

Exhibit No.:
Issue(s): Surge Protection Program
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ET-2021-0082
Date Testimony Prepared: February 19, 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. ET-2021-0082

Jefferson City, Missouri
February 2021

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

REBUTTAL TESTIMONY

OF

LISA M. FERGUSON

UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI

CASE NO. ET-2021-0082

Q. Please state your name and business address.

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

Q. By whom are you employed?

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

Q Are you the same Lisa M. Ferguson who contributed to Staff’s *Recommendation* filed November 10, 2020 in this case?

A. Yes, I am.

Q. What is your educational background and work experience?

A. My credentials and case participation is attached as Schedule LMF-r1.

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

A. My rebuttal testimony will address the direct testimony of Ameren Missouri witnesses Steven M. Wills and Jared Schneider regarding the proposal of inclusion of the revenue, expense and investment related to the surge protection program (“Program”) in the regulated cost of service, concerns regarding the customer research, considerations made in the cost/benefit analysis and proper record keeping of the program as well as Staff’s recommendation regarding prevention of cross-subsidization of non-participating customers.

1 Q. On page 2, lines 2-5 of Ameren Missouri witness Steven M. Wills' direct
2 testimony, he states that one of the basic principles underlying the development of the surge
3 protection program is that the program is an extension of its base provision of electric service
4 to its customers. In Staff's opinion should the surge protection program be regulated?

5 A. No. As Ameren Missouri witness Wills mentions a bit later in his testimony,
6 this Program is completely voluntary. While the surge protection program may have its benefits
7 for customers, it is not a necessity for customers as they can still receive electrical service
8 without the surge protection device. In addition, while there is no competition for the provision
9 of electrical service and customers do not have a choice to use Ameren Missouri as their
10 provider, there are competitive alternatives available to customers to procure a surge protection
11 device. Ameren Missouri is trying to portray this Program as an "extension" of its base
12 provision of electric service because, without that assumption it is clear that the Program should
13 not be regulated under the jurisdiction of the Commission as it is not based on the manufacture
14 and sale of electricity.

15 Q. On page 4, lines 3-7 of Ameren Missouri witness Wills' testimony, he states
16 that: "to the extent a customer does not value the protection the Program offers, there is no need
17 for them to participate. However, the Program is expected to provide long-term benefits for
18 all customers by keeping rates affordable..." If the revenue, expense and investment for the
19 surge protection program are included in the regulated cost of service, is this program
20 really voluntary?

21 A. Yes and no. If the Commission determines that the surge protection program
22 should be a regulated program, and, if the revenues of the program more than offset the costs
23 of the program, then the program can be reasonably considered to be voluntary. However, if

1 the costs associated with the expenses and investment of the program ever exceeds the revenues
2 associated with the program, then all Ameren Missouri customers effectively become
3 involuntary participants of the Program; as the non-participants of the program then subsidize
4 the participants of the program through rates.

5 Q. Does Ameren Missouri plan to provide this Program in an unregulated
6 capacity if Commission approval is denied for regulated inclusion of the Program in the cost
7 of service?

8 A. No, I do not believe so. Providing the service as an unregulated offering would
9 allow Ameren Missouri to determine whatever rate it desires to charge for the monthly fee,
10 cancellation fee, etc. and the company would be able to retain any revenue it earned in excess
11 of expense; however, it would not allow the ability to earn a return on the assets or utilize
12 plant-in-service accounting (PISA) treatment for the assets if the service is offered in an
13 unregulated capacity.

14 Q. Does Ameren Illinois offer a surge protection program in a regulated or
15 unregulated capacity?

16 A. No.

17 Q. Do other utilities offer a surge protection program in a regulated capacity?

18 A. Not that I am aware of. According to the response to Staff Data Request (DR)
19 No. 0002, referenced in Staff witness Amanda Coffey's testimony, Ameren Missouri did
20 research other utilities, including a Missouri utility, and how those companies developed
21 and launched their surge protector programs. However, the utilities that Ameren Missouri
22 used as a benchmark for development of its own program offer their programs in an
23 unregulated capacity.

