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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2019-0077

REBUTTAL TESTIMONY

OF

MICHAEL W. HARDING

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a AMEREN MISSOURI

**St. Louis, Missouri
June 2019**

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REBUTTAL TESTIMONY

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1

I. INTRODUCTION

2

Q. Please state your name and business address.

3

A. Michael W. Harding, Union Electric Company d/b/a Ameren Missouri

4

("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St.

5

Louis, Missouri 63103.

6

Q. What is your position with Ameren Missouri?

7

A. I am employed by Ameren Missouri as the Manager of Rates & Analysis.

8

Q. Are you the same Michael W. Harding that submitted direct testimony

9

on behalf of Ameren Missouri in this case?

10

A. Yes, I am.

11

Q. Please outline the general content of your rebuttal testimony in this

12

proceeding.

13

A. My rebuttal testimony will distinguish the Missouri Public Service Commission

14

("Commission") Staff's allocation of revenues to each class and rate design alternative from the

15

Company's proposals. I further respond to Staff's proposal for treatment of the Company's

16

Special Contracts and the Company's proposed Weather and Conservation Adjustment

17

Rider ("WCAR"). I will address the National Housing Trust's ("NHT's") general comments

18

on Residential customer charges and I will refute the Missouri School Board Association's

1 ("MSBA's") mischaracterizations regarding the special School Aggregation Transportation
2 program.

3 **II. DISTINGUISHING STAFF'S ALLOCATION OF REVENUES TO CLASSES**

4 **Q. How does Staff's allocation of class revenues to each class differ from**
5 **Ameren Missouri's allocation of class revenues?**

6 A. Ameren Missouri proposed a revenue requirement increase. Staff's revenue
7 allocation is predicated on a revenue requirement decrease, which makes a comparison of Staff's
8 allocated revenues to Ameren Missouri's allocated revenues difficult. Generally, Ameren
9 Missouri agrees with Staff that the Standard Transportation class warrants a decrease more
10 in line with their cost of service. However, given all classes require some adjustment
11 toward their class cost of service, a single blanket allocation of all increases or reductions
12 to a particular class would disregard the necessary progression of other classes toward their
13 own respective class cost of service. Therefore, even if the Commission were to approve
14 Staff's proposed revenue requirement decrease (which the Company believes it should not),
15 the Company recommends that the Commission consider whether a decrease in the class
16 cost of service should benefit a single class or be applied in some degree to all classes.

17 **III. STAFF'S INCLINING BLOCK RATE ALTERNATIVE**

18 **SHOULD NOT BE ADOPTED**

19 **Q. Does Ameren Missouri support the alternative inclining block rate design**
20 **proposal presented by Staff?**

21 A. No.

1 **Q. What are your concerns with Staff's alternative proposal?**

2 A. First, an inclining block rate is generally adopted in order to promote
3 conservation by imposing a higher cost on higher levels of usage. In the winter, however, space
4 heating of homes is by far the largest driver of Residential customer gas use. Space heating is a
5 critical end use for the safety and comfort of Ameren Missouri's Residential gas customers.
6 Therefore, the promotion of conservation during extremely cold periods must be balanced with
7 the safety and comfort of space heating customers. The higher second tier rate could create a
8 situation where customers are faced with a choice at the coldest times of the year between not
9 being able to keep their homes heated or experiencing significant artificial increases in their gas
10 bill — increases that are not tied to the actual cost of the provision of that gas service. The
11 Commission recognized this issue in its Report and Order in Spire's recent gas rate case
12 (Consolidated File Nos. GR-2017-0215 & GR-2017-0216) on page 89, finding that:

13 However, during the winter, conservation becomes much more difficult
14 because the majority of the usage is for heating the home. A level block rate
15 will give the customers some stability during the winter when they are less
16 able to conserve.

17 Consistent with that finding, Ameren Missouri's winter rates should be held flat as well.

18 Second, an inclining block rate for gas in the summer could potentially discourage
19 customers from using additional gas during a time when the gas infrastructure is most
20 underutilized, which runs counter to most contemporary rate design proposals that attempt to
21 shift usage or encourage usage during periods of excess system capacity. Reduction in usage in
22 the summer when the system is flush with idle capacity would not result in the avoidance of any
23 costs or investments in infrastructure, but would spread the fixed costs of the gas system over
24 fewer Ccf of usage, ultimately raising rates for all customers.

