

Exhibit No.:
Issues: Revenue Requirement
Witness: Greg Meyer
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2021-0240
Date Testimony Prepared: November 5, 2021

**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

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)
) **Case No. ER-2021-0240**
)
)

Surrebuttal Testimony of

Greg R. Meyer

On behalf of

Missouri Industrial Energy Consumers

REDACTED VERSION

November 5, 2021



1 from Ameren Missouri, and the outcome of this proceeding will have an impact on their
2 cost of electricity.

3 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

4 A My surrebuttal testimony will address the following issues:

- 5 ➤ High Prairie Wind Farm (“High Prairie”);
- 6 ➤ Meramec Plant Retirement;
- 7 ➤ Ameren Missouri’s Revenues;
- 8 ➤ Ameren Missouri’s Storm Costs; and
- 9 ➤ Ameren Missouri’s Property Taxes.

10 **High Prairie Wind Farm**

11 **Q IN THE REBUTTAL TESTIMONIES OF RENEW MISSOURI’S WITNESS JAMES**
12 **OWENS AND AMEREN MISSOURI’S WITNESS AJAY ARORA, BOTH WITNESSES**
13 **CLAIM YOU VIOLATED A STIPULATION AND AGREEMENT PROVISION IN CASE**
14 **NO. EA-2018-0202,¹ REGARDING THE HIGH PRAIRIE WIND FARM (“HIGH**
15 **PRAIRIE”) CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY (“CCN”).**
16 **PLEASE RESPOND.**

17 A I totally disagree with both Mr. Arora and Mr. Owens on this point. MIEC will address
18 the legitimacy of this assertion at the appropriate time.

¹Interestingly, at page 7, Mr. Owens claims that MIEC’s position is “not a black-letter violation...but should still be rejected.”

1 Q DID YOU REVIEW THE REBUTTAL TESTIMONY OF AMEREN MISSOURI'S
2 WITNESS JOHN REED AS IT PERTAINS TO THE HIGH PRAIRIE ISSUE?

3 A Yes, I did.

4 Q DID MR. REED DISCUSS PRUDENCE?

5 A Yes, he did. In fact, at page 6 of Mr. Reed's rebuttal testimony, Ameren Missouri
6 describes the results from a prudence disallowance:

7 "In the case of capital investments [like High Prairie], a prudence
8 disallowance **would reduce rate base**, meaning: 1) no return on the
9 disallowed amount; 2) no depreciation expense on the disallowed
10 amount; 3) a lower overall revenue requirement; and therefore 4) a
11 lower rate overall." [Emphasis added.]

12 The adjustment I proposed did not reduce rate base and, therefore, would not
13 qualify under Ameren Missouri's standard as a prudence disallowance

14 Q CAN YOU PROVIDE AN EXAMPLE OF A PRUDENCE DISALLOWANCE OF A
15 CAPITAL INVESTMENT THAT HAS HAPPENED IN MISSOURI?

16 A Yes. In his rebuttal testimony, Mr. Reed discusses the establishment of the prudence
17 standard from the construction of the Callaway Nuclear Plant. In that case, the
18 Commission disallowed over \$300 million of construction costs as being imprudently
19 incurred. One issue of imprudence was the concrete pouring of the nuclear base mat.
20 The contractor for Union Electric did not properly pour the base mat that was needed
21 to support the nuclear reactor. The base mat test failed and the base mat had to be
22 ripped up and repoured. The Commission Staff disallowed all costs of the original base
23 mat work as being imprudently incurred due to the failed test. The Commission upheld
24 the Staff's position.

1 In this case, I have not proposed any disallowance of any construction costs
2 associated with High Prairie. I have made no findings of construction imprudence.

3 **Q HOW WOULD YOU CHARACTERIZE THE HIGH PRAIRIE ADJUSTMENTS YOU**
4 **HAVE PROPOSED IN BOTH YOUR DIRECT AND REBUTTAL TESTIMONIES?**

5 A The High Prairie adjustments I have proposed in both my direct testimony and rebuttal
6 testimony are performance adjustments. High Prairie was constructed with certain
7 assumptions of performance. Having a wind unit unavailable for every night during a
8 seven-month period should be considered a performance issue. I have merely reduced
9 the return on the High Prairie investment during that period of time. Likewise, in my
10 rebuttal testimony, I have included the effects the curtailment of High Prairie has on the
11 production tax credits that Ameren Missouri can claim. Again, the reduction in
12 production tax credits is based on the performance of High Prairie.

13 **Q IN ITS DIRECT TESTIMONY IN THE CCN CASE, DID AMEREN MISSOURI**
14 **ESTIMATE THE EFFECT ON HIGH PRAIRIE OPERATIONS CAUSED BY**
15 **ENDANGERED SPECIES CONCERNS?**

16 A In part. On page 10 of his direct testimony in the CCN case, Matt Michels estimates
17 that the total impact from many factors, including a low capacity factor.