1 Q. What is the problem with Ameren Missouri proposing initiatives such as the
2 surge protection program in rates if it benefits all customers?

3 A. On page 5, lines 1-12 of his direct testimony, Ameren Missouri witness Wills
4 discusses that the Commission should support new regulated products or service offerings that
5 enhance the affordability of electricity because those offerings are a win-win for the utility and
6 its customers. However, as I said above, all customers only benefit from the program if the
7 revenues exceed the costs of expense and investment (return on and return of) associated with
8 the individual program. Ameren Missouri has developed a cost benefit analysis that shows that
9 the Program will produce long-term revenues that exceed costs; however this is merely an
10 estimation. There is no guarantee that the Program will actually perform as the analysis states
11 that it will. There are many variables that have a possibility to change up or down over time;
12 such as the number of Program participants, the return on equity that is granted to Ameren
13 Missouri that would be applied to the investment, the level of marketing and associated costs
14 utilized to promote the Program, the depreciation rate of the asset, the salaries of any internal
15 labor used, income tax rates, interest rates, and contract changes with the supplier, Kenick. The
16 Program may be successful at the outset but factors could change over time where the Program
17 breaks even or costs exceed revenues.

18 If allowed as a regulated Program, the only party that is 100% protected from detriment
19 is Ameren Missouri. If allowed to be a regulated Program with no built in protections, Ameren
20 Missouri would receive reimbursement of all costs of the Program as well as the profit (return
21 on investment), whether the Program's revenues exceed the Program's costs or not, as
22 non-participants would be funding the costs that are not covered by Program revenue. Whether
23 the Program succeeds or fails, Ameren Missouri would still receive a return or "profit" on its

1 investment. Staff does not know what the future holds, it can only determine on what basis the
2 Program was developed; coupled with the knowledge of how overall rates are developed.

3 Because the Program is not necessary for safe and reliable service and considering that
4 it is a voluntary program, Staff must propose protections for non-participants of the Program if
5 the Commission determines the Program should be offered on a regulated basis.

6 Q. What protections does Staff believe are necessary to be established if the
7 Commission decides the Program should be regulated?

8 A. First, Staff proposes that, whether this Program is offered on a regulated or
9 unregulated basis, Ameren Missouri create certain subaccounts and unique general ledger
10 coding that specifies each aspect of the revenue requirement (revenue, expense, and investment)
11 that is associated with the Program. Second, Ameren Missouri must also retain all records so
12 as to prevent the possibility of cross-subsidization between participants and non-participants.
13 The electric affiliate transaction rule requirements must be applied by Ameren Missouri as any
14 transaction between a regulated and unregulated affiliate has the possibility to be detrimental
15 to rate-regulated customers. This includes any separate cost tracking of the service and full
16 overhead loading. This is necessary in case Staff or other parties propose that the Commission
17 take the Program below-the-line in setting Ameren Missouri's customer rates in subsequent rate
18 cases, or if Staff proposes to adjust the revenue requirement to remove any possible detriment
19 to non-participants, and to facilitate proper allocation of costs and revenues among participating
20 and non-participating customers.

21 Third, in Staff's opinion, if this Program is truly designed to assist in customer
22 affordability, and if the Program costs (revenue requirement impact of expense and investment)
23 ever exceed the revenue of the program, then Ameren Missouri should absorb the costs up to

1 the point that revenues offset the costs during and in between general rate proceedings as
2 witness Wills discusses on page 10, lines 6-7 of his direct testimony.

3 Q. Ameren Missouri currently offers a rate-regulated community solar program that
4 is similar in that the program is voluntary with participants and non-participants. How does
5 that differ from the surge protection program?