1 Third, the proposed inclining block split has no logical basis in cost of service, and
2 would merely be a subjective split based on varying individual preferences. Despite Staff's
3 attempt to find a cost rationale for the second block by allocating equity returns on rate base to
4 the higher block, there is simply no rationale to do that in terms of reflecting cost causation.

5 **IV. STAFF'S CALCULATION OF REVENUES TO BE RECEIVED FROM**
6 **SPECIAL CONTRACT CUSTOMERS IS INCORRECT**

7 **Q. What is the purpose of a Special Contract?**

8 A. As explained in the Company's tariffs on Sheet No. 18.1, Special Contracts are
9 needed in limited circumstances:

10 The Company may, in instances where it faces bypass from interstate or
11 intrastate pipelines, enter into special transportation rate contracts with
12 industries or other large consumers on such terms and conditions as may be
13 agreed upon by the parties and which, in the Company's sole discretion, are
14 deemed necessary to retain services to an existing customer, or to reestablish
15 services to a previous customer or to acquire new customers.

16 Use of Special Contracts to avoid bypass is economically beneficial to all customers.
17 Retaining customers that provide a contribution to recovery of the fixed costs of the gas system
18 when the alternative – bypass of the Company's gas system – will result in the loss of that
19 contribution in its entirety, prevents revenue loss that would ultimately be borne by other
20 customers who remain on the system.

21 **Q. In its Direct testimony, Staff suggests calculating the Special Contract**
22 **customers at the Large Volume Transportation rates instead of the rates such customers**
23 **are currently receiving under their respective Special Contracts. Please explain why this**
24 **doesn't make sense for calculating revenues in the test year.**

25 A. Staff states that, since a "detailed analysis" hasn't been performed on two of the
26 three Special Contract customers, rates those customers are currently billed shouldn't be used in

1 calculating the Company's normal revenues in the test year.¹ Ameren Missouri reviews these
2 contracts on a yearly basis to determine if terms under the contract are still appropriate. While
3 Ameren Missouri reviews these Special Contracts on an annual basis, performing this "detailed
4 analysis" would be completely unnecessary, unless there had been substantial changes in the
5 conditions on the pipeline and the customer's situation concerning bypass of the Ameren
6 Missouri system since the last time the customer had provided evidence of their ability and
7 willingness to bypass. No substantial changes for the two customers have occurred warranting
8 them to provide new estimates for connection to the pipeline. If any evidence were to present
9 itself that the customer or pipeline to which the customer has an option to bypass Ameren
10 Missouri had changed, Ameren Missouri would require a detailed analysis to include a refresh
11 of the customer's cost to bypass. An example of this would be a situation where the adjacent
12 pipeline was removed or the customer relocated its operations from which it previously
13 provided the analysis of its intent and ability to bypass Ameren Missouri. But Ameren Missouri
14 currently has no reason to believe anything has fundamentally changed in the situations
15 surrounding the customers, their ability to bypass, or a reason to renegotiate their terms.

16 **Q. What are the potential consequences of calculating Special Contracts as**
17 **proposed by Staff?**

18 A. Calculating revenues for two of the special contract customers based on large
19 volume transportation rates instead of their contract rates would overstate the Company's
20 revenues in the test period by \$766,305. Such an overstatement of revenues would create rates
21 lower than what is actually required to achieve Ameren Missouri's revenue requirement. The
22 imputation of higher revenues associated with these customers would result in Ameren

¹ Staff Cost of Service Report, p. 52.

1 Missouri's rates being designed with the expectation of under-recovering its revenue
2 requirement as long as the Special Contracts continue. In other words, the Company would be
3 encouraged to consider terminating the contracts, even if the threat of bypass still exists. In such
4 a case, the special contract customers may choose to leave the Ameren Missouri system,
5 resulting in the entire revenue contribution formerly associated with that customer, now being
6 allocated to other customers. Ameren Missouri recommends calculating these revenues as they
7 are billed in the test year and will be billed moving forward until an evaluation of the contract
8 or fundamental change in the situation of the customer or pipeline warrants a detailed
9 reevaluation by Ameren Missouri.