18 **“Q Does this hold true even under the least favorable**
19 **assumptions for transmission cost, capacity factor, and**
20 **power prices?**

21 A Yes. With the least favorable assumptions applied to all wind
22 projects – low power prices, high transmission costs, and low
23 capacity factor – the impact on average customer rates over the
24 20-year IRP planning horizon is less than 0.7%. To bring the
25 average rate impact up to the 1% limit would require one of the
26 following: 1) a further increase in capital costs of approximately
27 \$200/kW, 2) a further reduction in power prices from the IRP low
28 scenario of approximately another 18%, or 3) a reduction in

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1 capacity factor to 34%. Each of these conditions is **very unlikely.**
 2 [Emphasis added.]

3 **Q GIVEN THE SIGNIFICANT REDUCTION IN NIGHTTIME PRODUCTION DURING**
 4 **THE BAT SEASON, WHAT CAPACITY FACTOR HAS HIGH PRAIRIE ACHIEVED**
 5 **FOR OPERATIONS SINCE JANUARY 2021?**

6 **A** I have prepared Table 1 that lists the monthly production and capacity factor from High
 7 Prairie, as well as different periods of production levels and capacity factors.

TABLE 1

High Prairie Capacity Factor

<u>Month</u>	<u>Output (MWh)</u>	<u>Capacity Factor</u>
December 2020 ¹	60,083	20.19%
January 2021 ²	84,941	28.54%
February 2021 ²	80,914	30.10%
March 2021 ²	128,216	43.08%
April 2021 ²	75,902	26.35%
May 2021 ²	63,977	21.50%
June 2021 ²	38,199	13.26%
July 2021 ²	17,916	6.02%
August 2021 ²	25,629	8.61%
Beginning to Date (Dec 20 to Aug 21)	575,777	21.89%
Year to Date (Jan 21 to Aug 21)	515,694	22.11%
Bat Season (April - August)	221,623	15.09%

Sources:
¹ Form EIA-923 for 2020, Table 1, Entry for High Prairie Wind Farm
² Form EIA-923 as of August 2021, Table 1, Entry for High Prairie Wind Farm

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1 As Table 1 illustrates, the High Prairie capacity factor was climbing steadily from
2 December 2020 through March 2021. In fact, the capacity factor peaked at 43.08% in
3 March 2021. In contrast, during the April - August bat season, the capacity factor
4 plummeted to 15.09%. I would also note that the 15.09% capacity factor listed above
5 does not include the total shut down of High Prairie at night beginning June 2021. If
6 High Prairie had been completely curtailed for the whole bat season, the 15.09%
7 capacity factor would have been much lower.

8 **Q YOU PREVIOUSLY MENTIONED AMEREN MISSOURI'S TESTIMONY FROM THE**
9 **CCN CASE IN WHICH IT CLAIMED THAT A REDUCTION IN CAPACITY FACTOR**
10 **TO 34% IS "VERY UNLIKELY." AT WHAT LEVEL OF OPERATIONS WOULD HIGH**
11 **PRAIRIE HAVE TO OPERATE FOR THE MONTHS OF SEPTEMBER - DECEMBER**
12 **IN ORDER TO ACHIEVE A 34% CAPACITY FACTOR?**

13 **A High Prairie would have to operate at a 57.69% capacity factor for the remaining four**
14 **months to achieve a 34% capacity factor.²**

15 **Q DO YOU BELIEVE THAT HIGH PRAIRIE CAN ACHIEVE THAT CAPACITY**
16 **FACTOR?**

17 **A No. It has already been established that High Prairie's output was curtailed for the**
18 **months of June through October. In my opinion, given that High Prairie was curtailed**
19 **overnight, it is virtually impossible for High Prairie to reach the minimum capacity factor**
20 **of 34% from its first full year of operation.**

²While this testimony is being submitted in early November, I do not have the High Prairie capacity factors for September and October.

1 Q WHAT CAPACITY FACTORS DID AMEREN MISSOURI INCLUDE IN ITS DIRECT
2 FILING IN THE CCN CASE?

3 A Based on a review of the case workpapers, it appears that Ameren Missouri projected
4 a high capacity factor of ***** and a low capacity factor of ***** Clearly, these
5 capacity factors are much higher than what has been achieved thus far at High Prairie.
6 I will also state that, as explained above, High Prairie will almost certainly not achieve
7 those capacity factors for its first full year of operation.

8 Q DID AMEREN MISSOURI ACKNOWLEDGE IN ITS REBUTTAL TESTIMONY IN
9 THIS CASE THAT HIGH PRAIRIE HAD NOT PERFORMED ACCORDING TO
10 STUDY PARAMETERS?

11 A Yes. In Mr. Arora's rebuttal testimony at page 11, the following Q and A's appear:

12 "Q MDC [Missouri Department of Conservation] raised a number
13 of concerns about endangered species in the CCN case,
14 including about the Indiana bat. Did MDC indicate during this
15 December 2017 meeting that 6.9 m/s would not provide full
16 avoidance?

