

Exhibit No. 52

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Board Documents; Late
Fees
Witness: Tom Byrne
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2021-0241

REBUTTAL TESTIMONY

OF

TOM BYRNE

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
October, 2021**

TABLE OF CONTENTS

I. INTRODUCTION 1

II. RATE CASE EXPENSE..... 2

III. AMEREN BOARD OF DIRECTORS DOCUMENTS 7

IV. LATE FEES..... 9

REBUTTAL TESTIMONY

OF

TOM BYRNE

FILE NO. GR-2021-0241

I. INTRODUCTION

1

2

Q. Please state your name and business address.

3

A. My name is Tom Byrne. My business address is One Ameren Plaza, 1901
4 Chouteau Ave., St. Louis, Missouri.

5

**Q. Are you the same Tom Byrne that submitted direct testimony in this
6 case?**

7

A. Yes, I am.

8

Q. To what testimony or issues are you responding?

9

A. I am responding to the Missouri Public Service Commission Staff ("Staff") Cost
10 of Service Report ("COS Report") on the following topics:

11

- Staff's recommendation regarding the amount of rate case expense to be
12 included in the revenue requirement in this case;

13

- Staff's recommendation that the Company make documents from its
14 Board of Directors' meetings and various committee meetings available
15 to Staff on a continuous basis; and

16

In addition, I am responding to the recommendations of the Office of the Public

17

Counsel ("OPC") to greatly lower, or remove, late fees.

II. RATE CASE EXPENSE

1
2 **Q. What is Staff recommending with regard to rate case expense to be**
3 **included in the revenue requirement in this case?**

4 A. Like the Company, Staff witness Jason Kunst developed a normal level of rate
5 case expense by averaging the rate case expense for Ameren Missouri's last two rate cases. That
6 resulted in a normal level of rate case expense of \$0.420 million for each rate case. Staff further
7 normalized this amount over three years¹—in other words, Staff presumed that the Company
8 would file rate cases every three years and so 33% of the normal level of rate case expense
9 should be included in the annual revenue requirement. However, Staff witness Kunst diverged
10 further from the Company's approach in that he is recommending sharing of rate case expense
11 50/50 between customers and shareholders, so he is only recommending that half of the
12 normalized amount be included in the revenue requirement.

13 **Q. Is Mr. Kunst's proposal to share rate case expense 50/50 between**
14 **customers and shareholders appropriate in this case?**

15 A. No, it is not. The section of the Staff's COS Report that addresses this issue
16 suggests that Mr. Kunst applied the 50/50 sharing as a matter of general policy, not based on
17 the facts of this particular case. Specifically, Mr. Kunst bases his proposed cost sharing on the
18 following justifications, which would apply to any rate case:

19 1) The sharing of rate case expenses creates an incentive for the utility to
20 control rate case expense to a reasonable level, while eliminating the
21 disincentive for the utility to control the rate case expense;

22 2) Ratepayers and shareholders both benefit from the rate case process.
23 While the ratepayer receives safe and adequate service at a just and
24 reasonable rate, the shareholder is afforded the opportunity to earn an
25 adequate return on their investment;

¹ Although the Company normalized rate case expense over two years in its direct filing, Staff's proposed normalization over three years is reasonable in this case.

1 3) Ratepayers will continue to pay for the majority of the rate case expense
2 regardless of any sharing mechanism when including the internal labor costs
3 that are not included in the sharing mechanism; therefore, it is fair and
4 equitable to allocate a portion of the rate case expense to the shareholders;
5 and

6 4) It is highly probably that some recommendations advocated by the utility
7 through the rate case process will ultimately be determined to be not in the
8 public interest by the Commission.²

9 Again, these are general policy considerations that would apply to any rate case filed by
10 any utility.

11 **Q. What is wrong with the Commission adopting a generic policy to allocate**
12 **rate case expense 50/50 based on general policy considerations that would be applicable**
13 **to any rate case filed by any utility?**

14 A. If the Commission wants to adopt a policy of general applicability to all utilities
15 it must do so through a rulemaking proceeding, where it provides notice to the public and an
16 opportunity to comment to all interested stakeholders. After considering those comments, and
17 following the procedures in the Missouri Administrative Procedure Act, the Commission can
18 adopt a rule of general applicability on the allocation of rate case expense between customers
19 and shareholders. However, the Commission has not conducted such a rulemaking proceeding,
20 so any allocation of rate case expense between customers and shareholders must be based on
21 the specific facts of each case.

² File No. GR-2021-0241, Staff Cost of Service Report, p. 68, l. 25 to p. 68, l. 7.