10 **V. THE COMPANY'S WEATHER AND CONSERVATION ADJUSTMENT**
11 **RIDER SHOULD BE APPROVED**

12 **Q. Do you have any concerns with Staff's proposed Weather Normalization**
13 **Adjustment Rider ("WNAR")?**

14 A. Yes. The primary concern is it doesn't include a conservation component as set
15 out in Ameren Missouri's Weather and Conservation Adjustment Rider ("WCAR"). Staff's
16 proposed Rider is similar to what has been used by Liberty Utilities and more recently by Spire
17 East. Neither of these utilities presented the information necessary to include a conservation
18 calculation in their tariffs during their respective general rate cases, but Ameren Missouri has
19 included the necessary information for a combined weather and conservation adjustment as
20 permitted under Section 386.266.3 RSMo. (2016).

21 **Q. On page 18 of Staff's Class Cost of Service Report, at lines 24-25, Staff**
22 **explains: "Staff's recommended WNAR design does not explicitly include an**
23 **adjustment for changes in conservation since it can be difficult to define or accurately**

1 **quantify." Do the Missouri Revised Statutes provide insight into the definition of what**
2 **constitutes "conservation"?**

3 A. Yes. While Chapter 386 of the Missouri Revised Statutes does not define
4 "conservation," Section 640.651 of the Missouri Revised Statutes provides the following
5 definitions:

6 (8) "**Energy conservation measure**" or "**ECM**", an installation or
7 modification of an installation in a building or replacement or modification
8 to an energy-consuming process or system which is primarily intended to
9 maintain or reduce energy consumption and reduce energy costs, or allow
10 the use of an alternative or renewable energy source;

11 (9) "**Energy conservation project**" or "**project**", the design, acquisition,
12 installation, and implementation of one or more energy conservation
13 measures[.]

14 **Q. Does Ameren Missouri's gas energy efficiency program measures fit**
15 **within those definitions in Subsections 640.651.8 & 9, RSMo. (2016)?**

16 A. While I am not an attorney, I believe they do. Ameren Missouri witness
17 Laureen M. Welikson explained the Company's gas energy efficiency program measures in her
18 direct testimony. Each of the measures Ms. Welikson described are primarily intended to reduce
19 energy consumption and costs.

20 **Q. Has Ameren Missouri provided the information required to accurately**
21 **quantify the Company's various conservation measures?**

22 A. Yes, Ms. Welikson outlines how each measure will be defined and quantified
23 in her direct and rebuttal testimony.

24 **Q. Per the authorizing statute (Section 386.266.3 RSMo. (2016)), which**
25 **defines the authorized classes eligible to receive weather and conservation**

1 **adjustments, do the Company's Residential and General Service classes qualify for**
2 **weather and conservation adjustments?**

3 A. Yes, the Company's Residential and General Service classes both qualify. As
4 stated in Staff's own Report on page 18, "eligible customer classes" means the "Residential class
5 and smallest general service class." Given the Company's small size, it only has, and only
6 requires, one General Service class. By default, when there is only one General Service class,
7 it is the "smallest general service class."

8 **Q. Does the authorizing statute (Section 386.266.3 (2016)) define how**
9 **many Ccf of gas customers are required to use in order to qualify under the statute**
10 **to have their bills adjusted for weather and conservation?**

11 A. Although I am not an attorney, I am not aware of any such language. Again,
12 the statute simply defines the qualifying customers' classes as "Residential" class and the
13 Company's "smallest general service" class. Ameren Missouri's Residential and General
14 Service classes both fit this description.

15 **VI. NATIONAL HOUSING TRUST'S RATE DESIGN CONCERNS**

16 **Q. In her direct testimony, Ms. Brink refers to Schedule MWH-D2 in my**
17 **direct testimony and states "that the average residential Ameren Gas residential customer**
18 **will pay 6.8% more annually vs. current rates." Will you please explain the increase Ms.**
19 **Brink is referring to?**

20 A. To clarify Ms. Brink's point, the 6.8% is the increase in the Residential
21 delivery charge (non-fuel revenue requirement) and customer charge only. When the
22 Purchased Gas Adjustment ("PGA") charge is added, the average Residential customer's bill
23 will increase only 3.8% or approximately \$2.00 per month for the typical Residential

1 customer (see Schedule MWH-D3 for detailed Residential billing impacts). The total
2 Residential percentage change is summarized in Table 1 below:

Table 1

	<u>Current CC & Non-Fuel</u>	<u>Proposed CC & Non-Fuel \$</u>	<u>CC & Non- Fuel %Δ</u>	<u>PGA Rev</u>	<u>Current w/ PGA</u>	<u>Proposed w/ PGA</u>	<u>Total %Δ</u>
RES	\$44,340,157	\$47,364,156	6.8%	\$34,405,620	\$78,745,777	\$81,769,776	3.8%