17 A No. What I understood from this discussion, coupled with other
18 discussions like those I noted above, was that the consensus of
19 experts in the field and conservation regulators was that 6.9 m/s
20 would provide full avoidance."

* * *

21 "Q BASED ON DR. MARKE'S AND MR. MEYER'S STATEMENTS,
22 DID THAT CONSENSUS PROVE TO BE INCORRECT?

23 A Yes, unfortunately it did."
24

* * *

25 Further, in his rebuttal testimony, on page 15, Mr. Arora made the following statement:

26 "All 175 turbines are in service, operating, and producing electricity each
27 and every day of the year (subject to normal outages); at worst, all 175
28 turbines might not produce power or may produce less power than we
29 had expected in 2018, at night, for part of the year." [Footnote omitted.]

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1 **Q PLEASE RESPOND TO THE ABOVE STATEMENTS OF MR. ARORA.**

2 A First, Mr. Arora admits that the consensus of experts involved in the CCN case was
3 wrong in assessing endangered species impacts at High Prairie. Second, I contend
4 Mr. Arora is attempting to downplay the significance of the curtailment of High Prairie
5 during bat season. As it currently stands, High Prairie did not, and possibly will not,
6 operate during overnight hours for the months of April through October. This
7 curtailment period represents over 29.25% of the possible annual wind production
8 hours for High Prairie.³ This lost production of zero cost generation is significant, and
9 the performance adjustment I proposed is entirely appropriate.

10 **Q MR. REED'S TESTIMONY DISAGREES WITH YOUR PERFORMANCE**
11 **ADJUSTMENT. DO YOU HAVE ANY COMMENTS ON MR. REED'S TESTIMONY?**

12 A Obviously, I disagree with Mr. Reed's conclusion that my proposed performance
13 adjustment is not supported by regulatory principles. Based on my reading of Mr.
14 Reed's testimony, Ameren Missouri believes that it should be allowed a full rate of
15 return on this investment regardless of its production. Effectively, Ameren Missouri
16 contends that despite its role in siting this facility and creating the capacity factor
17 assumptions, that all risk for this curtailed unit should be shifted to ratepayers. Taking
18 the argument to its fullest extreme, if High Prairie produced no power, Ameren
19 Missouri's ratepayers would still be required to provide a full return on the High Prairie
20 investment. I cannot accept the premise Mr. Reed is advocating.

³The curtailment period percentage of 29.25% is calculated using Mr. Arora's position that the wind turbines would be curtailed 45 minutes before sunset to 45 minutes after sunrise. The curtailment period percentage referenced in my direct testimony was based on a 30-minute period.

1 Q DO YOU BELIEVE THAT AMEREN MISSOURI IS ALREADY COMPENSATED FOR
2 THE RISK THAT WIND RESOURCES, SUCH AS HIGH PRAIRIE, MAY NOT FULLY
3 OPERATE THROUGH ITS RETURN ON EQUITY?

4 A Yes. Based upon my experience, return on equity analysts determine an appropriate
5 return on equity for a proxy group of companies that exhibit a similar risk profile. Among
6 other points of consideration, the risk factors set forth in the Risk Factor section of a
7 utility's 10-K is especially relevant. In Ameren Missouri's most recent 10-K, filed on
8 February 22, 2021, Ameren Missouri introduces its risk factors with the following
9 caveat: "[i]nvestors should review carefully the following material risk factors." Then
10 Ameren Missouri expressly indicated that the investors should be aware that wind
11 facilities may not produce at full capacity in order to protect wildlife:

12 **"Our electric generation, transmission, and distribution facilities**
13 **are subject to operational risks.**

14 Our financial performance depends on the successful operation of
15 electric generation, transmission, and distribution facilities. Operation
16 of electric generation, transmission, and distribution facilities involves
17 many risks, including:

- 18 • inability to operate wind generation facilities at full capacity
19 resulting from requirements to protect natural resources, including
20 wildlife;"

21 Clearly then, shareholders are already being compensated for the risk that wind
22 facilities may not generate at full capacity due to the need to protect wildlife. While it
23 has already been compensated for this risk, Ameren Missouri now seeks to shift this
24 risk to ratepayers. If Ameren Missouri wants ratepayers to accept this risk, then
25 Ameren Missouri needs to be willing to accept a lower return on equity.

1 Q IN YOUR DIRECT TESTIMONY, YOU MENTIONED THAT THE CONSULTANT
2 SERVICES NEEDED TO MONITOR HIGH PRAIRIE DURING THE CURRENT
3 PHASE OF ITS OPERATIONS SHOULD BE REVIEWED AND A DETERMINATION
4 BE MADE ABOUT COST RECOVERY OF SUCH EXPENSES. DO YOU HAVE ANY
5 ADDITIONAL INFORMATION ON THE COST RECOVERY ISSUE?

