets) that are used in the Callaway reactor as its source of fuel. The nuclear fuel price calculated by Staff represents the cost of all of the fuel rod assemblies that are currently loaded into the reactor.

Staff used nuclear fuel prices based on generation and cost data for the eight-month period from Refuel 26 in October 2023 through June 30, 2024, in its direct filing. Staff will reexamine the actual nuclear fuel prices through December 31, 2024.

Fixed Natural Gas Accounting Prices

Staff has included the actual twelve months ending May 31, 2024 (as June data has not yet been provided), fixed demand cost of gas in its recommended revenue requirement. Staff's production cost model only includes variable commodity gas costs. Therefore, the cost of fixed gas must be added to the production cost model's results to determine the total net fuel

and purchased-power expense. Staff will examine this cost through the true-up cut-off date of December 31, 2024.

Variable Natural Gas Accounting Prices

When reviewing the historical data for variable natural gas by pipeline, it became apparent that the natural gas prices in 2022 were volatile as compared to years past and even as compared to years subsequent to 2022. According to the Energy Information Administration ("EIA"), this spike in pricing was due, at least in part, to increased European demand for liquefied natural gas ("LNG") following Russia's full-scale invasion of Ukraine in February 2022 and an explosion at the Freeport LNG export terminal in June of 2022. Please see the analysis of gas prices by EIA attached to this testimony as LMF-d3. Due to this, for the months of January through June Staff utilized a three-year average of gas prices for the individual months utilizing the years 2021, 2023, and 2024 and for the months of July through December, Staff utilized a two-year average of gas prices for the individual months utilizing the years 2021 and 2023. Staff has provided these variable natural gas costs as an input to Staff's production cost model. The annualized amount determined by the production cost model will be utilized to determine the net fuel and purchased power expense. Staff will examine this cost through the true-up cut-off date of December 31, 2024, in this case.

Fuel Oil Accounting Prices

Fuel oil represents a small portion of the total fuel costs for Ameren Missouri, it is mainly used for startup and auxiliary purposes at generating stations. Staff utilized the same method for developing the fuel oil price input as used for the variable natural gas prices (three-year average of January through June 2021, 2023, and 2024 and a two-year average of July through December 2021, and 2024). These fuel oil costs were provided as an input to

Staff's Production Cost Model. Staff will examine this cost through the true-up cutoff date, December 31, 2024.

Q. Once the accounting prices are provided, what other information is needed to determine Staff's normalized fuel and purchased power to be included in the cost of service?

A. Staff witness Justin Tevie also reviewed multiple years of market energy prices. Staff's annualized and normalized level of fuel and purchased power expense was calculated to be sufficient for Ameren Missouri to serve its native load and to enable it to make off-system sales through the MISO day-ahead market. Staff's fuel cost calculation also includes the fixed and variable demand cost of natural gas and costs associated with fly ash. Historically, Ameren Missouri's expenses associated with fly ash have been partially or entirely offset by revenues generated by selling the fly ash to third parties. Staff has proposed to include the 12 months ending June 30, 2024, for both fly ash revenue and expense in its cost of service. Staff will continue to review information regarding fly ash costs and sales through the true-up cut-off in this case.

Staff's annualized purchased power expense is based upon the output of the fuel model, as sponsored by Staff witness Shawn E. Lange, PE. Staff will continue to examine each component of fuel expense through the true-up period ending December 31, 2024, so that any significant changes that occur through that date are addressed.

FUEL ADDITIVES

Q. What fuel additives are necessary for meeting environmental regulations at each of the generating stations?

A. There are three fuel additives that Ameren Missouri has utilized at its coal generating stations: limestone, activated carbon, urea, calcium bromide and potassium iodide.

Q. Please explain what fuel additives are used at each generating facility and why they are used.

A. In order to properly operate the Sulfur Dioxide ("SO2") scrubbers at the Sioux Energy Center ("Sioux"), Ameren Missouri utilizes limestone as a fuel additive. After being purchased, but before being transported to Sioux, the limestone must undergo a pulverization process in order to meet the standards of quality necessary for use in the scrubbers. Ameren Missouri maintains contracts with three vendors for this operation—one from whom the limestone is purchased, one to process the limestone so that it is useable, and one who will transport the processed limestone to Sioux. Staff has included a three-year average ending June 30, 2024, price for limestone applied to Staff's normalized kWh generation as modeled in Staff's fuel model for limestone and will continue to review limestone data through December 31, 2024, to be reflected in its true-up filing.

In order for Ameren Missouri to comply with mercury emission limits established by the EPA's Mercury and Air Toxics Standards ("MATS"), powdered activated carbon is used at Ameren Missouri's generating facilities to reduce mercury emissions. The activated carbon is processed (or "activated") so that it produces carbon particles with high porosity and greater surface area. The activated carbon is injected into and absorbed by the flue gas and is then captured in the electrostatic precipitators at the Labadie, Rush Island, and Sioux Energy Centers. Ameren Missouri has contracted with various vendors to acquire and transport activated carbon to its plants as necessary.

Staff annualized the cost of activated carbon by including a three-year average ending June 30, 2024, as applied to Staff's normalized kWh generation for Labadie and Sioux, as modeled in Staff's fuel model for activated carbon. In addition to activated carbon,

the Rush Island Energy Center utilized calcium bromide for MATS compliance. Staff has removed the test year costs associated with this fuel additive as Rush Island officially retired October 15, 2024. In addition to limestone and activated carbon, the Sioux energy center utilized potassium iodide for MATS compliance and will do so until the units retire. Sioux also utilizes urea for reduction of nitrogen oxide ("NOx") emissions. Staff has also included a three-year average ending June 30, 2024, for potassium iodide as applied to Staff's normalized kWh for Sioux, as modeled in Staff's fuel model for potassium iodide. Ameren Missouri has not utilized urea in many years but began to utilize the fuel additive again at Sioux during the summer months. Staff included a two-year average ending June 30, 2024, for urea in the cost of service. Staff will continue to review fuel additive data at all energy centers through December 31, 2024, to be reflected in its true-up filing.

MISO REVENUE AND EXPENSE

Capacity Revenue and Expense

Q. Please explain Ameren Missouri's MISO capacity expenses and how they are determined each year.

A. Similar to Staff's discussion of off system sales capacity revenue, MISO utilizes an annual resource adequacy method to determine the amount of capacity expenses Ameren Missouri incurs. Ameren Missouri owns sufficient generation to meet native load, ** [redacted] . ** In order to meet MISO's capacity planning requirements during each planning year (June – May), Ameren Missouri utilizes "self-scheduling" for capacity offers and purchases as opposed to using a Fixed Resource Adequacy Plan ("FRAP"), which must be used in "retail choice" states, such as Illinois.

Ameren Missouri incurs capacity expense due to self-scheduling whereas it would not from utilizing the FRAP, because with self-scheduling all capacity is offered and purchased in the auction versus only the capacity in excess of demand (and the reserve requirement) with the FRAP method. However, Ameren Missouri also experiences benefits from self-scheduling that it would not be able to enjoy if it utilized the FRAP. The capacity expense for the entirety of the 2024-2025 planning year which ends May 31, 2025, is fixed as a result of the MISO auction. Similar to capacity revenue, Staff adjusted capacity expense based on the new planning year information. Ameren Missouri's current capacity expenses are not affected by the FERC ROE complaint ruling discussed below. Staff will re-examine the level of capacity expense as part of its true-up audit using information through December 31, 2024.

Day 2 Revenues and Expenses

Q. Please explain what MISO Day 2 revenues and expenses consist of.

A. Ameren Missouri participates in MISO activities, including the MISO day-ahead and real-time energy markets (often called the MISO "Day 2 Market"). As part of its participation in the MISO Day 2 market, Ameren Missouri received payments during the test year from the MISO related to the Revenue Sufficiency Guarantee ("RSG") provision of MISO's tariff. These payments are determined hourly and are designed to ensure that companies participating in the MISO Day 2 markets are made whole when utilities' total energy offer prices in the market are not covered by the actual market prices. MISO Day 2 revenue is purely energy market related and is not affected by changes in load. However, that is not the case for MISO Day 2 expenses.

MISO Day 2 expenses are based on the amount of energy settled at the "AMMO.UE" Commercial Pricing node. Since these offer prices include a margin for profits, it is important not to exclude the profit margins in the calculation.

In addition, Price Volatility and Net Regulation revenues were received by Ameren Missouri from MISO during the test year. Price Volatility payments are received when there is a deviation from real-time prices and Net Regulation Adjustment revenues are received to make generators price neutral for deploying energy above or below the dispatch target price. Staff has removed this amount from its cost of service calculations and Net Base Energy Cost ("NBEC") calculations given the fact that Staff's fuel model does not model non-economic dispatch; therefore, these revenues would not be reflected in the model's output. However, these items are considered in subsequent FAC filings to ensure that the actual revenues and costs experienced by Ameren Missouri are being flowed through to ratepayers.

Q. How did Staff annualize MISO Day 2 Revenue and Expenses?

A. Currently, Staff is utilizing a 71.74% profit margin rate based on the calculations of margins embedded in the RSG make-whole payments during the test year ending March 31, 2024. As MISO revenue and expense are split between the RESRAM and NBEC, it is necessary for Staff to review a history of revenue and expense that has a separation of High Prairie and a removal of Rush Island from the overall levels of revenue and expense. This separation is maintained by Ameren Missouri in supporting files. Staff currently has a gap in this data (that Ameren Missouri is aware of and plans to rectify) and due to this, Staff has included a test year level of MISO revenue and expense until a complete history has been analyzed. Staff will re-examine these adjustments through December 31, 2024, during its true-up audit.

SPP REVENUE AND EXPENSE

Q. Please explain what SPP revenues and expenses consist of.

A. Ameren Missouri's wind facilities generate energy that is put into the grid as the company's other generating centers do. The High Prairie wind facility generates electricity into the MISO regional transmission organization ("RTO") due to the facility's location in Northeast Missouri. The Atchison wind facility is located in northwest Missouri and its generation goes into the SPP RTO.

The SPP marketplace operates similarly to the MISO marketplace where generation is offered in day-ahead and real-time that is then settled and cleared (purchased and sold). The RTOs determine the system energy needs and where to dispatch generation to meet its members' load requirements. The main difference between SPP and MISO is that SPP does not have a capacity market where generator capacity can be purchased or sold, rather it has a capacity supply obligation and uses the integrated marketplace to meet capacity needs.

Ameren Missouri offers up all of its generation into MISO, and SPP, and then purchases back what it needs to meet native load. Any additional generation not used to meet native load is sold as energy sales. Staff is including the test year twelve months ending March 31, 2024, of ancillary revenue and expense related to the SPP in its cost of service. Staff will review these costs as part of its true up audit.