3 **Q. If we ignore the class cost of service study that was performed by Ameren**
4 **Missouri in this case as the basis for the proposed rates, is the Residential percentage**
5 **increase of 6.8% on non-gas rates and delivery charge a reasonable proposal when**
6 **compared to Ameren Missouri's historical non-fuel and customer rates over the last 10**
7 **years?**

8 A. Yes. If we look at the 6.8% proposed increase on non-fuel rates outside the
9 context of class cost of service, similar to how Ms. Brink described it in her direct
10 testimony, the increase still appears very reasonable. It's important to remember that
11 Ameren Missouri has not required a natural gas rate increase for almost a decade. If
12 evaluated as a compound annual growth rate over eight years, the 6.8% requested increase
13 would yield an annual compounded rate increase of only 0.82% since Ameren Missouri's
14 last gas rate review in 2010, unadjusted for inflation. Given the infrequent nature of the
15 Ameren Missouri historical gas rate cases, a consideration of the average annual rate of
16 change may be a more appropriate method for gauging the impact of the requested increase
17 against the variety of other factors that would influence the purchasing power of Ameren
18 Missouri's low-income customers.

19 **Q. In her testimony Ms. Brink also expressed concern about the increase to**
20 **the Residential customer charge, its impact on low-income customers, and compares this**
21 **to a list of other utilities in the U.S. Is her comparison reasonable?**

1 A. Somewhat. While the comparison doesn't give us much insight into the
2 comparable utilities' cost of service or regulatory environments, it can be useful to compare
3 similarly structured investor owned utilities in the same area, as companies within a local
4 region or state may share similar legislative requirements, regulatory frameworks,
5 Commission preferences for rate design, and similar class cost of service studies due to
6 similarities in infrastructure and weather considerations. Outside the region, it would tend
7 to become less helpful as a multitude of additional variables begin to impact and influence
8 the final rate design. I have revised the fixed charge summary from Ms. Brink's direct
9 testimony to only include utilities from Missouri, Kansas, and Illinois. Additionally, I've
10 included the multiple Liberty utilities within Missouri. This eliminates utilities with
11 drastically different weather and geographic considerations which may ultimately impact
12 cost of service or rate design in those regions. As can be seen in Table 2, a much clearer
13 and reasonable comparison of Ameren Missouri's current and proposed fixed charge
14 emerges among its peers in Missouri and surrounding states.

Table 2

State	Utility	Fixed Charge	Date Effective	Sector
<i>MO</i>	<i>AmerenMissouri(Current)</i>	<i>\$15.00</i>	<i>2/20/2011</i>	<i>Residential</i>
MO	Midstates(Southeast)	\$15.00	7/1/2018	Residential
IL	NICOR	\$16.06	5/5/2018	Residential
IL	PeoplesGas(Non-Heatingcustomers)	\$16.37	2/26/2015	Residential
MO	Empire District	\$16.50	4/1/2010	Residential
<i>MO</i>	<i>AmerenMissouri(Proposed)</i>	<i>\$17.00</i>	<i>11/2/2019</i>	<i>Residential</i>
KS	Black Hills Energy	\$17.25	1/1/2015	Residential
KS	Kansas Gas Service	\$18.70	2/6/2019	Residential
MO	Spire Missouri West	\$20.00	4/19/2018	Residential
MO	Midstates(Northeast/West)	\$22.00	7/1/2018	Residential
MO	Spire Missouri East	\$22.00	4/19/2018	Residential
IL	Peoples Gas (Heating customers)	\$30.84	2/26/2015	Residential

15 **Q. How does Ameren Missouri's proposed increase to Residential**
16 **customer charges compare to the utilities as presented in Table 2?**

1 A. Ameren Missouri currently has the lowest Residential customer charge, and is
2 seeking a modest increase to become more consistent with, but still lower than many, nearby
3 utilities.