6 A Yes. In the Third S&A in Case No. EA-2018-0202 (High Prairie's CCN case),
7 Appendix A to Third Stipulation and Agreement, File No. EA-2018-0202, Item 9 on
8 page 2, reads as follows:

9 "9. Prior to commencement of operations at 6.9 meters/second or
10 higher during the active bat season at night when the temperatures
11 are 50 degrees Fahrenheit or above, the Company will in good faith
12 work with MDC toward the goal of reaching agreement on a research
13 plan involving post-construction monitoring for a limited time period
14 (between one and three years) and with appropriate confidentiality
15 protections, to be conducted at the Company's expenses for
16 research purposes as a part of a collaboration between the
17 Company and MDC relating to conservation issues with wind
18 facilities, with such research plan to be implemented if an Incidental
19 Take Permit for bats is not obtained and or the Company operates
20 the Project during the active season at a cut-in speed of 6.9
21 meters/second or higher"

22 Based on that language in Appendix A, I believe most, if not all, of the
23 monitoring costs incurred by Ameren Missouri should be borne by shareholders.

24 Q DO YOU HAVE ANY FURTHER COMMENTS ON THE REBUTTAL TESTIMONY
25 CONCERNING THIS ISSUE?

26 A Yes. Both Mr. Reed and Mr. Owens assume that my return adjustment would result in
27 a several million dollar disallowance over the life of High Prairie. In my rebuttal
28 testimony, I cleared up this confusion by stating that in only the years when High Prairie
29 operations were curtailed during bat season would my proposed adjustment be

1 appropriate. If High Prairie develops measures that allow it to operate during bat
2 season, then the return adjustment I proposed would not be applicable.

3 **Q IN THE REBUTTAL TESTIMONIES OF AMEREN MISSOURI WITNESSES, THERE**
4 **IS A SIGNIFICANT AMOUNT OF DISCUSSION THAT REDUCED WIND SPEEDS**
5 **WERE ADDRESSED IN DETAIL IN THE CCN CASE. DO YOU HAVE AN**
6 **ALTERNATIVE ADJUSTMENT IF THE COMMISSION WANTS TO RECOGNIZE THE**
7 **REDUCED OPERATIONS OF HIGH PRAIRIE DURING BAT SEASONS?**

8 A Yes. If the Commission believes that higher cut-in speeds were adequately addressed
9 in the CCN case and is not supportive of my adjustment for full curtailment, I would
10 propose that the return adjustment and the proposed production tax credit adjustment
11 I recommended in rebuttal testimony be developed based on a 34% capacity factor.
12 This capacity factor, as described above, was the least favorable capacity factor that
13 supposedly would occur at High Prairie, and that capacity factor was claimed to be
14 **very unlikely**. Using that capacity factor would be a conservative adjustment. The
15 Commission could then reduce the return component if High Prairie fails to attain a
16 34% annual capacity factor.

17 **Q PLEASE SUMMARIZE YOUR ADJUSTMENTS TO HIGH PRAIRIE.**

18 A I have prepared a list of adjustments for High Prairie:

- 19 ➤ As set forth in my direct testimony, I have proposed a return adjustment in the rate
20 case to reflect the reduced (curtailed) power generation at High Prairie. This
21 adjustment needs to be evaluated each year to determine if the adjustment is still
22 applicable. As indicated in my direct testimony, if High Prairie is not curtailed, then
23 the return adjustment needs to be captured in a regulatory asset for future recovery.
- 24 ➤ As set forth in my rebuttal testimony, I have calculated a RESRAM adjustment to
25 reflect the actual curtailed generation at High Prairie for the period April - October
26 2021. This adjustment reflects the actual curtailed operations that High Prairie
27 experienced based on projected wind output.

- 1 ➤ As set forth in my rebuttal testimony, I have calculated the effect on production tax
2 credits during the April - October 2021 time frame from the reduced generation of
3 High Prairie. I have proposed that this amount be used to reduce the RESRAM
4 charges.
- 5 ➤ As set forth in my rebuttal testimony, I have proposed that if High Prairie continues
6 to have reduced operations during future bat seasons, that an adjustment should
7 be quantified to address the loss of production tax credits modeled by Ameren
8 Missouri in its direct testimony in the CCN case.
- 9 ➤ As set forth herein, I have proposed that monitoring costs associated with the
10 endangered species issue including the study of mitigation plans should be borne
11 by Ameren Missouri's shareholders.
- 12 ➤ As set forth herein, I have offered an alternative calculation based on the very
13 unlikely capacity factor of 34%.
- 14 To not adjust Ameren Missouri's cost of service for the lack of generation being
15 provided by High Prairie would be a disservice to the ratepayers of Ameren Missouri.

16 **Meramec Plant Retirement**

17 **Q DID YOU REVIEW THE TESTIMONY OF AMEREN MISSOURI WITNESS MR.**
18 **MITCHELL LANSFORD AS IT PERTAINS TO THE MERAMEC PLANT**
19 **RETIREMENT?**

20 A Yes, I did.

21 **Q DID MR. LANSFORD AGREE WITH ANY OF YOUR POSITIONS?**

22 A Yes. Mr. Lansford agreed that the expenses to operate Meramec should be calculated
23 on a ten-month basis, as I detailed in my direct testimony, consistent with the remaining
24 ten-month operating life of Meramec once new rates are effective in this rate case.