6 A. The main difference is that the Community solar program is premised on the
7 manufacture and then subsequent sale of electricity; whereas the surge protection program has
8 nothing to do with the actual manufacture and sale of electricity – hence community solar is
9 regulated by the Commission but Staff recommends the surge protection program should not
10 be regulated. Staff also negotiated protections for the solar program through the settlement
11 process for non-participating customers such as unique coding, record retention and risk for
12 Ameren Missouri if program participation drops below a certain level. At a minimum, the surge
13 protection program should be revenue requirement neutral to all non-participating customers.
14 That can only be accomplished if the Commission orders Staff’s recommendations and allows
15 Staff the ability to propose adjustments to remove excess revenue requirement associated with
16 costs (expense and investment with all tax implications) that have not been fully offset by
17 Program revenue in future general rate proceedings.

18 Q. Has Staff encountered issues with other programs that Ameren Missouri has
19 developed or plans to develop that Ameren Missouri proposed or proposes should be regulated?

20 A. Yes. In addition to the legislatively allowed riders such as FAC, MEEIA,
21 RESRAM, etc. that must be rebased during a general rate proceeding, Staff has to take into
22 account all aspects of voluntary programs when reviewing Ameren Missouri’s general rate
23 proceeding so as to not permit double recovery of costs through base rates and a rider, nor allow

1 non-participants to subsidize participants in rates¹. This is extremely complicated for Staff even
2 with the appropriate general ledger recording. The more riders and unique programs that
3 Ameren Missouri offers on a regulated basis; the more complicated a general rate case becomes,
4 and the greater the chance that rates move further from being developed on a cost basis, when
5 there is limited time and Staff ability in conducting an audit to review the intertwined issues.

6 Q. Does Staff believe that Ameren Missouri should develop and offer new products
7 and services to its customers?

8 A. Yes. However, when the product or service offered is not required for safe and
9 reliable service of electricity that is manufactured and sold by Ameren Missouri then it need
10 not be regulated by the Commission. Ameren Missouri has the ability to offer programs that it
11 deems its customers have a potential interest in on an unregulated basis. However, Staff has
12 concerns that Ameren Missouri intends to request this same regulated treatment for any
13 voluntary program that it can justify as customer-driven. On page 13, lines 15-20 and page 14,
14 lines 1-3 of his direct testimony, witness Wills states Ameren Missouri's intention to continue
15 to offer innovative programs, other cost savings initiatives, economic development activities,
16 electrification activities and other innovative programs. This has the potential to not only
17 complicate future general rate proceedings, and increase load when Ameren Missouri currently
18 recovers costs through the MEEIA rider to decrease load, but also has the potential to create
19 subsidies by non-participants in additional voluntary programs and further drive customer rates
20 away from the true cost of service. While each individual program that Ameren Missouri

¹ Staff currently must account for multiple rate making programs and their interaction with base rates, the fuel adjustment clause (FAC), and other special rate making mechanisms in every Ameren Missouri general rate proceeding such as Community Solar, Renewable Choice/Green Tariff, Distributed Solar, MEEIA, PISA (including all associated deferrals, amortizations, carrying costs and overall revenue requirement cap), RES compliance, Solar Rebates, Affiliate Transaction Rules (Cost Allocation Manual "CAM"), Smart Energy Plan, and RESRAM.

1 proposes may or may not have a vast positive or negative effect on customers; the cumulative
2 effect of multiple programs over time may be much larger.

3 Q. What is the concern regarding voluntary programs being included in
4 regulated rates?

5 A. On page 4 of his direct testimony, Ameren Missouri witness Wills states that
6 Ameren Missouri wishes to keep customer rates as affordable as possible while delivering the
7 electric services customers want, need, and deserve. Based on the number of participants in the
8 surveys I discuss below, as compared to the full number of Ameren Missouri electric customers,
9 it is not at all clear that Ameren Missouri customers overall are willing to have their rates
10 affected (positively or negatively) so that another small subset of customers can participate in
11 certain nonessential programs.

12 Q. Did Ameren Missouri perform research regarding its customer base and its
13 interest in the surge protection program?

