

Exhibit No.:
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Meramec Tracker,
R&D Bitcoin Project,
High Prairie Wind
Curtailement
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2021-0240
Date Testimony Prepared: October 15, 2021

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

LISA M. FERGUSON

UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI

CASE NO. ER-2021-0240

Jefferson City, Missouri
October 2021

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**UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI**

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3 **REBUTTAL TESTIMONY**

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5 **LISA M. FERGUSON**

6 **UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI**

7 **CASE NO. ER-2021-0240**

8 Q. Please state your name and business address.

9 A. Lisa M. Ferguson, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

10 Q. By whom are you employed?

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as
12 a member of the Auditing Staff ("Staff").

13 Q Are you the same Lisa M. Ferguson who contributed to Staff’s *Revenue*
14 *Requirement Cost of Service Report* filed September 3, 2021 in this case?

15 A. Yes, I am.

16 Q. What is the purpose of your rebuttal testimony in this proceeding?

17 A. My rebuttal testimony will update the Commission regarding a change in Staff’s
18 revenue requirement position from direct after inclusion of some error corrections. I will also
19 address Ameren Missouri witness Mitchell Lansford regarding the Meramec Retirement
20 Tracking proposal and the Sioux Research & Development (R&D) Bitcoin project. I will also
21 address OPC witness Geoff Marke and MIEC witness Greg Meyer in regards to the wind
22 curtailment issue at the High Prairie Energy Center.

1 **REVENUE REQUIREMENT**

2 Q. What was Staff's recommended revenue requirement (i.e., increase in rates) for
3 Ameren Missouri's electric operations as presented in direct testimony?

4 A. Staff's revenue requirement was \$221,386,208.

5 Q. Please explain the error corrections that have been made since that time.

6 A. Staff has corrected errors in multiple areas of its filed direct accounting
7 schedules in the current electric case, as follows:

- 8 • Included an adjustment for non-labor wind operations & Maintenance (O&M)
9 that was erroneously omitted;
- 10 • Corrected a transposition error in an adjustment related to COVID expense
11 normalization;
- 12 • Corrected the adjustment to bilateral transactions;
- 13 • Corrected the adjustment that erroneously removed lease expense twice;
- 14 • Corrected fuel expense in the cash working capital (CWC) schedule;
- 15 • Included the plant in service accounting (PISA) test year depreciation that was
16 erroneously omitted;
- 17 • Corrected the adjustment for removal of Missouri Energy Efficiency Investment
18 Act (MEEIA) test year costs;
- 19 • Corrected the property tax adjustment that erroneously removed non-utility
20 expense twice;
- 21 • Corrected the adjustment related to removal of capitalized operations &
22 maintenance (O&M) depreciation;

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Lisa M. Ferguson

- 1 • Corrected the sign on the adjustment to remove alcohol expense from the test
2 year;
- 3 • Included an omitted normalization adjustment for the exceptional performance
4 bonus expense;
- 5 • Corrected a transposition error in an adjustment related to short term incentive
6 compensation;
- 7 • Correction to a calculation error related to payroll lobbying expense;
- 8 • Correction to include the correct amount of Callaway overtime labor within the
9 payroll calculation;
- 10 • Included an adjustment to allocate a portion of the removal of test year company
11 owned life insurance (COLI) gains, losses and premiums in order to be included
12 in gas operations;
- 13 • Correction to the Small Primary Service (SPS) revenue adjustments related to
14 weather, days and growth; and
- 15 • Corrected the sign on the adjustment to remove coal refinement expense from
16 the test year.
- 17 • Corrected depreciation rates for various amortized accounts with associated
18 income tax impact

19 Q. After these corrections and revenue adjustment, what is Staff's current revenue
20 requirement for Ameren Missouri's electric operations?