25 **Q DID YOU REVIEW THE TESTIMONY OF OPC WITNESS MR. JOHN RILEY WHERE**
26 **HE ADDRESSED THE MERAMEC PLANT RETIREMENT ISSUE?**

27 A Yes. I reviewed Mr. Riley's testimony.

1 **Q IS OPC'S MERAMEC PLANT RETIREMENT SIGNIFICANTLY DIFFERENT THAN**
2 **THE ADJUSTMENT YOU PROPOSED IN YOUR DIRECT TESTIMONY?**

3 A No. The adjustment I proposed in my direct testimony created a regulatory liability to
4 capture expenses that ceased once Meramec was retired. The OPC's proposal simply
5 adds the expenses to operate Meramec for ten months with the unrecovered
6 investment in Meramec at operation of law date for this rate case, and amortizes that
7 balance over five years.

8 **Q WOULD YOU SUPPORT THE POSITION PROPOSED BY THE OPC?**

9 A Yes. I would support the OPC's position with the following clarifications:

- 10 1. The unrecovered investment is measured at the month of the operation of law date
11 in this rate case.
- 12 2. The regulatory asset would be comprised of the expenses I identified in my direct
13 testimony in Table 5, and netted against the unrecovered Meramec investment
14 calculated pursuant to Step 1 above.
- 15 3. The regulatory asset is amortized over five years with no carrying charge applied
16 to the regulatory asset during the recovery period.

17 **Q WHY ARE YOU OPPOSED TO A CARRYING CHARGE FOR THE REGULATORY**
18 **ASSET?**

19 A The Meramec plant, upon retirement, will not be used and useful and providing service
20 to Ameren Missouri's ratepayers. It is without argument that while Meramec was
21 operating it was used and useful and should qualify for a return on the investment.
22 However, at retirement, the unrecovered investment certainly is no longer used and
23 useful. I would note that I am not aware of any historic performance issues while
24 operating Meramec that would cause someone to propose a performance adjustment.

1 Q BY SUPPORTING THE OPC'S POSITION AS AN ALTERNATIVE TO YOUR
2 PROPOSED RETIREMENT ADJUSTMENT DISCUSSED IN YOUR DIRECT
3 TESTIMONY, ARE YOU AWARE OF ANY COST DECREASES THAT WOULD NOT
4 BE CAPTURED?

5 A Yes. I would argue that the decrease in property taxes will not be captured by the
6 OPC's adjustment for property taxes paid in 2023 and beyond.

7 Q DOES THAT CHANGE YOUR POSITION ON ADOPTING THE OPC'S POSITION?

8 A No. I believe it is proper to capture all cost savings from the retirement of a generating
9 unit. I also recognize that the property taxes paid in 2023 are significantly beyond the
10 true-up period in this rate case. I also believe that keeping property taxes on an actual
11 paid basis for this rate case is consistent with the known and measurable aspect of
12 property taxes. To that end, I am fine with dropping the effects of future reduced
13 property taxes for purposes of the Meramec plant retirement. However, I want to be
14 clear, I am not pursuing the property tax issue to the extent all of the conditions I listed
15 above for the Meramec plant retirement are adopted.

16 **Revenues**

17 Q DID YOU REVIEW THE TESTIMONY OF AMEREN MISSOURI WITNESS DR.
18 NICHOLAS BOWDEN AS IT RELATES TO REVENUES?

19 A Yes, I did.

1 Q DR. BOWDEN HAS SEVERAL CONCERNS WITH YOUR PROPOSED REVENUE
2 ADJUSTMENT. BEFORE YOU ADDRESS THOSE CONCERNS, DO YOU HAVE AN
3 OVERALL DISCUSSION OF YOUR APPROACH IN PRESENTING YOUR REVENUE
4 ADJUSTMENT?

5 A Yes. As part of my analysis of Ameren Missouri's revenue requirement request, I
6 checked the reasonableness of the level of annualized revenues. In this case, I found
7 that Ameren Missouri had, in my judgment, understated the usage per customer in
8 annualizing residential and small general service revenue classes. Dr. Bowden is
9 correct that I relied on FERC Form 1 data to perform my reasonableness check of
10 revenues. If Ameren Missouri's annualized revenues would have produced what I felt
11 were reasonable results, I would not have proposed the adjustments.

12 Q WHAT SPECIFICALLY DID DR. BOWDEN CRITICIZE REGARDING YOUR
13 REVENUE ADJUSTMENT?

14 A Dr. Bowden had several criticisms of my revenue adjustment. I will list the major
15 objections below and then discuss each one.

- 16 ➤ Mr. Meyer used annual usages to propose his adjustment.
- 17 ➤ Mr. Meyer did not weather normalize his revenue adjustment.
- 18 ➤ Mr. Meyer did not account for the effects of energy efficiency.
- 19 ➤ Mr. Meyer failed to recognize the effects from a large increase in the small general
20 service class.

