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Issue(s): LPS Operating Revenues,
Plant-In-Service Accounting
(PISA) Rate Cap
Witness: Nancy L. Harris
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2022-0337
Date Testimony Prepared: January 10, 2023

MISSOURI PUBLIC SERVICE COMMISSION
INDUSTRY ANALYSIS DIVISION
TARIFF AND RATE DESIGN DEPARTMENT

DIRECT TESTIMONY
Revenue Requirement

OF

NANCY L. HARRIS

UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI

CASE NO. ER-2022-0337

Jefferson City, Missouri
January 2023

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1 **DIRECT TESTIMONY**

2 **OF**

3 **NANCY L. HARRIS**

4 **UNION ELECTRIC COMPANY,**
5 **d/b/a AMEREN MISSOURI**

6 **CASE NO. ER-2022-0337**

7 Q. Please state your name and business address.

8 A. My name is Nancy L. Harris. My business address is 200 Madison Street,
9 P.O. Box 360, Jefferson City, MO 65102.

10 Q. By whom are you employed and in what capacity?

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as
12 an Auditor in the Tariff and Rate Design Department of the Industry Analysis Division. I have
13 held this position since June 3, 2019, when I began employment with the Commission.

14 Q. Please provide your education and work history.

15 A. In 1994, I completed a Bachelor of Science degree in Business Administration
16 with a major in Accounting from the University of Central Missouri in Warrensburg, Missouri.
17 From 1994-1997, I was a Business Instructor with Metro Business College teaching
18 accounting and business courses. From 1998-2012, I worked in the manufacturing industry as
19 an accountant. I was responsible for fixed asset expenditure tracking and reconciliation,
20 inventory, accounts payables, and accounts receivables. Most recently, I was employed by the
21 Missouri Department of Economic Development in 2017 as an Incentive Specialist and was
22 responsible for benefit eligibility and compliance for the Missouri Works program.

23 Q. Have you previously filed testimony before the Commission?

1 A. Yes. Please refer to Schedule NLH-d1, attached to this Direct Testimony, for a
2 list of cases in which I have filed testimony or recommendations.

3 **EXECUTIVE SUMMARY**

4 Q. What is the purpose of your direct testimony?

5 A. The purpose of this testimony is to describe how Staff determined the amount
6 of Union Electric Company d/b/a Ameren Missouri's adjusted Large Primary Service (LPS)
7 operating revenues. For Staff's calculation of the (LPS) class retail rate revenues, Staff utilized
8 the test year ending March 31, 2022 and updated through June 30, 2022 to provide a more
9 current basis for normalization, annualization, and other adjustment calculations. I'll also
10 briefly discuss the Plant –in-Service Accounting rate cap.

11 Q. Through this testimony, do you provide any LPS adjustment detail to be applied
12 to the level of current revenues and billing determinants?

13 A. Yes. Explanation on seven main adjustments to LPS billing determinants are
14 provided in this testimony. The LPS adjustments are annualization, rate switchers, weather
15 normalization, 365 days normalization, MEEIA¹ normalization, new rate annualization, and
16 EDI² annualization.

17 Q. Through this testimony, do you describe the development of a work product that
18 you provided to another Staff witness for the development of an issue?

19 A. Yes. Development of final LPS revenue billing determinants is the result of the
20 process described in this testimony, which Staff witness Kim Cox will use to determine total
21 revenue billing determinants.

¹ Missouri Energy Efficiency Investment Act

² Economic Development Incentive

1 **LPS OPERATING REVENUES**

2 Q. What are operating revenues?

3 A. Operating revenues are revenue a utility collects from its customers based on its
4 Commission approved rates, also known as “rate revenue”. Operating revenues also include
5 Other Operating Revenues and Off System Sales, however this testimony will only address rate
6 revenue specifically for the Large Power Service rate class.

7 Q. What is the purpose of calculating operating revenues?

8 A. The purpose of calculating operating revenues is to determine the magnitude
9 of any deficiency (or excess) between cost of service and current operating revenues
10 (as normalized and annualized). Once determined, an increase (or decrease) in rates will be
11 proposed to address the difference.

12 Q. How did Staff determine the retail rate revenue for Ameren Missouri
13 rate classes?

14 A. Staff adjusted Ameren Missouri jurisdictional billing units and rate revenues
15 based upon information that is “known and measurable” as of the end of the update period. In
16 this case, the test year is the twelve months ended March 31, 2022, updated for known and
17 measurable changes through December 31, 2022. Adjustments are summarized and added to or
18 deducted from beginning test year revenue. The result is ending retail rate revenue for each
19 rate class.

20 Q. Please classify the types of revenue adjustments.

21 A. The two major categories of revenue adjustments are known as “normalization”
22 and “annualization.”

23 Q. What is normalization?

1 A. In this testimony, normalization is adjustments to the Company's billing
2 determinants that account for unusual and unlikely events that would not be repeated in
3 the years when the new rates from this case are in effect, e.g., events such as the update
4 period weather.