21 A. Staff's revenue requirement is currently \$187,686,064 prior to Staff's true-up
22 audit.

1 **MERAMEC RETIREMENT TRACKER**

2 Q. Please provide a summary of Ameren Missouri's proposal regarding the
3 Meramec Energy Center.

4 A. Ameren Missouri plans to retire the Meramec Energy Center in December 2022.
5 Ameren Missouri has included a proposed tracking mechanism in this case by which 1/5th of
6 the revenue requirement impacts of plant in service, accumulated reserve, accumulated deferred
7 income taxes, coal inventory, general materials and supplies, inventory, O&M expenses, and
8 depreciation are to be included in Ameren Missouri's cost of service. This approach essentially
9 includes 1/5th of the return and depreciation associated with the rate base components of the
10 Meramec Energy Center facility in the cost of service as well as includes 1/5th of the O&M and
11 depreciation in expense. The remaining 4/5th of the Meramec Energy Center revenue
12 requirement will be deferred. This also in turn reduces income taxes. Ameren Missouri
13 believes that this position is consistent with the approach taken regarding the treatment of costs
14 related to Evergy's Sibley plant and its retirement. The Company proposes to recover the
15 remaining 4/5th of the Meramec Energy Center costs in rates over a five-year period starting
16 with the effective date of rates in its next rate case (including carrying costs equal to the
17 Company's weighted-average-cost-of capital applied to deferrals included in rate base and
18 carrying costs equal to the Company's short-term borrowing rate applied to deferrals excluded
19 from rate base).

20 Q. Does Staff agree with Ameren Missouri's proposal?

21 A. Partially. Staff agrees to inclusion of 1/5th of the appropriate amount of costs
22 being included in base rates as part of this rate case and deferring the remaining 4/5th of the
23 appropriate amount of costs related to the retirement of the Meramec Energy Center. Staff is

1 also not opposed to the proposal regarding carrying costs. Staff does recommend inclusion of
2 1/5th of the property tax and insurance expense related to the Meramec Energy Center be
3 included in rates and 4/5th of these items be included in the deferral as discussed below. Staff
4 also recommends that the deferral consist of all costs and all cost savings that directly result
5 from the closing of the Meramec Energy Center and that the deferral begin being amortized
6 with the effective date of rates in Ameren Missouri's next general rate case. The 1/5th base
7 amount included in rates resulting from this rate case will then be used to compare to the actual
8 costs incurred by Ameren Missouri to operate the Meramec facility from the effective date of
9 rates in this proceeding through the facility's retirement and will also encompass all cost savings
10 directly associated with the closing of the facility. In Ameren Missouri's next electric rate
11 proceeding, the deferral balance (the difference between the costs included for the Meramec
12 facility in this case and the ongoing costs until the facility retirement as well as the cost savings
13 resulting subsequent to the closure of the plant). The deferral balance to be amortized as well
14 as the amortization period would be determined by the parties and/or the Commission once all
15 amounts are fully known.

16 As part of its direct testimony, it does not appear that the Company has proposed to
17 defer costs or cost savings in the tracking mechanism past the retirement date of Meramec (i.e.
18 for any costs or cost savings incurred subsequent to the retirement). That approach seems one-
19 sided and does not appear to truly encompass the Company's intention of ensuring "that this
20 significant retirement does not benefit or harm any party through regulatory lag"¹. Staff
21 recommends that the deferral mechanism begin with the effective date of rates in the current
22 electric rate case and conclude at the true-up cutoff in Ameren Missouri's next electric rate

¹ Direct Testimony of Mitchell Lansford, pg. 9 lines 22-23 and pg. 10 line 1.

1 proceeding. The deferral balance as established by the parties and/or the Commission can then
2 begin to be amortized starting at the effective date of rates in the next electric rate case over an
3 amortization period to be determined by the parties and/or the Commission once all amounts
4 are fully known.

5 Q. Are there aspects that other interveners have raised regarding the proposed
6 Meramec rate treatment and tracking mechanism that Staff believes is appropriate?