21 Q PLEASE DISCUSS THE ARGUMENT BY DR. BOWDEN THAT YOU USED ANNUAL
22 USAGES PER MONTH, INSTEAD OF MONTHLY VALUES.

23 A Dr. Bowden is correct. My analysis is based on annual usage levels. The use of annual
24 usage levels does not make the annualization of revenues inappropriate. Dr. Bowden

1 does not provide any quantification of what he believes to be a mistake in my revenue
2 annualization. This is simply an argument to create confusion. Annualizing revenues
3 using month end data or annual usage data should still produce reasonable results.

4 **Q PLEASE DISCUSS DR. BOWDEN'S ARGUMENT THAT YOU DID NOT WEATHER**
5 **NORMALIZE THE REVENUES.**

6 A I agree with Dr. Bowden that I did not specifically perform a weather normalization
7 adjustment. However, I would argue that my comparison of annual usages over a
8 multi-year period in itself is a mechanism to account for the effects of weather. By
9 comparing my annual usage per customer class to values over a multi-year period, in
10 essence, takes into account the effects of weather. If my annual usage per customer
11 used a weather period that was extremely warm, then my annual usage per customer
12 would have been higher than many other years in the past. Furthermore, although Dr.
13 Bowden criticizes me for not weather normalizing my annual usage per customer, Dr.
14 Bowden fails to provide any testimony whether my annual usage per customer was too
15 high due to weather. He is simply silent on this topic. Given Dr. Bowden's argument,
16 it cannot be determined if my annual usage per customer totals reflect normal weather
17 or not. I contend, given the usage per customer levels I have proposed, the effects of
18 weather are properly accounted for in my adjustment.

19 **Q PLEASE DESCRIBE DR. BOWDEN'S ARGUMENT ABOUT ENERGY EFFICIENCY.**

20 A Dr. Bowden argues that the annual usages I list from 2011 through 2020 do not reflect
21 the decreased usage that has occurred as a result of Ameren Missouri's energy
22 efficiency programs. Once again, Dr. Bowden is correct. However, that is only half the
23 story. Dr. Bowden does not acknowledge the usage levels I chose for annualizing

1 revenues; the 2019 actuals (small general service) or an average of 2019 and 2020
2 annual usages (residential class). Clearly, those recent usage levels do reflect the
3 decline in usage per customer from energy efficiency programs.

4 Many times during my discussion of the annual usages per customer, I referred
5 to prior year's usage levels as a means to compare the reasonableness of my proposal.
6 However, I cannot recall using those values except for comparison purposes to
7 annualize revenues.

8 **Q FINALLY, DR. BOWDEN CRITICIZES YOUR ANALYSIS FOR FAILING TO**
9 **ACKNOWLEDGE AN INCREASE IN THE NUMBER OF SMALL GENERAL**
10 **SERVICE CUSTOMERS BETWEEN 2014 AND 2015 (APPROXIMATE 15,000**
11 **CUSTOMER INCREASE). DR. BOWDEN ARGUES THIS OMISSION MAKES MY**
12 **REVENUE ADJUSTMENT "A FAILURE IN ANALYTICAL SCRUTINY, AND**
13 **FURTHER UNDERMINES CREDIBILITY OF HIS PROPOSAL."**

14 **A** Once again, Dr. Bowden does not state whether this had any influence on the factors I
15 used to annualize small general service revenues. It did not. The small general service
16 revenues were annualized based on the 2019 annual usage per customer levels and
17 the Company's proposed level of customers at September 30, 2021.

18 **Q PLEASE GENERALLY DESCRIBE YOUR CONCERNS WITH DR. BOWDEN'S**
19 **TESTIMONY.**

20 **A** It would appear that if one does not annualize revenues according to the process Dr.
21 Bowden feels is acceptable, then the process is wrong. I feel Dr. Bowden needed to
22 point out as many perceived faults with my annualization as possible without any
23 quantification of the impacts and throw out as many arguments as he could possibly

1 find to discredit this adjustment. For example, we know that Dr. Bowden is upset that
2 a specific weather normalization was not performed. Yet, Dr. Bowden is silent on the
3 usage level I used as it relates to weather. It is quite possible that the level I used was
4 actually more beneficial to Ameren Missouri.

5 **Q GIVEN THE VAST AMOUNT OF CRITICISMS THAT DR. BOWDEN HAS LEVIED**
6 **AGAINST YOUR ADJUSTMENT, HAVE ACTUAL RESULTS TRACED TO THE**
7 **LEVELS PROPOSED BY AMEREN MISSOURI?**

8 **A** No. The level of sales proposed by Ameren Missouri has been exceeded through the
9 first two quarters of 2021. I have prepared Table 2 that shows the residential sales
10 levels for the twelve-month periods ending March 31, 2021 and June 30, 2021.

Period/Party	Sales Level - MWh
12 Months-to-Date March 31, 2021 ¹	13,531,670
12 Months-to-Date June 30, 2021 ¹	13,387,497
Company Proposed	13,311,574
MIEC Proposed	13,473,789

¹S&P Capital IQ, Electric Sales Detail for Union Electric Company.