ANCILLARY REVENUE AND EXPENSE

Q. What is ancillary revenue and expense?

A. Ameren Missouri also participates in MISO's Ancillary Services Market ("ASM") where services beyond that of generation and transmission can be acquired to maintain grid stability and security to ensure electricity supply meets demand. These services

include regulation, frequency control, spinning reserves, ramp capability and operating reserves. Ameren Missouri entered the ASM to acquire ancillary services for its retail load as well as to be able to sell the ancillary services from its generation.

Q. What is Staff's position for inclusion of capacity and ancillary revenue and expense in this case?

A. As stated above, there is a gap in the MISO ancillary revenue and expense data, due to this, Staff has included test year ASM revenue and expense levels and will continue to review Ameren Missouri's ASM transactions as additional information becomes available through the true-up period.

DOE SPENT FUEL REIMBURSEMENTS

Q. What is the situation regarding DOE spent fuel reimbursements?

A. Ameren Missouri has maintained with the DOE an executed settlement agreement regarding spent nuclear fuel fees that began in 2011 with several addendums to the original agreement. The current addendum was executed on March 29, 2023, and Ameren Missouri intends to extend the Settlement Agreement beyond 2025. The Settlement Agreement and addendums to extend said agreement, delineate the original reimbursement amount as well as sets out the process for subsequent claims for reimbursement related to spent nuclear fuel costs, allowable costs and cost categories to be claimed, modifications to the generation plant, final determinations of costs and other legal requirements. The calendar year after costs are incurred related to its Independent Spent Fuel Storage Installation ("ISFSI"), Ameren Missouri submits a written claim per the terms of the settlement agreement to the DOE. The DOE assesses Ameren Missouri's Derate[5] especially because of a

[5] To lower the rating of a device.

deterioration in efficiency or quality claim against the regulations set out in the Settlement Agreement and then determines the amount to reimburse to Ameren Missouri at a later date. Ameren Missouri has requested and received the following reimbursements:

Expense Year	Requested Reimbursement	Reimbursement Approved	Disallowed by DOE
2009/2010	$79,634	$73,894*	$5,740
2011	$849,544	$818,692	$30,851
2012	$6,264,937	$6,227,978	$36,959
2013	$15,107,849	$14,933,364	$174,485
2014	$15,032,120	$13,847,006	$1,185,114
2015	$23,682,151	$23,586,656	$95,495
2016	$2,960,860	$2,920,420	$40,440
2017	$11,859,249	$11,035,375	$823,874
2018	$21,176,549	$21,176,040	$509
2019	$9,896,559	$9,896,559	$0
2020	$9,519,159	$9,519,159	$0
2021	$16,900,685	$16,649,259	$251,426
2022	$9,851,639	$9,851,106	$533
2023	$11,307,590	$11,250,057	$57,533
2024	Will be Submitted in 2025	-----	-----

*The total amount received for 2009/2010 from the DOE was $10,551,468. This amount includes reimbursement for spent fuel racks of $10,477,574 in addition to the dry cask storage reimbursement shown above.

The difference between the amounts claimed and the amounts reimbursed were due to the DOE determining that certain costs claimed for reimbursement did not meet the criteria set forth in the Settlement Agreement. Ameren Missouri has received the reimbursement for all capital costs incurred relative to the ISFSI for which the DOE has classified as meeting the criteria set out in the Settlement Agreement. The costs requested for reimbursement fluctuate based on actual expenses that are incurred based on the tasks that are completed during any calendar year. Typically, during the year prior to a loading of spent fuel into the ISFSI, significant costs for materials are incurred. Also, the reimbursements for years when spent fuel loading takes place can differ due to the number of fuel canisters loaded into dry cask storage

and labor. Ameren Missouri continues to receive reimbursements for ongoing spent nuclear fuel expenses. Ameren Missouri is recording the ongoing spent nuclear fuel costs as a receivable on its balance sheet and then when the reimbursement is received it is applied as an offset to expense. Staff has no changes to the way Ameren Missouri has recorded these reimbursements at this time.

FERC ROE COMPLAINT CASE MATTERS

Q. Please provide the background surrounding the FERC ROE complaint cases of which Ameren Missouri is a party as a transmission owner.

A. The MISO Transmission Owners' return on common equity of 12.38% was the subject of two FERC complaint proceedings, the November 2013 complaint case (EL14-12-000) and the February 2015 complaint case (EL15-45). These complaint cases challenged the allowed base return on common equity for MISO Transmission Owners.[6]

Q. What was the status of the FERC ROE complaint cases during Ameren Missouri's last two rate cases, ER-2021-0240 and ER-2022-0337?

A. As discussed in my testimony in Case No. ER-2021-0240, in FERC's Opinion No. 569, issued in November 2019, FERC said it would use the discounted cash flow ("DCF") methodology and capital asset pricing model ("CAPM") to determine if an existing base ROE is unjust and unreasonable, and, if so, what replacement ROE is appropriate. Applying these methodologies to the complaints against MISO transmission owners, FERC determined in Opinion No. 569 that their base ROE should be 9.88%. On May 21, 2020, in Opinion No. 569A-B, FERC further refined its methodology for analyzing the base ROE and

[6] Case No. ER-2019-0335, Staff Cost of Service Report pages 63-65 and Case No. ER-2021-0240, Staff Cost of Service Report pages 182-183.

found that the MISO transmission owners' base ROE should be set at 10.02%. The order granted rehearing of Opinion No. 569 to use the risk premium model, DCF model, and CAPM and calculate the ranges of presumptively just and reasonable base ROEs by dividing the overall composite zone of reasonableness into equal thirds, instead of using the quartile approach that was applied in Opinion No. 569. The MISO transmission owners were required to adopt a 10.02% base ROE effective September 28, 2016, and were required to provide refunds based on that 10.02% base ROE, with interest, for the First Complaint proceeding's 15-month refund period from November 12, 2013 through February 11, 2015, and for the period from September 28, 2016 to the date of the order. FERC's dismissal of the Second Complaint was upheld.

As part of the Stipulation & Agreement in Case No. ER-2021-0240, the deferral established in Ameren Missouri Case No. ER-2016-0179 and continued in ER-2019-0335 was continued again.

During Ameren Missouri's 2022 rate case, on August 9, 2022, the D.C. Circuit Court of Appeals issued an opinion, finding that the FERC's use of a risk premium model as one of the three models to determine a just and reasonable return ROE for wholesale electric transmission rates was arbitrary and capricious. The court vacated the underlying orders (Opinions 569-A and 569-B) and remanded for FERC to reopen the proceedings. The court upheld the FERC's determinations to act on the First Complaint and Second Complaint in one order (hence the second complaint was dismissed as it is to be addressed in the first complaint).

Again, as part of the Stipulation & Agreement in Case No. ER-2022-0337, the deferral established in Ameren Missouri Case No. ER-2016-0179 and continued in subsequent rate cases.

Q. Has FERC issued new guidance after the D.C. Circuit Court of Appeals remanded the case back to FERC?

A. Yes, just recently on October 17, 2024. FERC concluded, as they had previously in Opinion No. 569, that the record fails to support the inclusion of the Risk Premium model in the FERC's ROE methodology. FERC reversed the portions of Opinion Nos. 569-A and 569-B that include the Risk Premium model while maintaining the other modifications to FERC's ROE methodology set forth in Opinion 569, as modified in A and B. FERC found that a just and reasonable replacement ROE for the first complaint proceeding is 9.98%, prior to any incentive adder. The 9.98% is considered the midpoint of the zone of reasonableness when averaging the top and bottom of the DCF and CAPM zones of reasonableness. FERC did not make any changes to its DCF or CAPM analysis as it was not challenged by the D.C. Circuit court. The MISO transmission owners are required to adopt a 9.98% base ROE, with a total or maximum ROE including incentives not to exceed 12.58% retroactively effective starting September 28, 2016. They are to provide refunds based on this 9.98% base ROE, with interest, for the first complaint proceedings 15-month refund period from November 12, 2013 through February 11, 2015, and for the period from September 28, 2016 to the date of the FERC order (October 17, 2024). These dates encompass the time periods contemplated in both the first and second complaint cases.

Q. Does Staff propose to include the FERC ROE refunds as part of this current rate proceeding?

A. No. Ameren Missouri and the other transmission owners must calculate and determine refunds that are to be filed before the FERC demonstrating the principal amounts plus interest paid to each of their customers by December 1, 2025, past our true-up period in

this case. Ameren Missouri has also relayed to Staff that appeals are still possible to this decision. Due to this uncertainty Staff recommends that the Commission order Ameren Missouri to continue to defer the FERC ordered refunded amounts in a regulatory liability account updated based upon the latest FERC order that are applicable to Ameren Missouri so that appropriate ratemaking treatment can be proposed in Ameren Missouri's next rate proceeding.

Q. Please provide background regarding the FERC ROE participation adder.

A. Also, as discussed in my testimony in ER-2021-0240, on April 15, 2021, FERC issued a Notice of Proposed Rulemaking ("NOPR") to supplement its March 2020 NOPR regarding its electric transmission incentive policy. The FERC's March 2020 NOPR proposed to provide all utilities that turn over their wholesale transmission facilities to a RTO a fixed 100 basis-point increase in ROE ("RTO Participation Incentive"). The Supplemental NOPR proposes instead to codify its current practice of granting a 50 basis-point RTO Participation Incentive for utilities that join an RTO. In addition, FERC proposed that a utility will only be eligible for the incentive for the first three years after transferring operational control of its facilities to an RTO. The Supplemental NOPR proposes that the 50 basis-point ROE adder for RTO participation will only be available for the first three years after the transmitting utility transfers operational control of its facilities to the RTO. FERC further proposes that each utility that previously received a ROE incentive for joining and remaining in an RTO must, within 30 days of the effective date of the final rule, submit a compliance filing removing the incentive from its tariff, or if it joined an RTO in the last three years, adding language to its tariff to terminate its incentive three years from the date it turned over operational control. FERC also proposes that a utility will only be eligible for the incentive

if it has not previously been a member of an RTO/ISO; to adopt the clarification proposed in the March 2020 NOPR that utilities must turn over operational control of their facilities to the RTO/ISO in order to be eligible for the incentive; and that utilities may not receive the incentive for transmission plant if the asset was already under the operational control of an RTO, whether as part of an affiliate or a separate owner. As Ameren Missouri has been a member of MISO longer than three years, a decision on this NOPR could possibly end Ameren's ROE incentive adder.