7 A. Yes. Based on the direct testimony by the intervening parties, specifically the
8 Midwest Industrial Energy Consumers (MIEC), there are some proposals that Staff agrees
9 would be appropriate in the cost of service and tracking mechanism. Staff agrees that it is
10 reasonable to:

- 11 • Include 1/5th of 10 months' worth of power plant maintenance expense in revenue
12 requirement and 4/5th in the tracking mechanism - representing the time between the
13 operation of law date and the planned retirement date
- 14 • Similarly, include 1/5th of 10 months' worth of insurance expense and property tax
15 related to Meramec in revenue requirement and 4/5th in the tracking mechanism -
16 representing the time between the operation of law date and the planned retirement date
- 17 • Include 1/5th of the coal inventory and materials and supplies related to the Meramec
18 facility as of the operation of law date in this case in revenue requirement and 4/5th in
19 the tracking mechanism

20 However I differ somewhat on the proposed MIEC treatment of the Meramec investment itself.

21 Staff recommends:

- 22 • Including 1/5th of the revenue requirement impact of the net investment (plant in service
23 less accumulated depreciation) and ADIT as of the operation of law date in the cost of

1 service in this case and 4/5th in the tracking mechanism – which would consist of the
2 following:

- 3 ○ The 10 remaining months of depreciation expense between the operation of law
4 date and the planned retirement date, including 1/5th in this case in revenue
5 requirement and the remaining 4/5th in the tracking mechanism
- 6 ○ The return on the 10 remaining months of the net investment less ADIT as of
7 the operation of law date in this case, including 1/5th in revenue requirement and
8 4/5th in the tracking mechanism

9 The approach recommended by Staff above would allow Ameren Missouri a reasonable means
10 of recovering the costs of a generating facility that will still be used and useful as of the effective
11 date of rates for this proceeding, and defer for later determination and recovery the difference
12 in actual return on and of the investment, tax impacts, and cost savings in a future rate
13 proceeding. This would allow Ameren Missouri recovery of prudent costs and would allow
14 customers to benefit from any cost savings that occur due to the closure of the Meramec facility.

15 **SIoux RESEARCH & DEVELOPMENT (BITCOIN) PROJECT**

16 Q. Please provide a brief summary of the issue regarding the Sioux R&D project.

17 A. As one of many R&D projects that Ameren Missouri has instituted, the
18 Company has recently executed a project in which it mines Bitcoin cryptocurrency using a
19 converted shipping container with computers that is located on the distribution lines at the Sioux
20 generation facility.

21 Q. Did an Ameren Missouri witness discuss this project or any of its repercussions
22 on the revenue requirement in this case?

1 A. No. Ameren Missouri did not have discussion in its direct testimony regarding
2 seeking recovery of any costs related to this R&D project. Staff did, however, learn at a later
3 date that capital costs related to this project were included in the estimated plant in service
4 included in Ameren Missouri's revenue requirement in the accounting schedules provided with
5 Company witness Mitchell Lansford's direct testimony.

6 Q. Staff mentioned in its direct testimony in this case that the R&D issue potentially
7 impacted four Ameren Missouri case filings. How has this issue been resolved in those cases?

8 A. In its direct testimony, Staff referred to four different cases that Ameren
9 Missouri had filed before the Commission for requested authorization to include the Sioux
10 R&D project associated costs and revenues in customer rates. The interrelated cases discussed
11 were Case Nos. ER-2021-0240 (general base rate proceeding), ER-2022-0026 (FAC rider
12 recovery), EU-2022-0030 (AAO regulatory liability request), and potentially EM-2021-0309
13 (request for lease of fiber optic assets).