4 **VII. MSBA MISCHARACTERIZES THE COMPANY'S NATURAL GAS**
5 **TRANSPORTATION SERVICE FOR ELIGIBLE SCHOOL ENTITIES**

6 **Q. Do you agree with MSBA witness Louie R. Ervin, Sr.'s characterization of**
7 **the monthly cash-out for excessive imbalances (over 5%) by MSBA's marketer as "after-**
8 **the-fact penalties" that violate Section 393.310 RSMo. (2016)?**

9 A. Absolutely not. This mechanism has been in place since 2006. Section
10 390.310.5 RSMo. (2016) states that "... such tariffs will not have any negative financial
11 impact on the gas corporation, its other customers or local taxing authorities..." The cash-
12 out mechanism is NOT an "after-the-fact penalty" but in fact, as the name implies, is a
13 mechanism for the Company to handle the customer's imbalances to prevent a negative
14 financial impact to the Company and its other customers.

15 **Q. Generally explain what MSBA's marketers do for the Eligible School**
16 **Entities.**

17 A. Eligible School Entities have entered into negotiated contracts with third-
18 party marketers to procure gas supply. One would assume that a marketer would be
19 determining the amount of supply to nominate, monitor usage, adjust nominations as
20 necessary, and seek to avoid imbalances for their clients (the Eligible School Entities).

21 **Q. In his testimony, how does Mr. Ervin propose to account for the additional**
22 **expense required to administer, evaluate, and monitor the school marketers under his**
23 **proposed plan?**

1 A. He does not address how these additional costs would be accounted for and
2 allocated among customers. The proposed tariff-prescribed weather-based nomination
3 procedures would require significant Ameren Missouri resources to develop models for
4 each school marketer. Then the Company would have to constantly monitor, verify, and
5 evaluate nominations to ensure school marketers are following Mr. Ervin's proposed tariff-
6 prescribed weather-based nomination procedures on a daily, monthly, and annual basis.
7 Mr. Ervin contradictorily states: "There is no reason for companies to devote personnel to
8 constantly monitor whether school deliveries are prudently made." Then he states that the
9 proposed "...tariff language provides ultimate authority to the company to require revisions
10 to scheduled school gas deliveries whenever it deems necessary to protect the system."
11 And "[T]he Company may recommend an adjustment to a nomination at any time..."² To
12 determine whether nomination revisions are required would take resources to monitor the
13 school marketers and to monitor the number of times a school marketer fails or refuses to
14 adjust a nomination.

15 **Q. Can this additional work be handled by the existing Ameren Missouri Gas**
16 **Supply employees?**

17 A. No, the Ameren Missouri Gas Supply team maintains a small staff to
18 operate and maintain their own system in order to keep operating expenses at a minimum.
19 The additional service required to facilitate the proposal by Mr. Ervin would require
20 additional labor.

21 **Q. If these additional costs are not accounted for and recovered from the**
22 **school marketers, how will they be recovered?**

² Ervin Direct, at 9.

1 A. The additional labor expense will be included in base rates with the added
2 labor cost being allocated and recovered from all gas customers, instead of only the
3 transportation school entities who are responsible for the additional cost.

4 **Q. Can the Company adjust the school marketer's nomination with the**
5 **transporting pipeline, as Mr. Ervin states on page 9, line 7, of his direct testimony?**

6 A. No, Ameren Missouri can only make nominations on its own contracts with
7 each FERC-regulated interstate pipeline. Only the Shipper can make nominations on its
8 pipeline contract.

9 **Q. Are the Eligible School Entities penalized for being out of balance on a**
10 **daily basis?**

11 A. No, this is one of the special provisions afforded them under Section 393.310,
12 RSMo. (2016). Ameren Missouri provides daily balancing service on behalf of the school
13 marketers to ensure the Eligible School Entities are receiving the required amount of gas to meet
14 their needs, even if the school marketers have not procured the necessary amount of gas to serve
15 the Eligible School Entities for that day. The marketers have the benefit of balancing on a
16 monthly basis. Correspondingly, the school marketers have the ability to short supply on a day
17 when the daily market price is higher (such as on a very cold day), and make up that short
18 position when the daily market price is lower. The Company's actual costs of gas supply are
19 incorporated into the PGA, so in that example, the sales customers would be subsidizing the
20 school marketers' clients.