11 As can be seen from Table 2, the level of sales proposed by Ameren Missouri
12 has been exceeded in both quarter updates for 2021. I would also note that the level
13 of sales I proposed has not been achieved. There is a logical explanation for this; the
14 residential class level of customers continues to grow. I used the projected level of
15 customers at September 30, 2021 to annualize revenues. Therefore, the level of

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1 revenues I have proposed will not be realized in any current sales levels as the
2 customer growth projected to occur through September 30, 2021 has not been realized
3 yet. The growth in customers should also highlight the conservative nature of the
4 Company's estimated sales levels. The Company estimated customer growth through
5 September 30, yet the 12-month sales levels reported for the residential class in 2021
6 already exceeds the level proposed by Ameren Missouri.

7 **Q PLEASE SUMMARIZE YOUR REVENUE ADJUSTMENTS.**

8 A I continue to believe that the revenue adjustments I proposed are reasonable. Dr.
9 Bowden uses every argument possible to discredit my adjustment, yet provides no
10 quantification of his asserted flaws. I have also shown that the level of sales proposed
11 by Ameren Missouri has already been exceeded for 2021 before the growth in the
12 residential class has even occurred. I continue to support my revenue adjustments and
13 am not persuaded by the arguments presented by Dr. Bowden.

14 **Storm Costs**

15 **Q HAVE YOU READ THE REBUTTAL TESTIMONY OF AMEREN MISSOURI**
16 **WITNESS MR. LANSFORD AS IT PERTAINS TO STORM COSTS?**

17 A Yes, I have read Mr. Lansford's rebuttal testimony.

18 **Q MR. LANSFORD CRITICIZES YOU FOR TRYING TO LINK VEGETATION**
19 **MANAGEMENT COSTS AND STORM COSTS TOGETHER. PLEASE RESPOND.**

20 A There is no question that vegetation management programs and the severity of storm
21 costs are directly tied together. The Commission established vegetation rules after a
22 severe storm struck the Ameren Missouri service territory. These vegetation

1 management and infrastructure inspection rules were the direct result of that severe
2 storm.

3 In his direct testimony, Ameren Missouri witness Warren Wood on pages 10-11
4 states the following:

5 "Ameren Missouri is also working to hold costs level, and to decrease
6 those expenditures when it makes sense to do so. As an example,
7 technological advances in mechanized trimmers allow Ameren Missouri
8 to use these devices in previously inaccessible spaces. The use of
9 these trimmers has decreased annual vegetation management costs by
10 \$5 million as compared to amounts in our previous rate case."

11 First, I want to applaud Ameren Missouri's initiatives that save money for
12 ratepayers. I also read that statement by Mr. Wood to suggest that these new trimmers
13 could reach places and trim areas that were previously not accessible. To that degree,
14 there will be less exposure from trees to affect power lines during a storm. The three-
15 year average of storm costs that I have proposed will reflect the new tree trimming
16 process described by Mr. Wood.

17 **Q WHAT IS YOUR RESPONSE IF A SEVERE STORM STRIKES THE AMEREN**
18 **MISSOURI SERVICE TERRITORY?**

19 A The current level of storm costs would not be adequate to allow recovery of a severe
20 storm. The costs associated with a severe storm would need to be addressed
21 separately. I am proposing a three-year average of non-severe storms to match the
22 period Ameren Missouri originally proposed for vegetation management and to reflect
23 the storm savings I expect from the new tree trimming process.

1 Q HAVE STORM COSTS DECLINED SINCE AMEREN MISSOURI'S LAST RATE
2 CASE?

3 A Yes. I have reproduced the historical storm data in Table 3 that I included in my direct
4 testimony (Table 14) to show the decline in storm costs.

Year	Amount
2016	\$4,118,414
2017	\$4,239,797
2018	\$4,557,070
2019	\$2,867,881
2020	\$2,440,117

5 As can be seen from Table 3, storm costs have decreased in 2019 and 2020. The
6 decreased storm costs in 2019 and 2020, combined with the new tree trimming
7 process, should allow storm costs to decrease from historic levels. Therefore, I
8 continue to propose a three-year average of storm costs to more quickly realize the
9 benefits from the new vegetation process.

1 **Property Taxes**

2 **Q AMEREN MISSOURI WITNESS MR. LANSFORD DESCRIBES AN INCONSISTENT**
3 **STAFF APPROACH TO PROPERTY TAXES IN HIS DISCUSSION OF THE**
4 **MERAMEC TRACKER. PLEASE RESPOND.**

5 A Mr. Lansford argues that the Staff has not consistently treated property tax expenses
6 for Ameren Missouri, Empire and Spire rate cases. According to Mr. Lansford, in the
7 Spire and Empire rate cases, the Staff utilized the following methodology:

8 "Staff calculated the property rate by dividing the 2019 property taxes
9 paid by the December 31, 2018 total property. This property tax rate
10 was then applied to the total property as of December 31, 2019 to
11 determine annualized property tax."