14 On September 8, 2021, Ameren Missouri and the Commission Staff filed a
15 Stipulation & Agreement in Case No. ER-2022-0026, and agreed to resolve the issue regarding
16 the cost of electricity consumed for the research and development project involving the mining
17 of digital currency being included in the FAR. Ameren Missouri agreed to remove the costs and
18 associated kilowatt hours from the proposed FAR. Ameren Missouri and Staff also agreed that
19 the tariff sheet attached to the agreement should be substituted for the one originally filed and
20 that the substitute tariff be approved by the Commission or allowed to take effect on
21 October 1, 2021. The agreement also provided that when the Stipulation was approved by the
22 Commission, Ameren Missouri would withdraw its application for deferral of the costs of the
23 research and development project in File No. EU-2022-0030. The agreement also provided that

1 the capital assets used in the digital currency mining research and development
2 project would not be included in the revenue requirement used to set rates in the current rate
3 Case No. ER-2021-0240. The Commission ordered approval of the Stipulation & Agreement
4 on September 15, 2021.

5 Ameren Missouri also filed to dismiss Case No. EU-2022-0030 on September 15, 2021
6 and that filing was acknowledged by the Commission on September 20, 2021.

7 Upon further Staff discovery regarding Case No. EM-2021-0309, Ameren Missouri has
8 explained to Staff that the excess fiber optic capacity not currently utilized for electric
9 operations will be leased to outside users and is not being employed for purposes of the Sioux
10 Bitcoin R&D project and Staff proposed conditions in that case requesting that if the
11 Commission approves the specific lease addressed in that case that it require Ameren to notify
12 the Commission if it will utilize this OPGW cable in the Sioux R&D project. Ameren Missouri
13 did not oppose that condition and the Commission approved Ameren Missouri's application in
14 that case on October 6, 2021.

15 In regards to the current rate case proceeding, Case No. ER-2021-0240, in its direct
16 testimony Staff explained that Ameren Missouri had included, as part of its estimated
17 investment increase in its direct case, assets such as a modified shipping container and
18 computers that are used for this Bitcoin mining project. At the time of its direct testimony,
19 Staff had proposed an adjustment of \$615,556 in this current rate case to remove the assets from
20 the estimated plant additions from plant-in-service. Staff has verified that as of August 2021,
21 Ameren Missouri has moved all the plant-in-service, overhead and AFUDC of \$1,026,124
22 related to the Sioux R&D project to construction work in process (CWIP) and those amounts
23 are no longer being recorded as plant in the cost of service. There are also no incremental costs

1 related to the project that will be included in the revenue requirement. Staff will continue to
2 verify this is the case during its true-up audit for all project costs through September 30, 2021.

3 Q. Does Staff continue to have concerns regarding Bitcoin or cryptocurrency
4 projects and its effect on regulated rates?

5 A. Yes. Staff is continuing to research this issue and its effects on cost of
6 service ratemaking.

7 **WIND CURTAILMENT AT HIGH PRAIRIE ENERGY CENTER**

8 Q. Please provide a brief summary regarding the wind curtailment issue at the High
9 Prairie wind facility.

10 A. Ameren Missouri has included the investment as well as the operations &
11 maintenance costs and energy sales for its High Prairie wind facility in its direct filed case.
12 Ameren Missouri states that both the High Prairie and Atchison Renewable Energy Wind
13 facilities are necessary to comply with Missouri's Renewable Energy Standard requirements.
14 In its direct filing, Staff also included all investment, O&M costs and purchases/sales from the
15 facility's participation in the Midcontinent Independent System Operator (MISO) Regional
16 Transmission Organization (RTO) in the proposed revenue requirement. In their direct
17 testimony, Office of Public Counsel (OPC) and Missouri Industrial Energy Consumers (MIEC)
18 have raised the issue regarding voluntary curtailment of the wind generation at the High Prairie
19 facility due to the deaths of threatened and endangered species and those parties have proposed
20 investment related adjustments to the cost of service related to the voluntary curtailment.