21 **Q. Do any other transportation customers receive the benefit of not paying**
22 **daily imbalance charges?**

23 A. No, only the Eligible School Entities have the benefit of balancing monthly.

1 **Q. Since the school marketer isn't required to remain balanced on a daily**
2 **basis, how are the daily differences in the actual Ccf used and daily price differentials**
3 **reconciled for the Eligible School Entities?**

4 A. The school marketers' imbalances are netted and cashed-out on a monthly basis,
5 so that all daily imbalances and daily price differentials are absorbed by Ameren Missouri.
6 Ameren Missouri balances its system through leased pipeline storage or imbalances on the
7 pipeline transportation contracts. Therefore, Ameren Missouri covers any shortfall in Ccf on a
8 daily basis from utilizing leased pipeline storage or incurring an imbalance on a pipeline
9 transportation contract. If the school marketer has over-scheduled gas for the day, Ameren
10 Missouri will absorb the excess in the leased storage if capacity is available or the Company
11 must overrun the contract if storage is not available. In either example, over-withdraw, over-
12 injection or overrun charges could be incurred and passed on to the PGA customers. The
13 differences in daily price are not reconciled and are absorbed by Ameren Missouri and its other
14 customers.

15 **Q. Do you think it is the school marketer's responsibility to procure the**
16 **necessary amount of gas to supply their clients?**

17 A. Yes. School marketers are paid to forecast, monitor, and procure the appropriate
18 amount of gas required to serve their customers, no different than Ameren Missouri being
19 required to do so for their other (non-Transportation) customers.

20 **Q. Does Ameren Missouri currently have a mechanism in place to enable**
21 **school marketers to balance their clients' monthly needs?**

22 A. Yes, Ameren Missouri has an online Supplier Choice Portal, where the
23 school marketers can nominate gas into the Ameren Missouri's distribution system and

1 view actual daily usage. The nominations into the Supplier Choice Portal can be made on
2 a monthly or daily basis and the Company even accepts intra-day nominations per the
3 Company's tariff. Since the Eligible School Entities are cashed-out on a monthly basis,
4 the school marketer can monitor daily usage on the Supplier Choice Portal and nominate,
5 as necessary, to minimize the end-of-the-month cash-outs. Therefore, if the school
6 marketer is in a negative imbalance position during the month, it can nominate more to
7 minimize that imbalance by the end of the month. Or, if the school marketer is in a positive
8 imbalance position, it can nominate less to minimize its imbalance.

9 **Q. How are the Eligible School Entities cashed-out after the end of the**
10 **month?**

11 A. Based on the tariff provisions, a monthly negative imbalance of 5% or less
12 of nominations (as adjusted by the loss factor) will be cashed-out at the greater of the PGA
13 factor or at the monthly average of the daily midpoint indexed commodity price as quoted
14 in Platt's Gas Daily for the respective month, plus a transportation charge of \$0.15 per Ccf.
15 Monthly negative imbalances greater than 5% of nominations (as adjusted by the loss
16 factor) will be billed at the greater of the PGA factor plus 10% or at the monthly average
17 of the daily midpoint indexed commodity price as quoted in Platt's Gas Daily for the
18 respective month plus a transportation charge of \$0.15 per Ccf.³

19 Monthly positive imbalances of 5% or less of nominations as adjusted by the loss
20 factor will be cashed-out (purchased) at the monthly average of the daily midpoint indexed
21 commodity price as quoted in the publication Platt's Gas Daily. Monthly positive
22 imbalances greater than 5% of nominations as adjusted by the loss factor will be purchased

³ See tariff sheet 15.

1 at 90% of the monthly average of daily midpoint indexed commodity price as quoted in
2 Platt's Gas Daily.⁴

3 **Q. How does a negative imbalance affect the Company's ability to balance**
4 **its system?**

5 A. A negative imbalance, or short position, is created when the customer's gas
6 nominated to the Company (as adjusted by the loss factor) is less than the quantities of gas
7 used by the customer. When the customer is short, the Customer will utilize gas purchased
8 for the Company's sales customers, or PGA customers. The PGA rate is composed of the
9 fuel, transportation, and storage cost required to serve Ameren Missouri's sales customers.
10 If a school marketer has a short imbalance and has not scheduled the gas required to serve
11 its customers by the end of the month, the school marketer's clients are required to pay for
12 this gas since those clients are relying on Ameren Missouri and its customers' resources in
13 order to make up this shortfall.

14 **Q. Who is required to pay the PGA rate under Ameren Missouri's tariffs?**

15 A. All customers who receive gas supply from Ameren Missouri as a
16 Residential Service, General Service, or Interruptible Service are required to pay the PGA.
17 In addition, Eligible School Entities or any other Transportation service customers who are
18 in a negative imbalance position, or short supply, will be cashed-out at the higher of PGA
19 or the monthly average of daily midpoint indexed commodity price as quoted in Platt's Gas
20 Daily, plus \$0.15.⁵

21 **Q. Is there a reason the school marketers' clients should pay the PGA rate for**
22 **their end of month energy balance shortfall?**

⁴ See tariff Sheet No. 15.