12 **Q DO YOU SUPPORT THE METHODOLOGY TO ANNUALIZE PROPERTY TAXES**
13 **THAT HAS BEEN USED FOR SPIRE AND EMPIRE?**

14 A No, I do not. The methodology used by the Staff in those cases is incomplete. The
15 Staff is using a tax rate from a previous year to apply to current investment. The proper
16 matching of those components is to keep all of the tax components together and not
17 rely on past tax rates to predict or annualize current property taxes.

18 **Q PLEASE EXPLAIN YOUR UNDERSTANDING OF THE CURRENT PROPERTY TAX**
19 **CALCULATION.**

20 A In January of a year, a utility submits its investment in the electric system to the Missouri
21 State Tax Commission. The Tax Commission then certifies the valuation of the
22 investment by mid-year. The taxing jurisdictions can then use these assessed property
23 values to determine its tax rates to be applied to the assessed valuations for property
24 in the taxing jurisdiction. Tax rates may either increase or decrease depending on the

1 taxing jurisdiction's budgetary needs. After the taxing jurisdictions determines its tax
2 rates, property tax bills are mailed to Ameren Missouri in November or December.
3 Ameren Missouri is required to pay its property tax bill by December 31.

4 As one can see, there are many interlocking steps to determine Ameren
5 Missouri's property taxes. Substituting one aspect from a previous year will not result
6 in a known and measurable property tax bill for that current year.

7 **Q WHAT JUSTIFICATION DID THE STAFF ARGUE IN THE EMPIRE OR SPIRE RATE**
8 **CASES?**

9 A In the Spire rate case, the Staff cited a number of cases where the Staff's
10 recommendations and Commission orders were consistent with this different approach.
11 I have listed those cases below.

- 12 ➤ Missouri Gas Energy, Case No. GR-96-285
- 13 ➤ St. Louis County Water Company, Case No. WR-2000-844
- 14 ➤ The Empire District Electric Company, Case No. ER-2001-0299
- 15 ➤ Kansas City Power & Light Company, Case ER-2006-0314

16 However, the Staff in the Spire rate case failed to mention that more recently
17 the Commission has upheld the position that all aspects of the tax calculation must be
18 completed to annualize property taxes. Essentially, the Commission Order in Ameren
19 Missouri's Case No. ER-2012-0166 confirmed the Staff's and MIEC's position in this
20 case, that actual property taxes paid are the only known and measurable property taxes
21 to include in cost of service. I should also note this is how Ameren Missouri filed its
22 property taxes in this case. The Commission's Ameren Missouri Order is almost six
23 years more recent than the latest decisions relied on by the Staff.

1 **Q IF A UTILITY WANTED TO INCLUDE THE MOST CURRENT LEVEL OF PROPERTY**
2 **TAXES, DO YOU HAVE A RECOMMENDATION?**

3 A Yes. The utility could file a rate case such that the true-up period or up-date period
4 would include the end of the year so that property taxes could be included in cost of
5 service. For many years, Ameren Missouri has filed rate cases proposing true-ups that
6 ended on January 1. This allowed Ameren Missouri to include the latest known level
7 of property taxes in its true-up cost of service. So, there are ways to include the effects
8 of the most recent level of property taxes in cost of service.

9 **Q PLEASE SUMMARIZE YOUR POSITION ON PROPERTY TAXES.**

10 A I continue to support the position that only those property taxes actually paid should be
11 included in cost of service. If a utility feels that property taxes are going to be a major
12 component of its cost of service, it can file its case to include that known and
13 measurable event at the end of the calendar year. This position is also consistent with
14 the most recent Commission decision regarding property taxes.

15 **Q IN HIS REBUTTAL TESTIMONY, AMEREN MISSOURI WITNESS LANSFORD**
16 **TRIES TO COMPARE THE STAFF'S REQUEST TO RECOGNIZE REDUCED**
17 **PROPERTY TAXES FROM A RETIRED PLANT TO THE ANNUALIZATION**
18 **METHOD USED BY THE STAFF IN THE EMPIRE AND SPIRE CASES. DO YOU**
19 **AGREE THESE ISSUES ARE SIMILAR?**

20 A No, the issues are not similar. In the case of a retired plant, the reduction in property
21 taxes at the time of payment is real. The Staff is merely requesting that Ameren
22 Missouri estimate that impact from its tax bills for the effects of the retired plant. This
23 is completely different than annualizing property taxes without all of the known and

1 measurable steps necessary to calculate property taxes. The Staff was not requiring
2 Ameren Missouri to estimate the reduction of property taxes right now, but, when those
3 taxes do expire, an estimate should be quantified. These are two completely different
4 issues and Ameren Missouri's attempt to leverage a recently rejected methodology
5 (Case No. ER-2012-0166) for annualizing property taxes should be rejected. I would
6 note that I have conditionally dropped the property tax issue for Meramec if my other
7 conditions for its retirement are accepted.

8 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

9 A Yes, it does.

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