21 Q. Has Staff proposed an adjustment to the High Prairie investment as part
22 of this case?

23 A. No.

1 Q. Did Staff join a stipulation and agreement in Case No. EA-2018-0202, regarding
2 the High Prairie wind facility?

3 A. Yes.

4 Q. Did the Commission approve that stipulation and agreement?

5 A. Yes.

6 Q. Is a true and accurate copy of that stipulation and agreement attached to your
7 testimony as LMF-r1?

8 A. Yes.

9 Q. What does paragraph 12 at pages 3 through 4 of that stipulation and
10 agreement state?

11 A. Paragraph 12 states the following:

12 Prudence: The Signatories agree that they shall not challenge the
13 prudence of the decision to acquire the facility under the terms of
14 the BTA, including Non-Compliant wind turbine generators
15 under the terms of the BTA, and to merge TG High Prairie, LLC
16 into Ameren Missouri if the acquisition of the facility closes
17 pursuant to the BTA. Nothing in this Stipulation limits the ability
18 of any Signatory or other party from challenging the prudence of
19 the design, construction costs, interconnection costs, and all other
20 project related costs, including costs impacted by construction
21 duration.

22 Q. Does BTA refer to the Build Transfer Agreement between Ameren Missouri and
23 TG High Prairie Holdings, LLC?

24 A. Yes.

25 Q. Does the Build Transfer Agreement between Ameren Missouri and TG High
26 Prairie Holdings, LLC, provide for the construction of the High Prairie wind facility in Adair
27 and Schuyler Counties in Missouri?

28 A. Yes.

1 Q. What does paragraph 4 of the Stipulation say as to Renewable Energy Standard
2 compliance costs?

3 A. Paragraph 4 states in part that “The Signatories agree the costs of this Project
4 are Renewable Energy Standard Compliance costs so long as the facility is certified by the
5 Division of Energy as a renewable energy resource under 4 CSR 340-8.010.”

6 Q. Has Staff endeavored to determine the impacts of the wind curtailment on
7 customers’ rates?

8 A. Yes. Staff issued several data requests seeking additional information regarding
9 the timeline of events at High Prairie, planned mitigation efforts, the economics of the facility,
10 repercussions of permit violations that may occur at the facility, the full breadth of the situation
11 surrounding the bat deaths caused at the facility and the resulting nighttime generation
12 shutdown as well as logs that reflect actual generation and foregone generation. Staff sought
13 information regarding the economics of the facility because of the curtailment issues.
14 Ameren Missouri has relayed in its response to Staff data request 856 that ...all costs of owning
15 and operating the facility, as well as the return “on” and the return “of” the investment is not
16 currently being fully covered by revenues resulting from operations. This uneconomic status
17 is due to the curtailment of generation due to the environmental issues surrounding the facility.
18 The High Prairie facility has only been in service for approximately 10 months and mitigation
19 measures have not yet been fully deployed. Please refer to Staff witness Claire Eubanks’
20 testimony for a more detailed discussion regarding the environmental issues, mitigation efforts
21 that are planned on the part of Ameren Missouri, and Renewable Energy Standard (RES)
22 compliance.

Rebuttal Testimony of
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1 Q. How does Staff respond to the issue of economics regarding the High Prairie
2 facility?

3 A. Staff has serious concerns surrounding the current economics and the operations
4 of the High Prairie wind facility. After several internal discussions Staff has determined not to
5 propose an adjustment at this time related to the current curtailment of generation. Staff will
6 continue to monitor this issue in the present case and future cases, and may seek different
7 ratemaking treatment to account for the curtailment if appropriate at a later time.

8 Q. Does this conclude your rebuttal testimony?

9 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

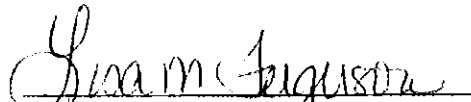
In the Matter of Union Electric Company)	
d/b/a Ameren Missouri's Tariffs to Adjust Its)	Case No. ER-2021-0240
Revenues for Electric Service)	

AFFIDAVIT OF LISA M. FERGUSON

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

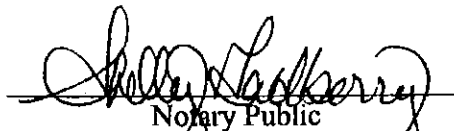
COMES NOW LISA M. FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Lisa M. Ferguson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


LISA M. FERGUSON

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 14 day of October 2021.


Notary Public