14 A. Yes. Ameren Missouri witness Wills mentions this on page 7, lines 21-23 of his
15 direct testimony. Ameren Missouri performed two separate surveys to assess residential
16 customer interest in a surge protection program, both conducted prior to the full impact of the
17 COVID-19 global pandemic. The first survey was performed in December 2019 and asked
18 questions solely regarding the surge protection program. The second survey was performed in
19 April 2020 and asked questions to measure customer interest in not just the surge protection
20 program but also other possible programs Ameren Missouri is considering for inclusion in its
21 regulated activities.²

² During the second survey performed by Ameren Missouri, concepts for other possible voluntary programs were introduced to gauge customer interest such as Electric Vehicle (EV) charger station home installation, tree (trimming) maintenance program and back-up generator installation.

1 Q. On page 4, lines 20-22 and page 5, lines 1-2 of Ameren Missouri witness
2 Jared Schneider's direct testimony, he discusses that customers have expressed a desire for
3 a surge protection program. Do the two surveys conducted by Ameren Missouri mentioned
4 above contemplate the interests of a majority of Ameren Missouri's 1.2 million electric
5 customer base?

6 A. No. Staff reviewed the two surveys and their results provided in OPC DR
7 No. 1102. The first survey was sent to 3,951 customers, but only 801 customers completed the
8 survey for a 20% response rate. The second survey was sent to approximately 4,200 customers
9 of which 1,122 customers replied to the email invitation, but only 882 of those customers
10 completed the survey, for a 21% response rate. While these surveys could perhaps be
11 considered statistically significant in total response rate as compared to those that were invited
12 to participate, the responses only contemplate a very small subset of Ameren Missouri's total
13 electric customer base, just 0.06675% and 0.0735% of the electric customer base for each
14 survey, respectively. In Staff's view, this level of customer involvement in the surveys does
15 not justify offering a regulated program that may have very real impacts either positively or
16 negatively on the remaining 99.9% of customers' bills.

17 Q. Can all of Ameren Missouri's customers potentially be sent a survey?

18 A. Yes, however the customer survey panels that Ameren Missouri utilizes are
19 limited in that Ameren Missouri can only survey those customers who have opted into
20 communications with Ameren Missouri. That is purely at the discretion of the customer.

21 Q. Beyond the concerns with the number of customers who completed the survey,
22 are there other aspects of those surveys that bring up additional concerns for Staff?

1 A. Yes. In addition to Staff’s concerns regarding the number of overall customers
2 surveyed, Staff also has concerns that, of that small customer base, it appears that the sample
3 of customers utilized to show interest in the Program is not an accurate representation of all
4 Ameren Missouri electric customers.³ This is concerning because, under Ameren Missouri’s
5 regulated service offering proposal, only a very small and possibly unrepresentative sample of
6 customers is driving decisions that will impact all electric customers.

7 Q. On page 8, lines 2-4 of Ameren Missouri witness Wills direct testimony he
8 discusses that regulated pricing can consider things like the value the customer places on the
9 service received and competitive market information. Does Staff have a concern regarding
10 developing utility rates based on qualitative versus quantitative information?

11 A. Yes. While Staff does take into account competitive market information in
12 audits regarding certain expenses such as cost allocation benchmarking and employee salary
13 levels – this market information is used to determine the reasonableness of the levels of costs
14 allocated by type and to determine the appropriateness of salary levels being charged and
15 proposed for inclusion in the cost of service. However, they are not necessarily used in the
16 calculation of a cost itself. For example, how do you determine pricing based on an arbitrary
17 value that a customer places on service received, rather than what the actual cost is to acquire,
18 install, and service that product? Is there supposed to be some arbitrary markup to the
19 quantitative portion of the price to measure “value”? Is the value that one customer gives a
20 product or service the same in amount that another customer would give? If you do determine
21 a price, how do you ensure that it is accurate and how can that accuracy be verified?

³ Ameren Missouri response to OPC DR No. 1102.