⁵ See tariff Sheet No. 15.

1 A. Yes, the school marketers' clients only pay for PGA gas if their nominations
2 are short, thus utilizing the supply and services that the Company has contracted for the
3 PGA-paying sales customers. The PGA rate covers the fuel, transportation, and storage
4 cost required to get the gas supply to the Company's distribution system. If the school
5 marketers were to be cashed-out at the current "market rate" due to a short position, then
6 the PGA customers would be paying for the pipeline transportation and fuel for the delivery
7 of the school marketers' supply to Ameren Missouri's distribution system.

8 **Q. In Mr. Ervin's direct testimony, he acknowledges there are differences**
9 **between the Spire and Ameren Missouri systems, but does not elaborate on what these**
10 **are. Can you describe the major difference between these utilities?**

11 A. Yes, the largest, most glaring difference between these companies is their
12 size. Spire serves over 1 million gas customers in the state of Missouri, while Ameren
13 Missouri serves ~130,000. By being a significantly larger gas utility, Spire has more
14 resources available, such as on system storage, to balance transportation customers.
15 Ameren Missouri does not have system storage.

16 **Q. Why is this difference significant in the context of the Mr. Ervin's**
17 **proposal?**

18 A. Ameren Missouri has significantly fewer units of energy over which to
19 spread incremental labor expenses without significantly increasing the rates for the
20 Company's smaller base of customers. The incremental work required to serve the requests
21 proposed by Mr. Ervin are overly burdensome for the small group of customers to which
22 the service would apply. Furthermore, only allocating the expenses required of Mr. Ervin's
23 proposal to those responsible would require the increase of the Balancing and Aggregation

1 charge. But again, Section 390.310.5 RSMo. (2016) requires: "... implementation of the
2 aggregation program set forth in such tariffs will not have any negative financial impact on
3 the gas corporation, its other customers or local taxing authorities..."

4 **Q. What is the Balancing and Aggregation charge?**

5 A. This charge is designed to cover the additional time and expense required to
6 administer the school aggregation program for customers that are currently receiving the
7 benefits of the special provisions afforded them by Section 393.310 of the Missouri Revised
8 Statutes. Additionally, a variable amount of dollars is covered by the Company and its
9 customers to account for the difference in price between the gas that is provided from the
10 marketers for monthly netting and the gas that is actually purchased daily by the Company to
11 ensure an adequate amount of gas is delivered to the Eligible School Entities.

12 **Q. Does the Balancing and Aggregation charge include the cost of gas,**
13 **transportation, storage charges, or any other expenses associated with the procurement,**
14 **storage, or sale of natural gas?**

15 A. No, this charge simply covers the labor required to administer the special
16 provisions afforded the Eligible School Entities under the statute. End of month shortfalls due
17 to under- or over-scheduling from the school marketers are covered by the Company's tariff
18 cash-out provisions mentioned previously in this testimony.

19 **Q. Do you agree with Mr. Ervin's statement at page 12, lines 20-21, of his**
20 **direct testimony that "Ameren's cash-out penalties and PGA charge are not cost-**
21 **based..."?**

22 A. No. Ameren Missouri does not have penalty provisions in its tariff. There is a
23 cash-out provision and Unauthorized Gas Use Charge during a Critical Day and/or curtailment

1 provisions.⁶ The PGA is a mechanism where actual gas costs are passed to the customer "dollar
2 for dollar" without any mark up in pricing. These costs are reconciled through the Actual Cost
3 Adjustment Account which is a part of the PGA. Therefore, the customers receive Ameren
4 Missouri's actual costs incurred through the PGA.

5 **Q. Does the school marketer's client pay the PGA rate if the marketer has**
6 **scheduled all the necessary gas to serve their client at the end of the month?**

7 A. No, if the school marketer maintains balance, the client will not be cashed-out.
8 Alternatively, the marketer can minimize the client's cash-out by monitoring the Supply Choice
9 Portal and correcting nominations throughout the month to match monthly actual usage.

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

11 A. Yes, it does.

⁶ See tariff Sheet No. 11.