Q. Has there been a decision by the FERC on the NOPR regarding the incentive adder?

A. No. There has not been a decision related to this NOPR regarding the incentive adder.

FERC ROE CONSULTANT AND LEGAL COSTS

Q. Did Ameren Missouri incur costs related to the transmission owner complaint cases filed before the FERC above?

A. Yes. Ameren Missouri participated in three FERC ROE dockets (EL14-12 in November 2013, 26 EL15-145 in February 2015 and ER15-358 in November 2014) as part of the MISO Transmission Owners Group ("MISO TO Group") that was represented by the law firm Wright & Talisman. Wright & Talisman hired a consultant to submit updated analysis on the appropriate rate of return on equity. Neither Ameren Missouri nor its affiliates separately hired consultants; rather, the MISO TO Group as a whole utilized the services of the consultants and shared the associated costs. The total billing from Wright & Talisman for all the work related to the dockets and the external fees were not a separate line item, therefore an amount was allocated to each Transmission Owner who was involved in the respective docket using the

ratio of the owner's transmission gross plant divided by the total gross plant of all owners listed on the appropriate docket. For Ameren, this allocation is then split further by the gross plant percentage for each Ameren segment divided by the total Ameren gross plant and then applied to Ameren Missouri, Ameren Illinois and Ameren Transmission Company of Illinois.

Similar to Ameren Missouri's last rate Case No. ER-2019-0335, ER-2021-0240, and ER-2022-0337, Staff proposes disallowance of the legal and consultant fees that were incurred during the test year related to the ongoing FERC ROE complaint cases. The FERC ROE is a return on investment. ROE is the amount of revenue that is left-over after all expenses have been paid. Therefore, the FERC ROE legal fees were incurred for the benefit of the Ameren affiliates because the level of ROE is purely a benefit to shareholders and not customers. As such, customers should not have to pay the legal fees associated with arguing for a higher ROE.

NON-LABOR DISTRIBUTION MAINTENANCE

Q. What types of costs did you review as part of electric non-labor distribution maintenance?

A. Staff reviewed a history of costs related to the non-labor related portion of overhead and underground line maintenance. Costs related to inspections and vegetation management were reviewed by Staff witness Keith Majors.

Q. What did Staff determine regarding non-labor distribution maintenance costs?

A. It appears that the non-labor costs incurred for distribution maintenance during the test year are high compared to the 6-year history that Staff reviewed. It is also higher than that budgeted/forecasted by Ameren Missouri for the period of 2024-2028. Staff has

normalized this case by including a five-year average ending June 30, 2024, in the cost of service.

PAPERLESS BILL CREDIT

Q. Please provide background regarding the paperless bill credit.

A. In Case No. ER-2019-0335, Ameren Missouri proposed in its direct testimony, a $0.50 "paperless bill credit" for a 12-month period for customers who signed up for paperless billing. As part of the Stipulation and Agreement filed in that case, the parties agreed that Ameren Missouri could offer the bill credit, however Ameren Missouri would not seek any recovery of the incentives or costs directly associated with paperless billing. Additionally, the credits were to be excluded from the revenues used to determine the revenue requirement in Ameren Missouri's next case which was Case No. ER-2021-0240. The language from the stipulation and agreement in ER-2019-0335 is cited below:

> Paperless Bill Credit: The signatories agree that Ameren Missouri may implement its paperless bill credit proposal as outlined in the Direct Testimony of Mark Birk. The Company shall exclude bill credits from revenues used to determine the revenue requirement in its next rate case. Ameren Missouri shall not seek recovery for any incentives or other costs directly associated with paperless billing. Corrected Stipulation and Agreement, Case No. ER-2019-0335, page 47.

Q. What occurred during the 2021 rate case regarding the paperless bill credit?

A. Staff reviewed the costs associated with the paperless bill credit, which included costs for advertising paperless billing and capital upgrades to the billing system to process the bill credit. Staff proposed an adjustment to remove the advertising costs associated with the paperless billing as well as the capital costs and associated depreciation reserves for the software upgrades. Additionally, Staff has imputed revenue to exclude the credits from the revenue requirement. This issue was settled via black box in that case.

Q. What occurred during the 2022 rate case regarding the paperless bill credit?

A. As part of Case No. ER-2022-0337, Ameren Missouri proposed to cease enrollment of customers for paperless billing in which they would receive a paperless bill credit. The proposal was to end the paperless bill credit enrollment on the effective date of rates in that proceeding.

Q. Did Ameren Missouri cease the enrollment of the customers for the paperless bill credit as part of the last rate proceeding?

A. Yes. The program ended July 1, 2023.

Q. What does Staff recommend regarding the paperless bill credit in this instant rate case proceeding?

A. The paperless bill credit program ended enrollment on July 1, 2023, however once enrolled, customers receive bill credits for one year after that date, meaning that bill credits were granted through July 2024. The test year in this case is the 12-months ending March 31, 2024, and there are bill credits that were recorded per book for the period of April 1, 2023 through March 31, 2024 that must be removed. Staff submitted discovery regarding the costs associated with the paperless bill credit and it was determined there were no costs recorded for this program in the test year. Since Ameren Missouri performed capital upgrades to the billing system to process the bill credit, absent moving this investment to future use property or writing it off, an adjustment must be proposed to remove the investment.

Staff has recommended an adjustment to remove the capital costs and associated depreciation reserves for the software upgrades. Additionally, Staff has imputed revenue to exclude the credits from the revenue requirement.

CURRENT AND DEFERRED INCOME TAXES

Q. How are income taxes calculated for regulatory purposes?

A. The income tax expense calculation begins by taking adjusted net operating income before taxes and adding to or subtracting from that net income various timing differences in order to obtain net taxable income for ratemaking purposes. These "add back" and/or subtraction adjustments are necessary to identify new amounts for the tax deductions that are different from those levels reflected in the income statement as revenues or expenses. The adjustments are the result of various book versus tax timing differences and the effect of such differences under separate tax ratemaking methods: flow-through versus normalization. A tax timing difference occurs when the timing used in reflecting a cost (or revenue) for financial reporting purposes (book purposes) is different than the timing required by the IRS in determining taxable income (tax purposes). Current income tax reflects timing differences consistent with the timing required by the IRS. The tax timing differences used in calculating taxable income for computing current income tax are as follows:

Add Back to Operating Income Before Taxes:

- Book Depreciation Expense
- Book Depreciation Charged to O&M
- Transmission Amortization
- Hydraulic Amortization
- Intangible Amortization
- Non-Deductible Parking Lot Expenses

Subtractions from Operating Income:

- Interest Expense – Weighted Cost of Debt X Rate Base
- Tax Straight-Line Depreciation
- Preferred Dividend Deduction

For ratemaking purposes, the tax normalization method defers the deduction taken for tax purposes for certain tax timing differences. The effect of using tax normalization is to allow utilities the net benefit of certain net tax deductions for a period of time before those benefits

are passed on to the utility's customers in rates. The flow-through tax method essentially provides for the same tax deduction taken as a deduction for ratemaking purposes as is taken for tax purposes.

Ameren Missouri has paid tax to the Ameren consolidated group and is expected to for the 2024 tax year, which means that Ameren Missouri is in a taxable position. Ameren Missouri does not currently have any net operating loss ("NOL") carryforwards. Ameren Corporation was in a taxable position in 2023 but is expected to be in a NOL position for federal and state taxes for the 2024 tax year. In this case, Staff has included the research tax credit, production tax credits for both wind and solar generation, empowerment zone credit, fuel tax credit, plug-in electric drive motor vehicle credit, the alternative fuel vehicle refueling property credit and the St. Louis payroll tax credit.

Under either the tax normalization or tax flow-through approach, the resulting net taxable income for ratemaking is then multiplied by the appropriate federal, state and city tax rates to obtain the current liability for income taxes. A federal tax rate of 21.00%, a state income tax rate of 4.00%, and a city tax rate of 0.0955% were used in calculating Ameren Missouri's current income tax liability. The difference between the calculated current income tax provision and the per book income tax provision is the current income tax provision adjustment. Staff will review income tax expense as part of its true-up audit and make additional adjustments as necessary.

IRA Tracker

Q. What is the IRA tracker and why was it established?

A. During the pendency of Ameren Missouri's last rate case, in August 2022, the federal government enacted the Inflation Reduction Act, becoming law January 1, 2023.

The legislation created a corporate minimum tax as sell as expanded tax benefits related to wind, solar and nuclear facilities. It also created the ability to monetize tax credits. At the time of the last rate case, the amount of tax benefits from the IRA were uncertain due to numerous factors beyond Ameren Missouri's control. Due to the uncertainty, the parties agreed to establish a tracking mechanism to account for production tax credits ("PTCs") and investment tax credits ("ITCs") (subject to IRS normalization requirements) utilized to offset tax liabilities or sold, except as otherwise tracked in Ameren Missouri's RESRAM mechanism. The base of the tracker was set at $0.

Q. Has Ameren Missouri been subject to the corporate minimum tax?

A. No. The corporate minimum tax ("CMT") is triggered if the average financial income of a taxpayer exceeds $1 billion. At this point, Ameren Missouri has not exceeded the threshold required to incur the CMT and does not anticipate incurring the CMT until sometime after 2028.

Q. Has Ameren Missouri accumulated any tax benefits within the IRA tracker?

A. According to responses given to Staff during discovery, Ameren Missouri has not accumulated any amounts in the IRA tracking mechanism. At this point, the renewable energy centers already in service create tax benefits that flow through the RESRAM mechanism. In addition to expanding the PTC and ITC for renewable facilities, the IRA created several tax credits for owners of nuclear generating facilities and of those credits, includes a PTC of $15 per megawatt-hour for electricity produced by existing nuclear power plants. The credit gradually declines as power prices rise above $25 per megawatt-hour. Utilities have the ability to monetize the value of the credit and the PTC for nuclear went into effect beginning in 2024 and lasts through 2032. Ameren Missouri owns the Callaway Nuclear

generation facility but has not qualified for these benefits at this time. The company is monitoring and evaluating whether it will qualify for the nuclear PTC and expect to have a decision by the end of 2024.

Q. Has Ameren Missouri monetized any PTCs or ITCs?

A. Ameren Missouri states it has not had the ability to self-monetize any PTCs and ITCs related to its renewable generating facilities, however according to the 2023 tax returns and further discovery,[7] ** [redacted] **

Q. Will new renewable generation investment be put into service by the true-up cutoff in this case which may create tax benefits to be included in the IRA tracking mechanism?

A. Yes. While tax benefits from the Huck Finn solar facility will flow through the RESRAM due to that facility being built for RES compliance; the Cass County and Boomtown facilities will produce ITC tax benefits that will be accumulated within the tracking mechanism. Staff plans to review all associated IRA tax benefits during its true-up audit.

[7] Responses to Staff Data Requests 0026 and 0597.

ACCUMULATED DEFERRED INCOME TAXES

Q. Please explain what ADIT is and the amounts Staff has included in the cost of service.

A. Accumulated deferred income taxes are essentially a prepayment of income taxes by Ameren Missouri's customers to Ameren Missouri prior to payment being made to the taxing authorities. Ameren Missouri is allowed to deduct items for income tax purposes that are not for ratemaking purposes, such as accelerated depreciation. These differences in treatment create book-tax timing differences that creates a deferral of income taxes to future periods. When the ADIT balance in rate base is a net credit, it creates a source of cost-free funds for Ameren Missouri. As such, a net credit amount in rate base is a reduction to rate base on which a return is calculated. This prevents customers from paying a return on funds that were provided cost-free to the utility. Staff has included the ADIT balance as of June 30, 2024, in its direct cost of service, but has adjusted the balance to remove ADIT associated with Rush Island as of the same date. This is necessary as the ADIT associated with Rush Island will be included in the securitization rider. Staff will re-examine this issue as part of its true-up audit to make sure all items included in the balances are consistent with the other components of the cost of service and updated as of the true-up date and Staff will propose further adjustments at that time.