5 Q. What is annualization?

6 A. In this testimony, annualization is adjustments to the Company's billing
7 determinants for changes that have occurred during the test year, update and/or true-up period,
8 but are not fully reflected in the unadjusted full 12-month test year results. For example, a tariff
9 rate change occurring four months into a 12-month test year would apply the new rate to all
10 12 months, annualizing the new rate over an entire 12-month period.

11 Q. What are billing determinants?

12 A. Billing determinants are what a revenue requirement is divided into to produce
13 rates. Billing determinants are the combination of components to which rates are applied to
14 calculate the customer's bill. Examples of billing determinant components are: number of
15 customers, customer charge, demand (kW), and usage increments (kWh).

16 Q. Please briefly describe how Staff developed the LPS revenue in this proceeding.

17 A. To determine the level of LPS revenue, Staff applied standard ratemaking
18 adjustments to test year (historical) volumes and customer levels. Staff makes these
19 adjustments in order to determine the level of revenue that Ameren Missouri's LPS rate class
20 would collect on an annual basis, under normal weather or climatic conditions, electric
21 usage and customer levels, based on information that is "known and measurable" as of the
22 end of the update period. In this direct testimony, the results start with billing determinants
23 from ER-2021-0240 with known and measurable changes, updated through the end of

1 June 2022, with the adjustments described below. These results will be revisited in
2 Staff's true-up and will be updated based on any new information or changes through the end of
3 December 2022. This testimony describes the following adjustments Staff made to test
4 year billed rate LPS revenues:

- 5 a) Update period adjustment
- 6 b) Rate switchers adjustment
- 7 c) Weather normalization
- 8 d) 365 days adjustment
- 9 e) Missouri Energy Efficiency Investment Act ("MEEIA") adjustment
- 10 f) Rate Change annualization
- 11 g) Economic Development Incentive (EDI) adjustment

12 Q. Please provide further detail on each of these seven adjustments.

13 A. The following are descriptions of the above adjustments:

14 **Update Period Adjustment**

15 Staff first calculated the test year revenue³ based on Ameren Missouri's billing
16 determinants provided by the company. Staff requested and the Company provided the billing
17 determinants for April 1, 2021 through March 31, 2022. Staff then calculated the revenue for
18 the 12 months ending June 30, 2022. The update period adjustment is the difference of billed
19 usage and revenue through March 31, 2022, compared to the billed usage and revenue through
20 June 30, 2022.

³ Twelve months ending March 31, 2022.

1 **Rate Switchers**

2 Adjusting for rate switchers⁴ applies the same principle as annualization, to develop the
3 billing units as if conditions known at the end of the 12 months ending June 30, 2022 had existed
4 throughout the entire time period taken into consideration. There were 62 customers in the
5 LPS rate class during at the 12 months ending June 30, 2022. Staff performed a data check for
6 billing corrections prior to doing other adjustments and reviewed LPS customers on an
7 individual customer (account) basis. During the update period, one customer moved into the
8 LPS rate class from Small Primary Service (SPS), and two LPS customers left the rate class
9 due to business closure. Adjustments accounted for the additional customer and the removals
10 as though added or removed for the entire 12 months.

11 **Weather Normalization**

12 Staff witness Hari Poudel provided the weather normalization factor for each month for
13 the LPS class. Staff applied the weather normalization factor to monthly usage to determine the
14 weather normalization revenue adjustment for customers' monthly usage. Mr. Poudel explains
15 the weather normalization adjustment further in his direct testimony.

16 **365-Days Adjustment**

17 Staff normalized the update period usage so that the test period included usage
18 reflective of 365 days for each LPS customer. Staff witness Hari Poudel calculated the 365-day
19 adjustment. The adjustment was added to Staff's overall weather normalization factor and
20 applied to LPS customer usage by month to calculate the overall revenue adjustment.

⁴ Rate switching is when customers switch which rate schedule they will be served on during the test year or update period.

1 **MEEIA Adjustment**

2 Staff witness Hari Poudel calculated the MEEIA annualization adjustment as well, and
3 he will cover the MEEIA, 365-Days, and Weather Normalization adjustments in his testimony.
4 The MEEIA adjustment factor was also applied to Staff's LPS revenue calculation.

5 **Rate Change Annualization**

6 Staff applied the annualization principle to the LPS billing determinants to account for
7 the rate increase, which took place beginning in March 2022. Revenue was calculated at the
8 new rates for the 12 months ending June 30, 2022.

9 **(EDI) Adjustment**

10 The Economic Development Incentive (EDI) discount is available under the EDI Rider
11 tariff to new non-residential customers or customers expanding kWh load. Customers
12 qualifying for this incentive receive a billing credit for a set period of time. The purpose of this
13 Rider is to attract new and expanding business to Missouri.

14 Staff annualized the Economic Development Incentive (EDI) discount, for rate classes
15 with participating customers, applying the March 2022 rate increase to the full 12 months
16 ending June 30, 2022. Rate classes with participating EDI tariff customers were Small Primary
17 Service (SPS), Large General Service (LGS) and the LPS rate classes.