1 Witness Wills refers to Dr. James Bonbright to support his theory that value of service
2 and competitive pricing are legitimate considerations that can supplement the cost of service in
3 utility ratemaking. While I partially agree it can be used as support and justification for a certain
4 level of costs of some items, to determine the price of a regulated product or service based on
5 something other than the true cost of the product or cost of providing that service is generally a
6 dangerous precedent. If qualitative measures are used in place of quantitative measures in
7 developing the cost of a product or service – or even the regulated cost of service for the utility,
8 there is potential for distortion of the true cost of service on which customer rates are based.

9 Q. Why are qualitative measures rather than just quantitative measures used in
10 developing the prices for surge protection programs currently offered by other utilities?

11 A. On page 8, lines 21-25 of Wills direct testimony, he discusses how competitive
12 and market information is available for this Program as a regulated offering because some
13 utilities are offering this service on an unregulated basis. That is the key distinction. These
14 other utility programs (four of which were analyzed by Ameren Missouri) are unregulated and
15 as such – the rates do not need to be based on the actual cost of providing the service because
16 they are voluntary. Unregulated programs can be priced on a competitive basis where certain
17 aspects of the program can be changed based on competitive pricing. When a product or service
18 is regulated then that product or service should be based on the cost to serve, and not other
19 immeasurable factors as the customer has no other competitor to turn to for that service in their
20 service territory.

21 Q. On page 9, lines 2-7 witness Wills describes “value” to the customer of the
22 service as possibly being considered an administrative and general expense or overhead cost

1 that is then offset by Program revenue, driving down rates for all customers. Is customer
2 “value” truly a general & administrative cost?

3 A. No. If the “value” isn’t an actual cost incurred for the Program in the
4 general & administrative accounts for providing the service, then it cannot be considered a
5 general & administrative cost. The FERC USOA does not describe “value” as a cost to be
6 recorded in these accounts. Again, as long as the costs of the Program are fully offset by
7 Program revenues then the Program will reduce overall cost of service. Part of the reason that
8 the Program analyses appear successful, meaning revenues exceed costs, is because some of
9 the costs included in the analyses are already built into base rates that are being paid by all
10 customers whether they are a participant in the program or not. Costs such as ongoing
11 internal labor (not initial setup), overall promotional costs (such as the cost to retain media
12 resources such as HLK for overall communication on multiple advertising campaigns or media
13 air time), injuries & damages, legal expense and actual overhead, such as transportation and
14 procurement loading factors are currently already included in the cost of service for base rates.
15 This is an additional demonstration of the potential that non-participants could see a detriment
16 in rates if the Program’s revenues do not exceed its costs at any point during the life of the
17 Program. If this Program is approved to be regulated and begins operation in 2021, and Ameren
18 Missouri seeks to include the Program in its next rate case proceeding, non-participants will
19 already be subsidizing the startup costs at the onset of the Program before any participants have
20 entered the program and start offsetting those costs with Program revenues.

21 Q. Does Ameren Missouri’s proposed Program in this proceeding guarantee that
22 non-participants of the Program will never provide a subsidy in rates if the Program is
23 unsuccessful at covering costs at any point in the life of the Program?

1 A. No. In Ameren Missouri’s response to Staff DR No. 0026, attached here as
2 Schedule LMF-r2 in this proceeding, Ameren Missouri states that:

3 the program is projected under a range of scenarios to provide net
4 benefits to nonsubscribers over its life....Although unlikely in the
5 Company's view, it is also possible that the projected long run net
6 benefits do not fully materialize and non-subscribing customers would
7 experience a net cost as a result. The program is being proposed both to
8 provide options for enhanced service to customers who desire it, as well
9 as to promote enhanced affordability of electric service to all customers
10 – a benefit to non-subscribing customers. If the goal of enhanced
11 affordability is to be achieved for the benefit of non-subscribers, the
12 costs and revenues of the program must be above the line – i.e., reflected
13 in the revenue requirement in general rate proceedings. The
14 determination of whether the program will operate above the line should
15 be made at the time of program approval. If a program is reasonably
16 expected to produce net benefits that enhance affordability, it is also
17 reasonable to accept some level of risk that it results in a net cost to all
18 customers. It is within the Commission's discretion to balance the
19 expectation of a net benefit against the risk of a net cost, and determine
20 whether such a program is in the public interest. The magnitude and
21 likelihood of the expected benefits and/or costs of the program should be
22 weighed in order to make that determination. The Company suggests that
23 the balance of expected benefits versus risk of costs associated with the
24 surge protection program justifies its approval. Once the program is
25 approved, it becomes a part of the way we provide service to our
26 customers and its prudently incurred costs should continue to be
27 reflected in the revenue requirement. The Company is not seeking to
28 retain the significant expected net economic benefit of the program for
29 its bottom line – it is proposing to use that to the benefit of all customers.
30 Therefore, it is a reasonable tradeoff for that expected benefit for
31 nonsubscribers to bear some risk of a net cost...

32 Staff agrees that the Commission should take into account the positives and negatives if it finds
33 that the Program can be regulated; however, the Commission must first consider whether this
34 Program is subject to regulation prior to determining if it is in the public interest. The data
35 request response referenced above goes on to compare the surge protection program to
36 investment in a generation source to serve customers and states that the resource does not get
37 included in rates initially just to get excluded later if it is not cost effective. This is not a fair

1 comparison as a generation resource is squarely under the Commission's jurisdiction because it
2 is used in the manufacture and sale of electricity for which participation would not be voluntary.

3 Q. You state that utility-regulated rates are based on the cost to serve customers.
4 However, aren't there instances where subsidies occur for regulated operations?

5 A. Yes. There are instances where the cost to serve one customer may actually cost
6 more than to serve another customer, tariffed rates are consolidated, or where one rate class
7 may be subsidizing another rate class in how the cost of service is recovered. However, Staff
8 attempts to minimize as many subsidies as possible because the most accurate method is to
9 allocate costs to the cost causer. Staff strives to design rates based on that principle. However,
10 subsidization is tolerated for a regulated service that is considered a necessity; whereas the
11 surge protection program is not necessary for the provision of safe and reliable service and is a
12 voluntary program offered by the company.

13 Q. Does Ameren Missouri intend on including any surge protection investment
14 in the PISA deferral mechanism? Is this type of investment allowed to be included in that
15 deferral mechanism?

16 A. Yes. Staff reviewed the legislative language regarding the definition of
17 PISA-qualifying electric plant in service and it states that qualifying electric plant is:

18 all rate base additions, except rate base additions for new coal-fired
19 generating units, new nuclear generating units, new natural gas units, or
20 rate base additions that increase revenues by allowing service to new
21 customer premises

22 The investment for the surge protection program appears to meet this requirement by definition.
23 However, there are important implications that arise if this investment is included in the
24 PISA deferral mechanism. If the monthly program fee of \$9.95, or any fee collected by

1 Ameren Missouri for this Program, includes 100% of the cost of the depreciation expense
2 and/or return associated with the Program then Staff will need to propose an adjustment during
3 each and every rate case subsequent to a decision to approve this as a regulated program because
4 85% of all depreciation and return on equity on additions (less retirements) is deferred between
5 rate cases to be recovered in a later rate case. This appears to at least partially conflict with
6 Ameren Missouri witness Wills' assertion that Ameren Missouri will absorb the costs of the
7 Program between rate cases through regulatory lag. It will be necessary for Staff to propose an
8 adjustment to remove the depreciation and return from the PISA deferral to prevent double
9 recovery. In addition, a carrying cost equal to Ameren Missouri's weighted average cost of
10 capital plus applicable federal, state, and local income or excise taxes are applied to any PISA
11 deferrals that are not yet being recovered through base rates. So in addition to earning a return
12 on the asset, a carrying cost will also be applied until it is included in Ameren Missouri's cost
13 of service during a rate case.