Potential Inadvertent Normalization Violation

Q. Please explain the background surrounding the situation that Ameren Missouri believes may be an inadvertent normalization violation.

A. Ameren Missouri witness Mitchell J. Lansford provided supplemental direct testimony in this case informing the Commission of a potential inadvertent normalization

violation related to NOL carryforwards ("NOLCs"). Subsequent to the filing of its direct testimony in this case, Ameren Missouri became aware of some private letter rulings ("PLRs") issued by the IRS related to some utilities for which the company believes the circumstances are very similar between those utilities and Ameren Missouri.

Q. What is the issue that Ameren Missouri believes may create a potential inadvertent normalization violation?

A. As discussed earlier in this testimony, normalization rules allow utilities to utilize tax advantages due to tax timing differences that promote investment. This is typically reflected in accelerated depreciation deductions. Normalized tax timing differences must be accumulated as deferred tax liabilities or deferred tax assets within ADIT and then that sum is subsequently added or subtracted from a utility's rate base. As tax timing differences are temporary they will eventually reverse and this will alter the ongoing ADIT balance. In instances where the utility is in a NOL, which occurs when tax deductions exceed net income (typically driven by accelerated depreciation for utilities); the NOL is accumulated as a deferred tax asset that offsets the remaining deferred tax liability encompassed in ADIT. The IRS has ruled in these PLRs that for utilities that calculate their income taxes on a stand-alone basis, but contribute to a consolidated tax return, any value that is given to the utility for providing a NOL to the consolidated group (which reduces other affiliate tax liabilities); the value received cannot then in turn reduce any NOL deferred tax asset that may be sitting in ADIT for the utility. Stated another way, a utility's NOL must be calculated and included in rate base based only on the utilization of those NOLCs by the utility from which they were created; they cannot be reduced by value given to the utility for other affiliates use of the NOL to reduce its tax liability.

Q. Has Ameren Missouri been calculating its income taxes on a stand-alone basis and do they contribute to a consolidated income tax filing?

A. Yes, Ameren Missouri calculates its income taxes on a stand-alone basis for ratemaking purposes. It contributes its tax assets and provides payment for its tax liabilities to the Ameren consolidated group as part of a tax allocation agreement ("TAA") and Ameren Corporation files a consolidated federal income tax return each year.

Q. Please explain the difference between a stand-alone basis and separate return basis.

A. Under the separate return method, current and deferred taxes are allocated to members of the group as if each member were a separate taxpayer; however, the sum of the individual member's allocations will not align with the consolidated tax return. The stand-alone method allocates the consolidated group tax expense to individual members through the recognition of the benefits/burdens contributed by each member of the consolidated group to the consolidated return. Using the stand-alone method, the sum of the amounts allocated to individual members equals the consolidated amount. Essentially the separate return method is utilized for financial reporting purposes and may include items of income and expense that are not included in the cost of service for ratemaking purposes. The amounts based on separate returns would need to be adjusted for items included in the cost of service that are associated with the provision of utility service.

Q. Has Ameren Missouri received TAA payments for use of NOLCs?

A. Yes, according to the response to Staff data request number 0595. Ameren Missouri has estimated these payments to be $13 million in rate base as of December 31, 2024 or an approximately $1.3 million increase in revenue requirement.

However, Staff has not yet been provided calculations supporting Ameren Missouri's proposed inclusion as they are still preparing this analysis. As Staff understands it, support will be provided for inclusion in Staff's true-up audit.

Q. How would Ameren Missouri reflect a correction of this inadvertent normalization on its books and records?

A. In general, a journal entry would be made to debit the deferred tax asset to re-establish the NOL deferred tax asset and a credit entry would be made to intercompany receivables for the value received.

Q. If the TAA payment cannot offset the utility's NOLC, what happens to the TAA payment on the books of Ameren Missouri once it is received?

A. As Staff understands it, the payment received by Ameren Missouri is recorded as cash.

Q. Prior to issuance of the PLRs, the TAA payments that were received were offsetting the NOL deferred tax asset in Ameren Missouri's rate base, ultimately benefitting customers. Do Ameren Missouri's customers benefit from the TAA payment if the NOL deferred tax asset is not reduced, but rather cash is received?

A. Unless the cash received from the affiliate group is reflected in a reduction to the cost of service in some way, the customers would not benefit. Staff believes customers should benefit in the cost of service in some way related to the value of the TAA payments received in lieu of use of Ameren Missouri's NOL. Customers are paying for the drivers of those tax timing differences as part of rates that create the NOL and if the NOL deferred tax asset and all associated rate base items remain intact to meet normalization rules then that cash received should reduce cost of service in some way. Staff is open to suggestions on how to

reflect customer benefit in such a way as to not violate normalization rules, perhaps a reduction in expense via amortization.

Q. Does Staff agree with Ameren Missouri regarding the inadvertent normalization violation?

A. It appears that Ameren Missouri has been treating the payments it receives in return for use of its NOLC as an offset to the NOL deferred tax asset in rate base. However, the IRS created a safe harbor for utilities to correct any normalization violations moving forward as soon as a utility determines a violation has occurred. Blatant violations of normalization rules can disqualify a utility from taking accelerated depreciation deductions in the future or tax credit recapture, ultimately increasing the tax liability for both the utility and its customers. Ameren Missouri discovered through its periodic monitoring of IRS private letter rulings ("PLRs") that there were certain PLRs relating to NOLCs that contain facts and circumstances that are consistent with facts and circumstances at Ameren Missouri. The Company is attempting to remedy the situation as soon as they became aware of it. Ameren Missouri would also need to follow this guidance moving forward when it is in a future NOL situation.

Q. Should Ameren Missouri seek a PLR on this issue?

A. Ameren Missouri has explained that there is a wide variation of what a PLR would cost a taxpayer. The applicable fee for a PLR in 2024 is approximately $38,000; however, there would be additional fees Ameren Missouri would incur for outside counsel who would interact with the IRS on Ameren Missouri's behalf in this matter. That cost could potentially be $100,000. When considering the revenue requirement impact that Ameren Missouri estimates the correction would be to resolve the inadvertent normalization

($1.3 million), the cost to seek a PLR is almost 10% of the revenue requirement for the correction itself. Staff does not believe it is necessary to seek a PLR for this issue, considering the circumstances and at the risk of customers paying for the correction as well as the cost for the PLR.

EXCESS DEFERRED INCOME TAXES

Q. What are excess deferred income taxes?

A. The Tax Cuts and Jobs Act was signed into law in December 2017, and as part of that a reduction in the corporate tax rate required the revaluation of accumulated tax timing differences that were previously valued at 35% to be revalued at 21%. This excess deferred tax value is required to be returned to customers based on whether the excess deferred taxes are protected or unprotected. Protected excess ADIT ("EDIT") is the portion associated with accelerated depreciation tax timing differences that must be "normalized" for rate making purposes and where the flow back of EDIT cannot be returned to customers any more quickly than over the estimated life of the assets that gave rise to the ADIT. Unprotected EDIT is the portion of the deferred tax reserve that resulted from normalization treatment of tax timing differences other than accelerated depreciation. Ameren Missouri has federal protected EDIT, federal unprotected plant related EDIT, and federal unprotected non-plant EDIT that began to be returned to customers in August 2019 as part of case no. ER-2018-0362. The return of the balances for state EDIT began to be returned to customers in case no. ER-2019-0335 in April 2020.

Q. How is the EDIT being returned to customers?

A. The protected EDIT is being returned to customers using the Average Rate Assumption Method ("ARAM") as described above and the original amortization periods for

the unprotected EDIT was 10 years for the federal EDIT and 5 years for the state EDIT. At this point, there are 3.5 years remaining of the amortization. However, in this case, Ameren Missouri has proposed to return the unprotected EDIT over a 2-year period.

Q. Does Staff agree with Ameren Missouri's proposed amortization period for unprotected EDIT?

A. Yes, and the balances are included in deferred taxes in the income tax schedule of Staff's accounting schedules. The protected EDIT will continue to amortize over ARAM.

KERSTING ESTATES

Q. Please explain the situation regarding Kersting Estates.

A. In Case No. EE-2021-0086, Ameren Missouri filed a case before the Commission requesting a variance from the provisions of Commission Rule 20 CSR 4240-14 to meet unregulated competition in a subdivision in St. Charles County, Missouri. Ameren Missouri had been in discussions with W&M Properties, a developer that was building a subdivision known as Kersting Road Development in Josephville, Missouri. This development is now known as Kersting Farm Estates. At the time, the developer had engaged in discussions with both Ameren Missouri and Cuivre River Electric Cooperative, Inc. ("CREC") for the provision of electric service to the subdivision. CREC had proposed certain incentives in order to provide electric service to the development. The developer asked Ameren Missouri if they were able to match the incentives offered. Ameren Missouri and CREC both have facilities in the vicinity of the proposed subdivision and the territory was not subject to an existing service territory agreement. Ameren Missouri explained that its facilities were so close that no extension costs would be required to serve the development. Ameren Missouri requested and was granted a waiver by the Commission to provide the

incentives, including work and materials Ameren Missouri would not typically provide to the new subdivision.

Q. What were the incentives that Ameren Missouri offered the developer?

A. Ameren Missouri had estimated that an extension allowance for providing electric service to the development would be approximately ** [redacted] **. CREC had offered the developer **[redacted] **

Q. You stated above that the Commission allowed Ameren Missouri the variance. How did Case No. EE-2021-0086 ultimately conclude?

A. This case was resolved via Stipulation & Agreement with three specific terms and conditions. Ameren Missouri was allowed to offer the requested incentives to the developer but is not to receive ratemaking treatment within the MEEIA program, have the costs recovered through Rider EEIC or be used to calculate MEEIA savings, throughput disincentive, or earnings opportunity. Ameren Missouri is required to separately account for the level of revenue, expense, and plant investment attributable to the Kersting Project. Finally, Ameren Missouri has the burden of proof that the expenses and plant investment are prudent in a rate case initiated by Ameren Missouri. The Commission ordered out the Stipulation & Agreement, effective October 24, 2020.

Q. Has Ameren Missouri met the requirements as laid out in the Stipulation & Agreement from that case?

A. Yes.

Q. What did it ultimately cost for Ameren Missouri to provide electric service to Kersting Estates and what amount and cost of rebates have been provided?

A. The subdivision is being built to serve ** [redacted]. ** The amount of capital expended by Ameren Missouri for the extension allowance was ** [redacted] ** Ameren Missouri has proposed to amortize the rebates over a two-year period for inclusion in the cost of service.