18 **PLANT-IN-SERVICE ACCOUNTING (PISA) RATE CAP**

19 Q. Please briefly explain this rate cap as it applies to Ameren Missouri.

20 A. For electric utilities electing Plant-In-Service Accounting (PISA) treatment⁵,
21 an annual rate increase cap is in place. Ameren Missouri's Compound Annual Growth

⁵ PISA allows for deferral of 85% of qualifying plant expenses.

Direct Testimony of
Nancy L. Harris

1 Rate (CAGR) is capped at 2.85%. The LPS rate class is additionally capped at 2% annual
2 rate increase.⁶

3 Q. If rates are increased as a result of this rate case, will Ameren Missouri exceed
4 the rate cap?

5 A. Using the rate cap test calculations provided by Nicholas Bowden's direct
6 testimony,⁷ Staff updated these calculations with the most recent RESRAM rate adjustment
7 filing (ER-2023-0117). The RESRAM rate will increase from a credit of (\$0.00050) to a
8 positive billing rate of \$0.00035 effective February 1, 2023. This brings the Average Overall
9 Rate of \$0.09996⁸ very close to the 2.85% target cap for the Average Overall Rate of \$0.10151.
10 Staff will continue to monitor this measurement.

11 Q. Does this conclude your direct testimony?

12 A. Yes it does.

⁶ Senate Bill 564 established PISA election treatment in June 2018.

⁷ Workpaper SB564 Rate Cap Test.

⁸ Average Overall Rate at CAGR (Compound Annual Growth Rate).

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI


In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to Adjust)
Its Revenues for Electric Service) Case No. ER-2022-0337

AFFIDAVIT OF NANCY L. HARRIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW NANCY L. HARRIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Nancy L. Harris*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



NANCY L. HARRIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 5th day of January 2023.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public

Nancy L. Harris

Present Position:

I am an Auditor in the Tariff and Rate Design Department, Commission Staff Division, of the Missouri Public Service Commission ("Commission"). I have held this position since June 3, 2019 when I began employment with the Commission.

Educational Background and Work Experience:

In 1994, I completed a Bachelor of Science degree in Business Administration with a major in Accounting from the University of Central Missouri in Warrensburg, Missouri. From 1994-1997 I was a Business Instructor with Metro Business College teaching accounting and business courses. From 1998-2012 I worked in the manufacturing industry as an accountant. I was responsible for fixed asset expenditure tracking and reconciliation, inventory, accounts payables, and accounts receivables. Most recently, I was employed by the Missouri Department of Economic Development in 2017 as an Incentive Specialist and was responsible for benefit eligibility and compliance for the Missouri Works program.

Case No.	Company	Type of Filing	Issue
ER-2019-0375	Kansas City Power & Light Company	Rate Adj. - Staff Rec	MEEIA rate Adjustment
ER-2019-0397	KCP&L Greater Missouri Operations Company	Rate Adj. - Staff Rec	MEEIA rate Adjustment
HT-2019-0319	KCP&L Greater Missouri Operations Company	Tariff Adj. - Staff Rec	QCA tariff Adjustment
ER-2019-0374	Empire Electric	Rate Case - Testimony	Economic Development Riders Testimony
ET-2020-0092	Evergy Missouri West	RESRAM Adj. - Staff Rec	RESRAM Adjustment
ER-2020-0086	Ameren Missouri	RESRAM Adj. - Staff Rec	RESRAM Adjustment
ER-2020-0155	Evergy Missouri West	Rate Adj. - Staff Rec	DSIM Rider Adjustment
HT-2020-0326	Evergy Missouri West	Tariff Adj. - Staff Rec	QCA tariff Adjustment
HT-2020-0223	Vicinity Steam	Tariff Adj. - Staff Rec	QCA tariff Adjustment
EO-2020-0214	Evergy Missouri West	RESRAM - Staff Rec	RESRAM Prudence Review
ER-2021-0090	Ameren Missouri	RESRAM Adj. - Staff Rec	RESRAM Adjustment
ER-2021-0153	Evergy Missouri West	Rate Adj. - Staff Rec	DSIM Rider Adjustment
HT-2021-0245	Vicinity Steam	Rate Adj. - Staff Rec	PACC Adjustment
GR-2021-0108	Spire Gas Company	Rate Case – Testimony	Economic Development Rider and Misc. Charges

			Testimony
HT-2021-0351	Evergy West Steam QCA	Tariff Adj. - Staff Rec	QCA tariff Adjustment
ER-2021-0411	Evergy MO West	Rate Adj. – Staff Rec	MEEIA rate Adjustment
ER-2021-0312	Empire Electric	Rate Case - Testimony	Economic Development Riders Testimony
ER-2022-0130	Evergy MO West	Rate Case - Testimony	EDR, PISA Rate Cap Testimony & RESRAM Prudence Review
ER-2022-0150	Evergy MO West	Tarif Adj. – Staff Rec	MEEIA rate Adjustment
GR-2022-0179	Spire Gas Rate Case	Rate Case – Testimony	Revenues
ER-2023-0183	Evergy MO West	Rate Adj. – Staff Rec	MEEIA rate Adjustment