14 Q. Did Staff take issue with any aspects of the cost/benefit analysis performed by
15 Ameren Missouri for the Program?

16 A. Yes. Ameren Missouri did not take into account several cost items in the
17 cost/benefit analysis it attached to its direct testimony as it only considered the "incremental"
18 change in revenue requirement to determine the success of the Program. It is imperative to take
19 into account the portion of ALL revenue, expense, and investment that is related to the Program
20 in the cost/benefit analysis, not just the incremental cost because the Program is voluntary.
21 Only considering the incremental change in revenue requirement and not the portion that is
22 already included in base rates already assumes that non-participants will cover some portion of
23 the cost of the Program. Also, in his discussion of the Program economics, witness Schneider

1 states that under the best case scenario of the cost/benefit analysis at year 5 when the Program
2 could be considered as established and not a new Program, the estimated number of
3 participating customers is only 80,000 or approximately 6.7% of Ameren Missouri's 1.2 million
4 electric customers. Even as a best case scenario, there is a limited number of overall electric
5 customers providing revenues to offset costs that may or may not increase over the period of
6 the Program's life.

7 Q. Please describe in what FERC USOA accounts Ameren Missouri proposes to
8 record the various aspects of the surge protection program if the Commission should approve
9 it to be regulated.

10 A. Ameren Missouri proposes to record all investment-related items such as the
11 collar device and any associated installation cost by the third party in FERC account 370 –
12 Meters. Program revenues would be recorded in FERC account 451 – Miscellaneous Service
13 Revenue. Program expenses would be recorded to various FERC accounts 408.1-411.1
14 for property taxes and current and deferred income taxes as well as various FERC
15 accounts 900-949 (administrative & general) for all other expenses.

16 Q. Does Staff take issue with the accounts that Ameren Missouri proposes?

17 A. No, as long as Ameren Missouri follows the guidance I discuss above regarding
18 unique general ledger recording for all balance sheet and income statement items and
19 application of the affiliate transaction rules.

20 Q. If the FERC USOA provides accounting guidance regarding surge protection
21 devices, then does that signal that the Commission must consider it a regulated program?

22 A. No. The FERC USOA also specifies what accounts items should be recorded
23 that are considered contributed plant (CIAC) or for income statement items that are considered

1 below-the-line, meaning those items are included in a utility's GAAP financial statements but
2 not included in regulated customer's rates.

3 Q. Please summarize your position as it relates to the surge protection program.

4 A. Staff recommends that the Commission classify the surge protection program as
5 an unregulated program for the many reasons discussed above and in the other rebuttal
6 testimony sponsored by Staff witnesses. If the Commission decides to allow Ameren Missouri
7 to offer this Program on a regulated basis, then Staff recommends the following customer
8 protections be ordered:

- 9 • Ameren Missouri must uniquely code all revenue, expense (including any
10 property tax and income tax) and investment (interest, return on equity,
11 tax impact) so as to delineate these items from all other revenue, expense
12 and investment beginning from Program inception throughout the life of
13 the Program.
- 14 • Customers shall be held harmless in a rate case for any Program costs
15 (expense or investment) that exceed Program revenue.
- 16 • Ameren Missouri shall separately designate the depreciation expense and
17 return on equity costs (and any associated carrying costs) that are
18 included in the PISA deferral mechanism for future rate case adjustment
19 to prevent double recovery in rates if those costs are included in the
20 monthly participant rate.

21 Q. Does this conclude your rebuttal testimony?

22 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Union Electric Company d/b/a) Case No. ET-2021-0082
Ameren Missouri for Approval of)
its Surge Protection Program)

AFFIDAVIT OF LISA M. FERGUSON

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

COME 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, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Lisa M. Ferguson
LISA M. FERGUSON

Lisa M. Ferguson

Present Position:

I am a Utility Regulatory 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.