Q. What has Staff included in the cost of service in this case?

A. The capital investment has been included in plant in service and Staff has accepted Ameren Missouri's recovery of the rebate amount over 2 years.

COMMUNITY SOLAR/NEIGHBORHOOD SOLAR

Q. Please describe Ameren Missouri's Community Solar and Neighborhood Solar programs and facilities in general.

Community Solar

A. Community Solar is a voluntary program that Ameren Missouri first proposed as a pilot program in Case No. EA-2016-0207. This program has tariffs and rates that are separate and distinct from the rest of Ameren Missouri's customer tariff and rates.

The program is designed for electric customers that want to take part in utilizing solar generation for the electricity they use but are unable to install solar panels themselves. The program allows eligible customers to subscribe to a shared solar facility that is built, owned, maintained and operated by Ameren Missouri and customers sign up, on a first come, first served basis. Under the original pilot program, Community solar was based on subscriptions of 100 kWh blocks of a single generation asset in which that asset's total generation was shared by all subscribers to the program. These blocks of energy replace an equivalent kWh amount of electricity customers receive from their standard class of service, but was capped at 50% of usage. Two facilities support the block-based part of the program. The first facility built and utilized for this purpose was the solar array built at Lambert International Airport in St. Louis, MO. This facility was interconnected and operational in August 2019 and completed in-service testing in December 2019. The Lambert solar facility is 942 kW-AC and as of August 22, 2024, ** [redacted] .**

The second solar facility is 5.7 MW and located in Montgomery County, MO and as of August 22, 2024 ** [redacted] **. The facility was put in service in 2022.

The pilot Community Solar Program closed to new enrollment when the program became permanent in 2022; however, it will continue for existing customers who would wish to stay on that type of program. The block-based program was replaced in 2022 when the Community Solar program changed from a pilot program to a permanent program. The program is essentially the same, except now instead of utilizing a block-based design, the permanent program utilizes a percentage-based program where customers can sign up for up to 100% of their usage with no usage cap and a one-time participation fee of $25.

The first facility that will support the permanent Community Solar program is the New Florence Solar Facility that will be a 7MW facility located in New Florence, Missouri. Construction will begin in the first quarter of 2025 with completion anticipated by the end of 2025.

Customers who have not been able to join the program due to limited availability are put on a waiting list and when a solar asset opens up, those customers can then subscribe to the program by paying a participation fee and a generation fee. The investment, revenue and expense for the Lambert and Montgomery County facilities are fully included in rates at this time.

Neighborhood Solar

In this program, Ameren Missouri is investing in solar facilities similar in nature to that of the O'Fallon solar facility but at a much smaller scale. Ameren Missouri finances, builds, and operates solar canopies in parking areas at partner sites and in return the partner provides the land or structure for the solar facility. An Exclusive Solar Energy Project License and Easement Agreement are executed between Ameren Missouri and each partner facility. This is not a voluntary program like Community Solar and does not have a separate and distinct tariff. Workforce development and educational opportunities are generated through the construction of these facilities. Ameren Missouri has not sought RESRAM treatment for the capital, revenue or expense for this program as they do not consider these projects necessary to meet RES compliance.

At this time, Ameren Missouri has several neighborhood solar energy centers as part of the program that are used for generation of energy into the grid:

Facility	Location	Generation	In-Service Date
South St. Louis Renewable Energy Center	Habitat for Humanity – South St. Louis	200 KW	2021
Cape Girardeau Renewable Energy Center	Southeast Missouri State University	1.2 MW	July 2022
Fee Fee Renewable Energy Center	Maryland Heights Community Center	500 KW	April 2023
North Metro Renewable Energy Center	2 Structures at Union Blvd. St. Louis	200 KW	April 2023
Delmar Renewable Energy Center	Delmar DivINe in St. Louis' West End	350 KW	August 2023
House Springs Renewable Energy Center	House Springs, MO – Jefferson District Operating Center	270 KW	August 2023

Q. How are the Community Solar and Neighborhood Solar facilities included in the cost of service for ratemaking purposes?

A. Ameren Missouri initially records 85% of any return and depreciation related to the facility in its PISA deferral until the actual plant is in service and included in base rates. There is no RESRAM treatment related to Community Solar or Neighborhood Solar. However, it has been Staff's position that because the Community Solar program is a voluntary subscription based program, and it is included in the cost of service; if at any time during the life of the Community Solar program the program revenues do not fully offset the investment and expense related to the program, then Staff will propose an adjustment to remove the excess cost that occurs above the revenue during a base rate case. If this adjustment is not proposed, non-participant customers would be subsidizing the program for which they do not participate. This would drive the cost of service away from actual cost-based rates. As such, Staff recommends that the Commission order Ameren Missouri to record all elements of its

investment, revenue and expense related to each phase of the Community Solar Program with distinct coding in its general ledger so as to clearly delineate this program from the rest of the cost of service. Any items that cannot be clearly defined, such as tax related items, insurance or property tax, should be reasonably allocated with all supporting documentation for that allocation available to Staff during a rate case proceeding. Ameren Missouri has committed to this for its Montgomery facility and should commit to providing this information going forward for future program investment, expenses and revenues. For the Neighborhood Solar facilities, the investment, revenue, and expense related to these facilities is included in the overall cost of service and resulting overall customer tariffed rates when the facilities go into service as this is company owned generation for all customers.

Q. Is Staff proposing adjustment to the revenue, expense or investment for the Community Solar Programs?

A. At this time, Staff is not proposing to adjust any of the cost of service aspects of the Lambert or Montgomery facilities as it is fully subscribed and the tariff revenue from the program is covering its costs; Staff will review the levels of program participation as part of its true-up audit at December 31, 2024, and may propose further adjustment at that time.

Staff has reviewed the costs for the Neighborhood Solar facilities as part of its audit and will include the investment, revenue, and expense in the cost of service as in-service criteria is met. Staff has received fully executed contract between Ameren Missouri and the partner facilities for each neighborhood solar facility.

AMORTIZATION EXPENSE

Q. What is amortization expense?

A. Amortization expense systematically spreads the cost of an asset over its useful life. It is a non-case expense and essentially is similar to depreciation in that it is the recovery of the cost of an asset. Amortization is related to intangible assets while depreciation is utilized for tangible assets. Specifically, for ratemaking, an amortization is recovery of a cost or a return of value to customers without being subject to regulatory lag. That amount is recovered or returned, no more and no less.

Q. What amortization expense is included in Ameren Missouri's cost of service?

A. Ameren Missouri has many ongoing amortizations but for those that are set to expire within a year or less, they are combined into one amortization entitled "expired & expiring".

Expired and Expiring

Q. Please explain how the expired and expiring amortizations developed and what they consist of.

A. As has been the case in many rate cases, the Unanimous Stipulation and Agreement that was approved by the Commission in Ameren Missouri Case No. ER-2022-0337 provided guidelines for the accounting treatment for over and under-recovery of various regulatory assets and liabilities. Specifically, the parties agreed to begin amortization starting on the effective date of rates in that case, July 9, 2023. In addition, the parties agree that in Ameren Missouri's next electric general rate proceeding, the balance of each amortization relating to regulatory assets or liabilities that remain, after full recovery by Ameren Missouri (regulatory asset) or full credit to Ameren Missouri's customers (regulatory liability), shall be applied as offsets to other amortizations which do not expire before Ameren Missouri's new rates from that general rate proceeding take effect. If no other amortization expires before

Ameren Missouri's new rates from that general rate proceeding take effect, then the remaining unamortized balance of any regulatory asset or liability that did not expire before new rates from that general rate proceeding take effect, shall be a new regulatory liability or asset that is amortized over an appropriate period. Any over- or under-recovery of a regulatory asset or regulatory liability will be treated in the same manner as the underlying regulatory asset or regulatory liability.[8]

Staff has examined all of Ameren Missouri's existing amortizations related to various regulatory assets and liabilities as part of its audit in this rate proceeding. The amortizations that are continuing will be addressed separately in the testimony below and in other Staff witness testimony. Those that are proposed to be combined consistent with the terms of the Commission approved Stipulation and Agreement referenced above, are listed below and Staff recommends a "netting" of the following amortization balances that will exist at June 30, 2024:

- Callaway Post Operations (ER-84-560-031) – No Rate Base Inclusion
- Pension Trackers (ER-2012-0166, ER-2014-0258, ER-2016-0179, ER-2019-0335, ER-2021-0240) – Rate Base Inclusion
- OPEB Trackers (ER-2012-0166, ER-2014-0258, ER-2016-0179, ER-2019-0335 and ER-2021-0240 – Rate Base Inclusion
- Renewable Energy Standard (RES) (ER-2021-0240 and ER-2022-0337) – No Rate Base Inclusion
- Solar Rebate Amortization (ER-2021-0240) – No Rate Base Inclusion
- Fukushima Study Costs (ER-2014-0258) – No Rate Base Inclusion
- Expired & Expiring Amortization from Case No. ER-2022-0337 – No Rate Base Inclusion
- Expired & Expiring Amortization from Case No. ER-2022-0337 – Rate Base Inclusion
- Property Tax Tracker (ER-2022-0337)
- Excess Deferred Tracker (ER-2021-0240) – Rate Base Inclusion
- Excess Deferred Tracker (ER-2022-0337) – Rate Base Inclusion

[8] In other words, if the underlying regulatory asset or regulatory liability was included in rate base, the over- or under-recovery shall also be included in rate base; if the underlying regulatory asset or regulatory liability was not included in rate base, then the over- or under-recovery shall not be included in rate base.

As of June 30, 2024, Ameren Missouri will have over-recovered approximately $4.4 million for these amortizations collectively. The intended goal of the recommended ratemaking treatment is to simplify the accounting required for all of these various amortizations, as well as to ultimately prevent over-recovery or under-recovery of the costs associated with all of these amortizations that are addressed above. Staff recommends that the total balance of these "netted" amortizations be recovered by Ameren Missouri through an amortization over three years, beginning with the effective date of rates in this rate case. Staff will update these balances through December 31, 2024 as part of its true-up audit.

Continuing Amortizations

Q. Please list and explain the amortizations that have not been combined with other expired and expiring amortizations.

A. The following Staff witnesses will discuss amortizations other than those I discuss below the chart, including:

Amortization	Witness
Low Income – Keeping Current, Rehousing, Critical Needs	Karen Lyons
Property Tax Tracker (ER-2024-0319)	Benjamin H. Burton
Charge Ahead	Karen Lyons
Meramec	Keith Majors
RESRAM	Paul Amenthor
PISA	Jane Dhority

Callaway Decommissioning

Staff has removed the decommissioning costs associated with Callaway based on Staff's current position in Case No. EO-2023-0448. Staff will revisit this issue during true-up and will address inclusion of this cost at that time, based on the disposition of that case.