1 **Q. Has the Commission recognized this limitation on its ability to apply a**
2 **generic policy to the allocation of rate case expenses?**

3 A. Yes it has. In an appeal by Kansas City Power & Light Company ("KCPL") of
4 the Commission's allocation of rate case expenses between customers and shareholders, KCPL
5 alleged that the Commission had improperly established a policy of general applicability to all
6 utilities for sharing rate case expense without following the procedures for rulemaking. The
7 Commission recognized this limitation on its ability to enact a policy of general applicability
8 without following rulemaking procedures, but denied it had done so in that case. The
9 Commission's brief in that case stated:

10 **B. The Commission established a method of rate case allocation based**
11 **only of the facts of this case and did not engage in improper**
12 **rulemaking.**

13 “Agency rulemaking occurs with the formulation, or repeal, of a statement
14 of general applicability that implements, interprets or prescribes law or
15 policy, or that describes the organization, procedure, or practice
16 requirements of any agency.” *Greenbriar Hills Country Club v. Dir. of*
17 *Revenue*, 47 S.W.3d 346, 357 (Mo.banc 2001) (internal quotation and
18 citation omitted). An agency rule cannot be promulgated or repealed in an
19 adjudicatory proceeding. *Id.* To effect a rule change applicable to all
20 utilities, the Commission would have to undertake a rulemaking under
21 Chapter 536. *Id.*

22 Contrary to KCPL’s assertions, the Commission did not announce a new
23 rule applicable to all utilities in this case. KCPL asserted during the rate
24 case that the Commission was engaging in a rulemaking through an
25 adjudicatory order. (LF 1522). ***The Commission expressly denied that it***
26 ***was announcing a general change in policy regarding rate case expense***
27 ***in this Report and Order.*** (LF 1522). The Commission instead set just and
28 reasonable rates under the particular facts of this case and did not engage in
29 improper rulemaking. (LF 1522). ***The Commission may handle rate case***
30 ***expense differently in future rate cases.***³

³ *Brief of Respondent Public Service Commission in Response to Kansas City Power & Light's Brief*, May 5, 2016, Case No. WD79125, Missouri Court of Appeals, Western District of Missouri, pp. 52-53 (emphasis added).

1 **Q. Did the court accept this argument?**

2 A. Yes, it did. The court's opinion stated: "Contrary to KCPL's argument, the
3 PSC clearly established that the formula was proper *in this case* due to the unique
4 circumstances of this rate case and it was not announcing a new policy of general
5 applicability to all utilities."⁴ The court cited a number of specific circumstances in the case
6 that justified the Commission's allocation of rate case expenses, including the following
7 statement from the Commission's order in that case:

8 The evidence shows that the expenses in this case are driven primarily by
9 issues raised by KCPL, which has complete control over the content and
10 methodologies proposed when it files its rate cases. In this case, KCPL has
11 requested three new trackers, two of which have never been requested
12 before in Missouri. KCPL has also requested recovery in rates of the
13 expenses from the Clean Charge Network, which is a type of expense that
14 has never been raised in a rate case before this Commission. Each of these
15 issues are unique to KCPL, and while KCPL always has the opportunity to
16 pursue new and unique issues in a rate case, the decision to do so is entirely
17 with[in] KCPL's power. In addition, KCPL has pursued some issues that
18 only directly benefit shareholders, such as the La Cygne accounting
19 authority and, of course, a higher ROE. In recent rate cases, KCPL has
20 incurred rate case expenses substantially higher than historical levels and
21 higher than other utilities in Missouri.⁵

22 **Q. Have there been any other Missouri court decisions addressing the**
23 **allocation of rate case expense?**

24 A. Yes. Earlier this year, the Missouri Supreme Court addressed the Commission's
25 order allocating 50% of Spire Missouri's rate case expense to shareholders. The Court upheld
26 the Commission's decision, but again the decision was grounded in the specific facts of that
27 case. The Supreme Court said:

⁴ *In the Matter of Kansas City Power Light Company's Request v. Mo. Pub. Serv. Comm'n*, 509 S.W.3d 757, 777 (Mo. App. W.D. 2016) (emphasis added).

⁵ *Id.*, quoting the Commission's Report and Order in File No. ER-2014-0370.