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:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
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)	EA-2018-0202	Terra-Gen Wind Generation CCN
Ameren Missouri (ELEC)	ER-2018-0362	2017 TCJA Tax Reform effect on current and excess deferred taxes

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
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 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	EO-2017-0127	Asset Sale Case – Mercy Health

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
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:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
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	Co-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	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

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
Missouri-American Water Co.	SO-2013-0260	Asset Purchased Case; Missouri American Acquisition of Meramec Sewer Co; Rate Base Determination
Ameren Missouri	EO-2013-0044	Asset Sale Case
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

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
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
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

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
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
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

Lisa M. Ferguson

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue</u>
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's
Response to MPSC Data Request - MPSC
ET-2021-0082

The Application of Union Electric Company d/b/a Ameren Missouri to provide a surge protection program to customers

No.: MPSC 0026

1. Does Ameren Missouri's proposal in this proceeding, provide a guarantee that non-participants of the surge protection program will never provide a subsidy in rates if the program is unsuccessful in covering costs at any point during the life of the program? Please explain the answer in detail. 2. If Ameren Missouri's proposal intends to recover a subsidy in rates from non-participants of the surge protection program if the program is unsuccessful in covering all costs of the program at any point during the life of the program, then please provide all rationale for why such a subsidy is justified. 3. If Ameren Missouri's proposal does not intend to recover a subsidy in rates from non-participants of the surge protection program if the program is unsuccessful in covering all costs of the program at any point during the life of the program, then please list, describe and explain all policies, procedures, and training that Ameren Missouri will implement in order to fully account for any such shortfall and ensure that non-participants will never pay for any portion of the surge protection program. 4. Provide a copy of all policies, procedures and of all training that Ameren Missouri has developed in order to prevent any subsidization by non-participants. If such policies, procedures and training are not yet completed, please provide a copy of all drafts. Lisa Ferguson (Lisa.ferguson@psc.mo.gov).

RESPONSE

Prepared By: Steven M Wills
Title: Director, Rates & Analysis
Date: 2/5/21

- 1) No. The program is projected under a range of scenarios to provide net benefits to non-subscribers over its life. It is anticipated that a small net cost to non-subscribers may be reflected in the revenue requirement of a rate proceeding if filed very early in the ramp up of the program. Although unlikely in the Company's view, it is also possible that the projected long run net benefits do not fully materialize and non-subscribing customers would experience a net cost as a result.
- 2) The program is being proposed both to provide options for enhanced service to customers who desire it, as well as to promote enhanced affordability of electric service to all customers – a benefit to non-subscribing customers. If the goal of enhanced affordability is to be achieved for the benefit of non-subscribers, the costs and revenues of the program must be above the line – i.e., reflected in the revenue requirement in general rate proceedings. The determination of whether the program will operate above the line

should be made at the time of program approval. If a program is reasonably expected to produce net benefits that enhance affordability, it is also reasonable to accept some level of risk that it results in a net cost to all customers. It is within the Commission's discretion to balance the expectation of a net benefit against the risk of a net cost, and determine whether such a program is in the public interest. The magnitude and likelihood of the expected benefits and/or costs of the program should be weighed in order to make that determination. The Company suggests that the balance of expected benefits versus risk of costs associated with the surge protection program justifies its approval. Once the program is approved, it becomes a part of the way we provide service to our customers and its prudently incurred costs should continue to be reflected in the revenue requirement. The Company is not seeking to retain the significant expected net economic benefit of the program for its bottom line – it is proposing to use that to the benefit of all customers. Therefore, it is a reasonable tradeoff for that expected benefit for non-subscribers to bear some risk of a net cost. By way of comparison, an investment in a generation resource to serve our customers does not get included in rates initially only to get excluded from the revenue requirement later if it becomes apparent through hindsight that a different resource may have been more cost effective, meaning that the original decision created a net cost increase to customers versus another decision that could have been made. Similarly, a determination that this program is in the public interest to offer above the line due to expected affordability benefits should not be revoked later based on hindsight if results differ from expectations.

- 3) Not applicable
- 4) Not applicable