Callaway Life Extension

On March 6, 2015, the Nuclear Regulatory Commission ("NRC") issued a license extension that will allow Ameren Missouri to continue to operate its Callaway Nuclear Power Plant through 2044. Ameren Missouri recorded the costs associated with obtaining the Callaway license extension from the NRC in FERC plant account 302, Franchises and Consents, soon after the NRC issued the license extension. This amortization was included in the cost of service calculation and the recovery period was synchronized with the remaining life of the Callaway license, which is effective through October 2044. As part of this rate case, Staff included an annual amortization amount reflecting continuation of the amortization.

Sioux Scrubber Construction Accounting

Ameren Missouri began construction of the Sioux Wet Flue Gas Desulfurization Project ("scrubber") during April 2005 and the project was declared in service in November 2010. As part of Case No. ER-2010-0036, Ameren Missouri was granted construction accounting as part of the Commission ordered First Unanimous Stipulation and Agreement. Ameren Missouri was allowed to defer the depreciation expense (but no other Sioux scrubber related expense) related to the Sioux Scrubbers until they were recorded into plant-in-service. As a result, two separate construction accounting deferrals were amortized over 22 years and 20 years, respectively, in prior rate proceedings. In this current case, Staff has reviewed the test year amortization expense levels and has proposed resynchronizing this amortization to line up with Ameren Missouri's latest expected retirement date for the Sioux facility in 2032.

Equity Issuance

Ameren Missouri has incurred costs to issue equity in connection with its wind generation facilities. These costs are being amortized over the life of the wind assets the costs

are associated with. This amortization will expire in 2049. Ameren Missouri is proposing to shorten the amortization period in this case to five years if it will not receive carrying costs on the amortization balance. If the amortization continues to be associated with the life of the renewable assets, Ameren Missouri proposes to include the regulatory asset balance in rate base. Staff recommends continuation of the amortization as established in ER-2021-0240 over the life of the assets with no rate base treatment.

Customer Affordability

In Ameren Missouri's last rate case, Staff included a regulatory asset of $9.6 million related to a customer affordability study and proposed recovery over a five-year period. Staff has included annual amortization expense as this amortization does not expire until 2028.

COVID AAO Deferral

An accounting authority order was established as part of Case No. EU-2021-0027 reflecting certain costs and cost savings in multiple areas of the cost of service directly attributable to the COVID-19 pandemic. These costs are being amortized over five years and Staff has included annual amortization for this item as it does not expire until 2027.

MEEIA Program Cost Recovery

MEEIA costs associated with energy efficiency are recovered through the MEEIA rider and must be removed from test year in base rates to avoid double recovery. Staff has removed MEEIA and other Energy Efficiency amortization costs from the test year.

SENATE BILL 872

Q. What is senate bill 872 and when does the legislation take effect?

A. Senate bill 872 was proposed and passed in the 2024 General Assembly legislative session and was effective August 28, 2024. Amongst many items in the legislation,

there were certain sections of legislation that were replaced with four new sections relating to taxation of utility infrastructure. Specifically, an additional exemption of sales tax on utility infrastructure is included. The section of legislation states:

> 144.058. In addition to the other exemptions granted pursuant to this chapter, there is hereby specifically exempted form the provisions of and the computation of the tax levied, assessed, or payable pursuant to this chapter and the local sales tax law as defined in section 32.085, electrical energy and gas, whether natural, artificial, or propane; water, coal, and energy sources; chemicals, machinery, equipment, parts, and material used or consumed in connection with or to facilitate the generation, transmission, distribution, sale or furnishing of electricity for light, heat, or power; and any conduits, ducts, or other devices, materials, apparatus, or property for containing, holding, or carrying conductors used or to be used for the transmission of electricity for light, hear, or power service to customers. The provisions of this section shall be in addition to any other sales or use tax exemption provided by law. Any public utility, as such term is defined in section 386.020, that realizes any savings as a result of the sales tax exemption provided in this section shall provide the public service commission information on the amount of savings realized in such public utility's next general rate proceeding and shall include a statement that such savings will be passed through to the public utility's rate revenue requirement determined in the public utility's next general rate proceeding. As used in this section, savings realized shall be calculated as the difference between sales tax incurred and sales tax expense included in current rates.

Q. Did Ameren Missouri describe this senate bill and its impacts on Missouri customers in its direct testimony or cost of service workpapers?

A. No. Ameren Missouri filed their direct case June 28, 2024, prior to the legislation becoming effective. However, Staff has submitted discovery and discussed the topic with Company personnel.

Q. What impact does the legislation have regarding Ameren Missouri's utility infrastructure?

A. The impact of the tax exemption affects both capital and expense items and mainly pertains to the Ameren Missouri's transmission and distribution infrastructure. Ameren Missouri is in the preliminary stages of calculating the tax savings associated with this legislation. They began tracking this savings as of September 1, 2024. Technically the current case is the first general rate case Ameren Missouri has had subsequent to enaction of the legislation; however, as Ameren Missouri is just beginning to calculate this savings – Staff would recommend that the Commission order Ameren Missouri to defer all savings, once fully known and measurable, associated with Senate Bill 872 for return to customers in a future rate proceeding.

Q. Does this conclude your direct testimony?

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 Adjust Its Revenues for Electric Service	)))	Case No. ER-2024-0319

AFFIDAVIT OF LISA M. FERGUSON

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

COMES NOW LISA M. FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Lisa M. Ferguson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Lisa M Ferguson

LISA M. FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 27th day of November 2024.

Antoinette C Lang

Notary Public

ANTOINETTE C. LANG
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: April 04, 2028
Commission Number: 16787761

Lisa M. Ferguson

Present Position:

I am a Utility Regulatory Audit Supervisor in the Auditing Department, of the Financial and Business Analysis Division of the Missouri Public Service Commission. As a Utility Regulatory Auditor, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions that are supported by workpapers and written testimony. In addition, I oversee the auditing casework of junior level utility regulatory auditors.

Educational Credentials and Work Experience:

I have an Associate of Science degree from Moberly Area Community College, a Bachelor's of Science degree in Accounting from Truman State University, and a Master's degree in Accounting from Truman State University. I have been employed by the Missouri Public Service Commission since June 2008. Prior to joining the Commission, I worked in several departments, primarily Customer Service and as an accounting assistant, for Hy-Vee Food and Drug from July 1998 to May 2002. I was also employed by Kelly L. Lovekamp as a legal office assistant during 2001. From June 2002 to May 2008, I was employed as a support staff for Chariton Valley Association. My duties included support of daily living activities for people with disabilities.

Lisa M. Ferguson

Past Rate Case Proceedings:

Company Name	Case No.	Issue
Liberty Gas (MNG)	GR-2024-0106	Lead Auditor Customer First (Capital & Operations/Maintenance) Income Tax, Net Operation Loss, Accumulated Deferred Income Tax (ADIT), Excess ADIT, Corporate Allocations, Rate Base Offset, Transition/Transaction Costs Filed Direct, Rebuttal, Surrebuttal
Spire Missouri	GR-2022-0179	Co-Case Coordinator Gas Revenue, Miscellaneous Revenue, Oil & Propane Revenue, CNG, Home Inspection Fees & Revenues, Uncollectibles, Property Sales/Donations/Facility O&M, Energy Efficiency, Energy Affordability, Red Tag, ISRS Investment, Propane Assets, Propane O&M, Legal Expense, Cash Working Capital, Income Tax Expense, ADIT, MGE ADIT Ratebase Offset, TCJA Tracker & Amortization, CAM Reporting, All Other Amortizations Filed Direct, Rebuttal, Surrebuttal (True-up Direct)

Lisa M. Ferguson

Past Rate Case Proceedings:

Company Name	Case No.	Issue
Ameren Missouri (ELEC)	ER-2021-0240	Co-Case Coordinator Sioux R&D Capital/Expense, PISA rebase and amortization, Miscellaneous Revenue, Uncollectibles, RESRAM rebase, Fuel Expense, Fuel Additives, Fuel Inventories, Purchased Power, Off System Sales, Green Tariff Program, Maryland Heights Fuel, MISO Revenue and Expense, MISO Transmission Revenue & Expense, SPP Transmission Revenue & Expense, Mark Twain Transmission, Capacity & Ancillary Sales, Coal Refinement, DOE Reimbursements, Radioactive Waste, FERC ROE, Income Tax, ADIT, FIN 48 Tracker, Federal & State TCJA Tracker, Wind Generation O&M, RES AAO and Amortization, Solar Rebates, All Other Amortizations, RECs, Emission Allowances, Callaway Refueling, Callaway Unplanned Outage, Community Solar, Meramec Tracker, Neighborhood Solar Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal (True-up Direct)
Ameren Missouri (Gas)	GR-2021-0241	Co-Case Coordinator Miscellaneous Revenue, Uncollectibles, Natural Gas Stored Underground, Income Tax, ADIT, Federal & State TCJA Tracker, All Other Amortizations Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal (True-up Direct)

Lisa M. Ferguson

Past Rate Case Proceedings:

Company Name	Case No.	Issue
Ameren Missouri (ELEC)	ER-2019-0335	Lead Auditor Fuel Expense, Fuel Additives, Purchased Power, Off System Sales, Green Tariff Program, Maryland Heights Fuel, MISO Revenue and Expense, MISO Transmission Revenue & Expense, Mark Twain Transmission, Capacity & Ancillary Sales, Coal Refinement, DOE Reimbursements, Radioactive Waste, FERC ROE, Income Tax, ADIT, FIN 48 Tracker, TCJA Tracker Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal (True-up Direct)
Ameren Missouri (Gas)	GR-2019-0077	Lead Auditor TCJA Income Tax AAO/Interim Rates Income Tax, Accumulated Deferred Income Tax (ADIT), Amortization of Excess ADIT, Pensions & OPEBs, Energy Efficiency, Regulatory Asset Overcollection
Missouri-American Water Co.	WO-2018-0373	ISRS - Accumulated Deferred Income Taxes (Inclusion of NOL)
Ameren Missouri (ELEC)	ER-2018-0362	2017 Federal Tax Cuts and Jobs Act ("TCJA) – Tax Reduction Filing
Ameren Missouri (ELEC)	EA-2018-0202	Terra-Gen Wind Generation CCN

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Past Rate Case Proceedings:

Company Name	Case No.	Issue
Ameren Missouri (ELEC)	ER-2018-0362	2017 TCJA Tax Reform effect on current and excess deferred taxes
Liberty Gas (MNG)	GR-2018-0013	Income Tax, Accumulated Deferred Income Tax (ADIT), Property Tax, Vegetation Management, Payroll, Payroll Tax, Employee Benefits Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal (True-up Direct)
Spire Missouri (Laclede Gas & Missouri Gas Energy)	GR-2017-0215 GR-2017-0216	Co-Lead Auditor Insulation Financing, EnergyWise Revenue/Rate Base, Gas Safety AAO Overcollection, Natural Gas/Propane Inventory, MGE Rate base Offset, Income Taxes, ADIT, Surveillance Reporting, Uniform Expense, AMR Devices Filed Direct, Rebuttal, Surrebuttal, True-Up Testified on FIN 48 as part of ADIT, Surveillance Reporting, AMR Devices, 2017 TCJA Tax Reform effect on current and excess deferred taxes
Ameren Missouri	EO-2017-0176	Cost Allocation Manual
Ameren Missouri (ELEC)	EO-2017-0127	Lead Auditor Asset Sale Case – Mercy Health