1 As of September 30, 2017, Spire’s total rate case expenses were \$1,393,399.
2 The PSC’s staff of technical and subject matter experts (“Staff”)
3 recommended disallowing expenses relating to the procurement of a Cash
4 Working Capital study by the consultant firm Scott Madden. The Office of
5 Public Counsel recommended disallowing expenses related to Spire’s
6 expert witness Thomas Flaherty because of the high hourly rate charged.
7 The PSC determined that approximately half the litigated issues in this case
8 were driven by Spire and among these issues were the proposed use of
9 various shareholder-favorable ratemaking tools, including a revenue
10 stabilization mechanism, a rate of return on equity of 10.35 percent (which
11 would have been the highest of any large utility in Missouri), tracking
12 mechanisms to limit shareholder risk, and earnings-based incentive
13 compensation. The PSC further determined Spire “padded” its revenue
14 requirement by pursuing positions it did not expect to win. Accordingly, the
15 PSC determined Spire should recover the entire cost of customer notices,
16 totaling \$436,000, and Spire’s depreciation study,^[4] totaling \$54,114, but
17 only 50 percent of Spire’s remaining rate case expenses.⁶

18 **Q. Has Staff cited any specific facts in this case that would justify allocation of**
19 **any part of the rate case expense to Ameren Missouri shareholders?**

20 A. No, it has not. As I previously mentioned, Staff witness Kunst's adjustment is
21 only based on general policy considerations that would be applicable to any rate case. He has
22 cited no case-specific evidence that would justify allocation of any portion of the rate case
23 expense to Ameren Missouri shareholders, let alone 50%.

24 **Q. Do the specific circumstances of this case justify the allocation of rate case**
25 **expense to shareholders?**

26 A. No, they do not. Ameren Missouri has filed a very "clean" case driven largely
27 by rate base investment needed to serve customers. Ameren Missouri has not raised unique
28 issues designed to benefit shareholders. Ameren Missouri has not proposed multiple
29 shareholder-favorable ratemaking tools. Ameren Missouri has not "padded" its revenue
30 requirement taking positions on issues it did not expect to win. Ameren Missouri has not asked

⁶ *Spire Missouri, Inc. v. Pub. Serv. Comm'n*, 618 S.W.3d 225, 229 (Mo. Banc 2021) (footnotes in quote omitted).

1 for an unreasonably high return on equity—the 9.8% request is the same as a 9.8% return
2 granted to Spire in a recent case and only 5 basis points higher than the range of reasonable
3 returns on equity supported by the Staff in this case. Ameren Missouri is asking for no new
4 trackers in this rate case. The normalized rate case expense calculation is also based on previous
5 cases, and parties did not challenge the reasonableness of attorney or witness fees in any of those
6 cases. The total amount of rate case expense proposed for inclusion in this case — \$0.210
7 million — is a normalized three-year average and is not unusually high compared to other
8 utilities' rate case expense. As a consequence, there is no basis whatsoever to allocate any rate
9 case expense to shareholders in this case.

10 **III. AMEREN BOARD OF DIRECTORS DOCUMENTS**

11 **Q. Please summarize Staff's recommendation regarding documents from the**
12 **Company's Board of Directors' meetings and Board Committee meetings.**

13 A. Staff witness Lisa Ferguson expressed concerns that it took extra time for
14 Ameren Missouri to respond to Staff's request to review Board and Board Committee
15 documentation in this case. She said that this type of delay can create problems due to the limited
16 timeframe that Staff has to conduct its audit in a rate case. Consequently, she recommended that
17 the Commission order Ameren Missouri to make such documentation available to Staff upon
18 request at any time, outside of a rate case or any other proceeding.⁷

19 **Q. Were there delays in getting Staff copies of Board and Board Committee**
20 **documentation in this case?**

21 A. Yes, there were some delays. Typically, Staff reviews physical copies of Board
22 documents at Ameren Missouri's office. However, due to COVID, Ameren Missouri's offices

⁷ File No. GR-2021-0241, Staff Cost of Service Report, p. 2, l. 21 to p.3. l. 28.

1 were closed. Therefore, the Company had to develop a method to share the documents Staff
2 sought electronically, and development of that process delayed the provision of the documents.
3 In addition, there was a slight delay due to the unavailability of the custodian of the Board
4 documents. However, these delays did not prevent the Staff from having the opportunity for full
5 review of the documents for its audit. Moreover, these were one-time issues that should not
6 recur in the future. The method for electronic review is now fully functional, and can be used in
7 future cases.

8 **Q. Do the delays mentioned above justify the Commission ordering the**
9 **Company to provide Board and Board Committee documentation to Staff at any time**
10 **Staff requests, whether there is a case pending or not, whether they are relevant to any**
11 **legitimate Staff inquiry or not?**

12 A. No. Staff reviews Board documents in every rate case and in some Purchased
13 Gas Adjustment and Fuel Adjustment Clause cases, but to my knowledge, they have never even
14 asked to see Board documents in any other situation. Although they certainly could discover
15 Board documents in other cases, such as a Staff investigation for example, the documents would
16 have to be relevant to the inquiry at hand. It is not appropriate, in my opinion, for Staff to access
17 these sensitive documents at all times and for any or no reason at all.