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Past Rate Case Proceedings:

Company Name	Case No.	Issue
Ameren Missouri (ELEC)	ER-2016-0179	Allocations, Coal Refinement, Callaway II Write-Off, Capacity, FAC expense removal, FIN 48, Income Taxes, ADIT, Mark Twain Transmission, MISO revenues & expenses, MISO Transmission revenues & expenses, Sioux Construction Accounting Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal
Rex Deffenderfer Enterprises	WR-2016-0267	Lead Auditor – Oversee All Issues
House Springs Sewer Co.	SM-2016-0204	Sale of Company Assets to Jefferson County Public Sewer District
Missouri-American Water Co.	WR-2015-0301 & SR-2015-0302	Amortizations, Arnold Acquisition, Belleville Labs, Capitalized O&M Depreciation, Regulatory Assets & Liabilities, Regulatory Deferrals, Hickory Hills Receivership Costs Accounting Schedules/Reconciliation
Missouri-American Water Co.	WO-2016-0054	Asset Purchased Case; Missouri American Acquisition of Jaxson Estates
House Springs Sewer Co.	Earnings Investigation	Operations & Maintenance Contract, Legal Fees, Office Rent & Electric, Plant/Reserve/CIAC, Repairs & Maintenance, Sludge Hauling, City of Byrnes Mill Expense, Garnishment

Lisa M. Ferguson

Past Rate Case Proceedings:

Company Name	Case No.	Issue
Ameren Missouri (ELEC)	ER-2014-0258	Fuel, NBEC, Fuel Additives, Fuel Inventory, Off System Sales, Purchased Power, Callaway Refueling, Coal Car Depreciation, Low Level Radioactive Waste Expense Accounting Schedules/Reconciliation Filed Direct, Rebuttal, Surrebuttal
Liberty Gas (MNG)	GR-2014-0152	Lead Auditor Board of Directors Fees, Payroll, Employee Benefits, Incentive Compensation, Environmental Expense, Fleet Fuel Expense, Property Tax, Relocation Expense
Terre Du Lac Utility Co.	WR-2014-0104 SR-2014-0105	Lead Auditor Revenues, Uncollectibles, Water Loss Adjustment
Laclede Gas Co.	GR-2013-0171	Lead Auditor Revenue, Energy Wise and Insulation Revenues and Ratebase, Gas Costs, Gross Receipts Tax, ISRS Revenue, OSS and Capacity Release, Postage Expense, Unbilled Revenues, Uncollectibles
Lincoln County Water & Sewer	SR-2013-0321	Revenues, Bank Fees, Billing Expense, DNR Fees, Office Supplies, Postage Expense, PSC Assessment, SOS Fees, Uncollectibles
Gladlo Water and Sewer Co.	SR-2013-0258 WR-2013-0259	Informal Rate Case – All Issues
Missouri-American Water Co.	SO-2013-0260	Asset Purchased Case; Missouri American Acquisition of Meramec Sewer Co; Rate Base Determination
Ameren Missouri (ELEC)	EO-2013-0044	Asset Sale Case

Lisa M. Ferguson

Past Rate Case Proceedings:

Company Name	Case No.	Issue
Meramec Sewer Co.	SR-2012-0309	Rate Base, Revenues, Uncollectibles
Ameren Missouri (ELEC)	ER-2012-0166	Advertising, AMS Allocations, Capitalized O&M Depreciation, Distribution Training, Employee Benefits other than Pensions, Environmental Expense, Incentive Compensation, Legal Expense, Name Change/Branding Expense, Payroll, Payroll Taxes, Production Training Expense, Severance, Underground Training Expense, VSE/ISP Amortization EMS Accounting Schedules Filed Direct and Surrebuttal Testimony Deposed on Severance and Advertising Testified on Severance
Missouri-American Water Co.	SO-2012-0091	Asset Purchased Case; Missouri American Acquisition of Meramec Sewer Co; Rate Base Determination
House Springs Sewer Co.	SR-2011-0274	Revenues, Billing Supplies Expense, Bank Fees, Dues & Donations, Outside Services, Miscellaneous Expense, Rent Expense, Postage Expense, PSC Assessment, Rate Case Expense, Secretary of State Fees, EMS Accounting Schedules
Missouri-American Water Co.	WO-2011-0106	ISRS Filing; Extending data to Effective Date; Retirements; Deferred Taxes; Accumulated Depreciation

Lisa M. Ferguson

Past Rate Case Proceedings:

Company Name	Case No.	Issue
Ameren Missouri (ELEC)	ER-2011-0028	Capitalized O&M Depreciation, Dues & Donations, 900 Account analysis, Property Taxes, Other Rate Base Items, Corporate Franchise Taxes, CWC, Plant and Reserve, PSC Assessment, Rate Case Expense, Advertising, Interest on Customer Deposits, Outside Contractors/Services, Allocations Accounting Schedules/Reconciliation Filed Direct and Surrebuttal Testimony Deposed on Advertising Testified on Property Tax
AmerenUE (GAS)	GR-2010-0363	Capitalized O&M Depreciation, Dues & Donations, 900 Account analysis, Property Taxes, Other Rate Base Items, Corporate Franchise Taxes, CWC, Plant and Reserve, PSC Assessment, Rate Case Expense, Advertising, Interest on Customer Deposits, Outside Contractors/Services Accounting Schedules/Reconciliation Filed Direct Testimony
KMB Utility Corporation	WR-2010-0345 SR-2010-0346	Revenues, Late Fees, Electric Bills, Lost Water Adjustment, Uncollectibles, Master meter reads Filed Staff Recommendation
Ameren UE (ELEC)	ER-2010-0036	Advertising, Capitalized O&M Depreciation, Dues & Donations, 900 Account Analysis, Property Taxes, Other Rate Base Items, Corp. Franchise Taxes, Leases, CWC, Plant, Depreciation/ Reserve, PSC Assessment, Rate Case Expense, Interest on Customer Deposits, Insurance Expenses, Accounting Runs, Injuries and Damages Accounting Schedules/Reconciliation Filed Direct and Surrebuttal Testimony

Lisa M. Ferguson

Past Rate Case Proceedings:

Company Name	Case No.	Issue
Peaceful Valley	SR-2009-0146 WR-2009-0145	Informal Small Water and Sewer Request for Rate Increase
Cannon Home Association	SR-2009-0144	Informal Small Water Request for Rate Increase
Atmos Energy	GO-2009-0046	Assisted on ISRS Filing; Extending data to Effective Date; Retirements; Deferred Taxes; Accumulated Depreciation; Removal of Meters
Ameren UE (GAS)	GT-2009-0038	Assisted on ISRS Filing; Extending data to Effective Date; Additions/Retirements; Deferred Taxes; Accumulated Depreciation
Laclede Gas Company	GO-2009-0029	Assisted on Abandonment Case – Recommendation Submission
Mill Creek	SR-2005-0116	Quarterly Reviews; Procedural Schedule; A/P Billing Calendar; Conference Calls; Discussion Notes; Revenues

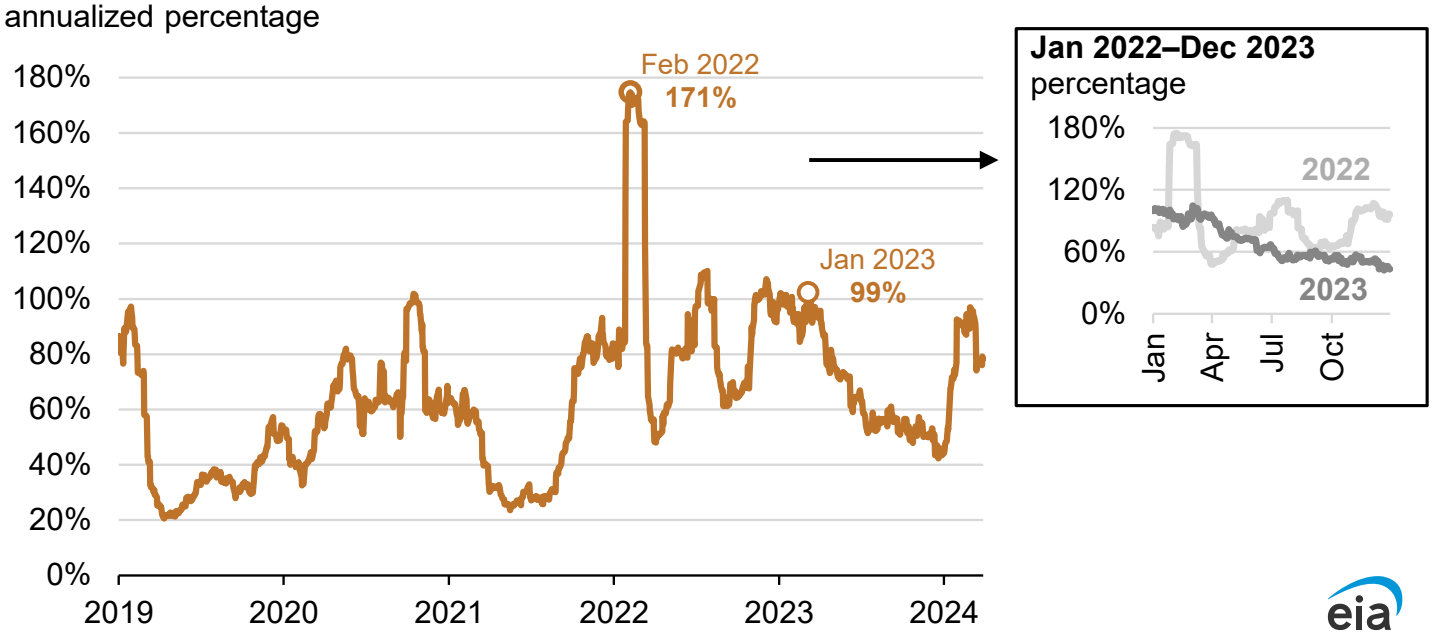
Ameren Missouri General Rate Case Case No. ER-2024-0319 Staff's Direct Revenue Requirement Testimony – Staff Testimony Responsibility	
Staff Witness	**Issue Responsibility**
Paul K. Amenthor	Software Maintenance and Cybersecurity Expense; RESRAM investment, revenue, and expense; Cash Working Capital; Customer Convenience Fees; Wind Generation Operations & Maintenance Expense; New Solar Facilities Expense; Renewable Solutions Program (RSP) Revenue and Expense; RSP Revenue Tracker; Maryland Heights Landfill Expense; Renewables BTA Cost Adjustment
Alan Bax	Line Losses; Kersting Estates
Benjamin H. Burton	Property Tax Expense; Property Tax Tracker; Rate Case Expense; PSC Assessment; Plant In Service & Accumulated Depreciation Reserve; Materials & Supplies; Prepayments; Customer Deposits; Interest on Customer Deposits; Customer Advances; Emission Allowances and RECs; Capitalized O&M Depreciation; Fuel Inventory; Advertising; Misbooked Gas Costs; AMI Meter Adjustment; Radioactive Waste Disposal; NRC Fees
Amanda Coffer	Depreciation
Kim Cox	Revenues and Billing Determinants (non-11M Customers) – Days, Growth, annualization, rate change; Lighting; Community Solar
Francisco Del Pozo	Weather and WN
Theresa Denney	FAC; FAC Base Factor
Jane Dhority	Payroll; Payroll Taxes; Employee Benefits; Pensions and OPEBs; SERP; MEEIA Test Year Non-Labor Removal; Incentive Compensation; Plant in Service Accounting (PISA); Allocations & Affiliate Transactions including Building Rent; Callaway Refueling Labor & Non-Labor
Amy Eichholz	Low-Income
Claire M. Eubanks, P.E.	High Prairie; Rush Island; Smart Energy Plan
Lisa M. Ferguson	Facilities and Property Transactions; Fuel Expense; Fuel Additives; Purchased Power; Off System Sales; MISO/SPP Revenue & Expense; Capacity and Ancillary Revenue & Expense; DOE Reimbursements; FERC ROE Case Matters & Legal Fees; Amortizations; Income Tax; Accumulated Deferred Income Tax; Excess Accumulated Deferred Income Taxes; IRA Income Tax Tracker; Kersting Estates; Community Solar; Senate Bill 872; Potential Inadvertent Normalization Violation
Sarah Fontaine	Customer Service; EC-2023-0395 Order
Blair Hardin	Corporate Franchise Tax; Rents and Leases; Dues & Donations; Board of Directors Expenses; Insurance Expense; Electric Revenue Test Year Removal; Miscellaneous Revenue; Gross Receipts Tax; Uncollectibles; FAC Expense Removal
Jordan Hull	Heat Rates

Randall Jennings	RESRAM Prudence Review; Tariff Tracking & Coordination
Contessa King	Chapter 13 Related Tariff Changes and Paperless Billing
Coty King	AMI Meter Opt-Out; Tariff Issues
Sarah L. K. Lange	Class Cost of Service; Rate Design; Time of Use/NM Study
Shawn Lange	Fuel Model
Karen Lyons	RES Rebase and Amortization; Solar Rebates; Electric Vehicles; EV Incentive; Charge Ahead Regulatory Asset; PAYS Regulatory Asset; Keeping Current; Low Income Weatherization
Keith Majors	Storm Expense; Vegetation Management; Infrastructure Investment; Rush Island Securitization; Rush Island Post Closure Maintenance; NSR Reserve; Rush Island Legal Fees; Meramec Regulatory Asset; Meramec Post Closure Maintenance
Brodrick Niemeier	In-Service Criteria for Boomtown, Huck Finn, Cass County, Fee Fee, Delmar, North Metro, House Springs
Hari K. Poudel	MEEIA/NMR; Economic Development Incentive; Rate Design
Michael L. Stahlman	Block Adjustment; Nodal Market Price Method (Fuel Model); NSI (fuel model)
Marina Stever	Revenues and Billing Determinants (11M) – Days, Growth, annualization, rate change; Miscellaneous Rate Revenue; Customer Owned Solar
Justin Tevie	Market Energy Prices; Electrification Costs
Seoung Joun Won, PhD	Capital Structure and Return on Equity
Max Young	In-Service Criteria for Boomtown, Huck Finn, Cass County, Fee Fee, Delmar, North Metro, House Springs

JUNE 4, 2024

U.S. natural gas prices calmed after a volatile 2022

Natural gas 30-day historical price volatility (Jan 1, 2019–Mar 31, 2024)
annualized percentage

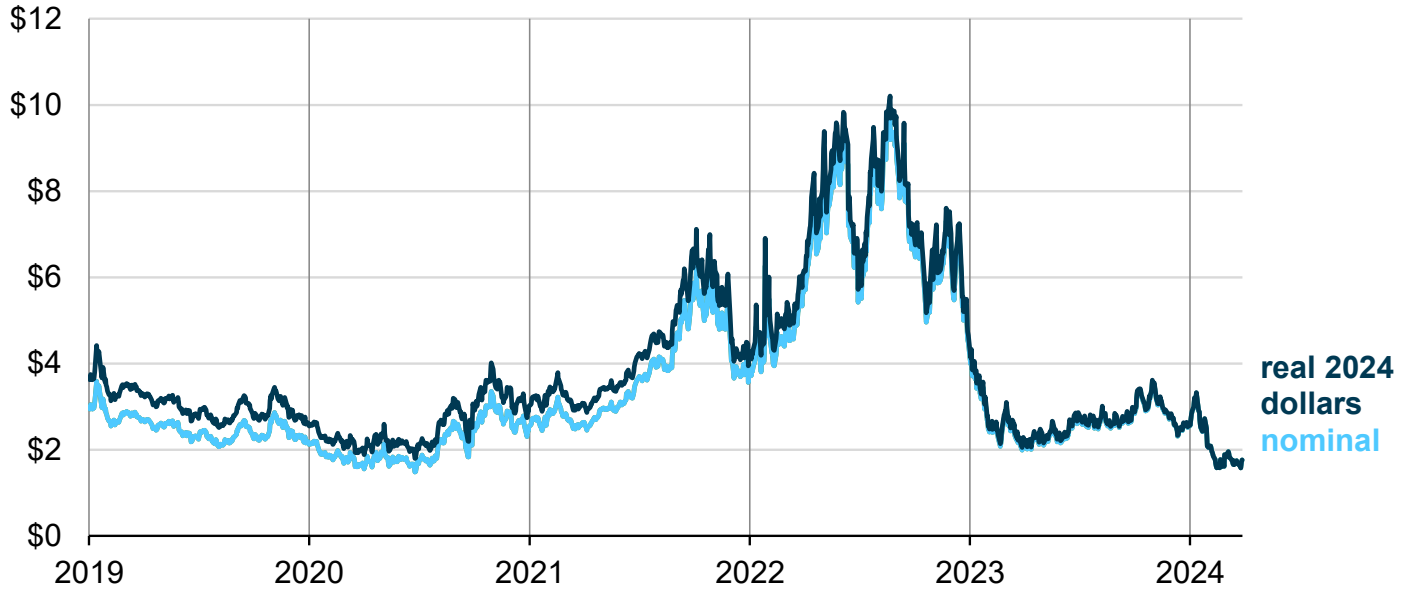


Data source: Bloomberg L.P.
Note: Annualized percentage, a widely used trading measure of price volatility, is the standard deviation for the previous 30 days of daily changes in the Henry Hub front-month futures price multiplied by the square root of 252 (number of trading days in a year) multiplied by 100. Percentages are averages for that period.

As average prices of U.S. natural gas fell in 2023, natural gas prices also became less volatile compared with 2022. Historical volatility, a measure of daily price changes relative to average prices, eased from the recent highs reached in 2022. The measure of historical volatility we use here, which relates short-term price movements to average prices over a defined period, reached 171% for U.S. wholesale natural gas in February 2022, the most volatile since at least 1994. This 30-day historical volatility of U.S. natural gas prices is based on the U.S. benchmark Henry Hub front-month futures price. It averaged 69% in 2023 compared with 91% across all of 2022.

This approach to volatility is deliberately independent of how high prices are on average. Nevertheless, high percentages of historical wholesale natural gas price volatility came as prices were higher than average for many years prior to 2022. We discussed the drivers of U.S. natural gas pricing in early 2023, pointing out the prospects for lower, less volatile prices into 2023 at the time. The lower historical wholesale natural gas volatility we observed in 2023 came in addition to lower prices. So far in 2024, increased historical volatility has occurred even as prices have fallen to record lows.

Henry Hub front-month natural gas futures price (Jan 1, 2019–Mar 31, 2024)
dollars per million British thermal units



Data source: CME Group; Bloomberg, L.P.
Note: Real prices are adjusted to March 2024 dollars.

After peaking in February 2022, monthly average historical natural gas price volatility was generally lower through the second quarter until increasing again in July to 105%. U.S. wholesale natural gas prices were particularly volatile in 2022 because of additional uncertainty caused, in part, by increased European demand for liquefied natural gas (LNG) following Russia's full-scale invasion of Ukraine in February and the explosion at the Freeport LNG export terminal in June.

In 2023, historical wholesale natural gas price volatility peaked in January at an average of 99% and averaged 96% in the first quarter. At the same time, natural gas prices declined by 41% in January 2023 compared with December 2022, driven by less natural gas consumption for space heating because of warmer-than-average temperatures, increased natural gas production in the United States, and increased storage inventories. Less consumption and more production reduced natural gas withdrawals from storage in January by 55%, or 371 billion cubic feet, compared with the five-year (2018–22) average.

Historical price volatility generally fell in U.S. natural gas markets throughout 2023. On average, volatility reached a monthly low of 47% in December, the warmest on record in many U.S. locations, as less natural gas was consumed compared with December 2022 and as record monthly U.S. natural gas production reached its peak. Throughout 2023, with inventories of natural gas well above the five-year (2018–22) average and with no major disruptions that significantly changed market conditions, historical price volatility fell compared with 2022.

In 2023, the Henry Hub front-month futures price declined to average $2.66 per million British thermal units (MMBtu) compared with $6.54/MMBtu in 2022. Although it has been rising recently, the front-month Henry Hub natural gas futures price averaged $2.10/MMBtu in the first quarter of 2024 as its historical volatility averaged 80%.

In early 2024, the historical price volatility of wholesale U.S. natural gas averaged 92% in February. Disruptions to natural gas production, increased consumption to meet space-heating demand, and the third-largest withdrawal from natural gas storage on record for the week ending January 19, 2024, all due to Winter Storm Heather in January, contributed to increased historical volatility of wholesale U.S. natural gas prices.

Uncertainty about market conditions that affect natural gas supply and demand affect the volatility of prices. Consequently, significant amounts of natural gas in storage can make these uncertainties less critical and reduce exposure to volatility. According to our latest weekly report, as of May 24, 2024, almost 27% more natural gas was held in U.S. storage than at the same time of the year on average for the last five years.

Events that contribute to uncertainty in natural gas markets can include:

- Production disruptions due to severe weather or other causes
- Unplanned pipeline maintenance and outages
- Significant departures from normal weather affecting consumption
- Changes in natural gas inventory levels from expected levels

- Use of natural gas and availability of other fuels for power generation
- Unexpected or large changes in the volume of imports or exports
- Trading activity

Principal contributor: Katy Fleury