18 **Q. Is the Company willing to agree to any steps to make sure that Board and**
19 **Board Committee documents are available to Staff on a timelier basis in rate cases?**

20 A. Yes. The Company is willing to commit to providing Staff with Board and
21 Board Committee documents within two weeks of filing a general rate case. These documents
22 would be for the period beginning with the true-up date in the Company's previous rate case
23 until the date of filing of the new rate case. The Company would also provide regular updates

1 as the case progresses. This should provide Staff plenty of time to review these documents
2 during the 11-month period of the rate case. The Company will also provide the documents
3 pursuant to discovery requests in any other case where the Staff requests them, subject to any
4 valid objections.

5 **IV. LATE FEES**

6 **Q. OPC witness Dr. Geoffrey Marke recommended removing or drastically**
7 **reducing late fees. Do you believe such changes are appropriate?**

8 A. I do not. The Commission should recognize that adoption of this type of a policy
9 would constitute a complete change in cost recovery philosophy and would result in different
10 utilities having very different approaches to late fees across the state. If the Commission believes
11 a policy change should be examined, then it should establish a workshop docket to discuss the
12 potential impact upon all customers and utilities and, if appropriate, adopt an administrative
13 rule. The rule could then be applied and implemented in each utility's rate case.

14 **Q. Is it unusual for utilities to charge late fees?**

15 A. It is not. Every utility in the state charges a late fee for bills paid after a due date.
16 I have not done a survey outside of the State of Missouri but it is my impression that late fees
17 are commonplace the industry. In fact, late fees are common for almost every billed service that
18 I can think of, even beyond utilities – credit card payments, leases, home loans, car loans, etc.
19 The idea is to incentivize customers to pay their bills on time. Utilities, like all businesses, rely
20 on cash flow to pay their bills and to function. Incentivizing people to pay on time helps to
21 maintain a necessary cash flow.

1 **Q. If the Commission decided to do away with or greatly lessen these fees,**
2 **would there be an impact on the Company's revenue requirement?**

3 A. This action would not lower the total revenue requirement (although the
4 requested increase would go up), but it would mean the costs of late paying customers would
5 be borne by all customers instead of by the cost causers. In other words, if the Commission
6 eliminated or reduced these fees, this revenue would have to be collected elsewhere within
7 Ameren Missouri's rates, most likely by adding them to the volumetric rates paid by all
8 customers.

9 Additionally, the Cash Working Capital ("CWC") study (a study which compares
10 when cash comes into Ameren Missouri to when cash is paid out by the Company)
11 submitted in this case would no longer be accurate because the Company's cash working
12 capital requirement would be understated. That study determined the costs associated with
13 the existing level of late payments. However, as the number of customers who pay late
14 increases because of the removal of the incentive to pay on time, the Company's cash
15 working capital needs will also increase. Consequently, if the Commission were to
16 eliminate late fees it would also need to increase the revenue requirement to account for
17 these higher cash working capital needs resulting from that change.

18 **Q. Do you believe greatly reducing or removing late fees would impact**
19 **customer behavior?**

20 A. I do. During the first several months of the COVID-19 pandemic, Ameren
21 Missouri sought and was granted the ability to not impose late fees. During that time,
22 approximately March through August of 2020, we saw arrears increase substantially both for
23 customers who had a history of delinquency and for those who did not. Once we reinstated those

1 charges, arrears and write-offs have normalized. While there are likely other factors involved in
2 this situation, it is clear that while late fees were eliminated that the incentive to pay on time had
3 been reduced.

4 **Q. Are there any other problems that could be caused by reducing/eliminating**
5 **late fees?**

6 A. Yes. Customers will have less incentive to pursue energy assistance dollars that
7 are available to them. They may also run up larger balances that ultimately are impossible for
8 them to pay. For all of these reasons, reducing or eliminating late fees is not appropriate.

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

10 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) Case No. GR-2021-0241
Its Revenues for Gas Service.)

AFFIDAVIT OF TOM BYRNE

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

Tom Byrne, being first duly sworn on his oath, states:

My name is Tom Byrne, and on his oath declare that he is of sound mind and lawful age; that he has prepared the foregoing *Rebuttal Testimony*; and further, under the penalty of perjury, that the same is true and correct to the best of my knowledge and belief.

/s/ Tom Byrne

Tom Byrne

Sworn to me this 15th day of October, 2021.