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Witness:	Kelsey Ann Klein
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File No.:	GR-2021-0241
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2021-0241

REBUTTAL TESTIMONY

OF

KELSEY ANN KLEIN

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
October 15, 2021

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OF

KELSEY ANN KLEIN

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kelsey Ann Klein. My business address is One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri.

Q. Are you the same Kelsey Ann Klein that submitted direct testimony in this case?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. To what testimony or issues are you responding?

A. I am responding to the Missouri Public Service Commission ("Commission") Staff Cost of Service Report and Staff Class Cost of Service Report ("Staff Reports") related to the development of test year billing units and the resulting normalized revenues. First, since Union Electric Company d/b/a Ameren Missouri's ("Ameren Missouri" or "Company") and Staff's recommended billing units are not materially different for most of the rate classes, I only briefly respond to two different adjustments proposed by Staff. However, I identify an issue in Staff's calculation of actual revenues reported for the General Service class, and correct the block 1 sales that were improperly given the block 2 rate instead of the block 1 rate for that class. Second, I acknowledge differences in Staff's weather normalization methodology compared to the Company's methodology, but conclude that such difference to not result in any material disagreement. Finally, I address Staff's proposed provisions for our Special Contract tariff.

III. BILLING UNITS

Q. What billing unit issues will you be addressing?

A. I will be addressing Staff's calculation of customer growth, COVID-19 adjustments, and their calculation of actual revenues in block 1 for the General Service class.

Q. Did Staff use the same Residential and General Service customer counts for the test year as the Company?

A. No. In the updated test year through April 2021, Staff included actual customer counts from May 2020 to April 2021 for both Residential and General Service customer classes. Then, Staff took the average customer counts from January to April 2021, and applied the average difference to the customer counts of May 2020 through December 2020. They stated the resulting difference from the average counts during the months of 2021 was the growth adjustment needing to be applied to the 2020 months prior.

Q. Do you agree with how the customer counts have been adjusted for growth?

A. No. Staff states in their direct testimony that "this seasonal sensitivity in customer numbers makes it impractical to base a customer growth adjustment on one period-ending customer number value as is normally done for electric utilities."[1] The Company agrees that growth should be based on more than one time period. So the Company's proposed customer growth adjustment is based on an average annual growth rate from the past 5 years. This helps minimize drastic fluctuations that could be due to one period's seasonal sensitivity or

[1] File No. GR-2021-0241, Staff Cost of Service Report, p. 49, ll. 8-10.

changes due to the pandemic, and adjusts customer growth to be more in line with the Company's historic trend data. Additionally, this method is also more in line with how Staff calculated customer growth in Ameren Missouri's previous natural gas rate case, File No. GR-2019-0077.

Q. Did Staff utilize the same COVID-19 adjustments for the test year as the Company?

A. No. Staff only made COVID adjustments to two Large Transport customers by taking the average of the immediate prior and subsequent months of usage, and utilized the average of their calculated usage as the usage for those customers during the months they were showing no usage.

Q. Do you agree with Staff only adjusting two customers for COVID impacts?

A. No. COVID impacted more than two customers. After usage was weather normalized, there were still abnormal changes in usage during the initial and subsequent months of the pandemic for non-residential classes compared to the last two years of customer usage. The Company's adjustment took into account the average of the last two years of normalized Ccf gas sales, deliveries, and adjusted customer usage during the initial lockdown months and subsequent months that followed to reconcile the impact of the change in usage affected by the pandemic. The Company's adjustments as outlined in my direct testimony give us the normalized Ccf usage that should have occurred if we did not have the more severe initial lockdown during the months of April, May, and June 2020, but still experienced the more lasting decrease in sales that occurred due to a shift in usage because of COVID.

Q. Was there an error in Staff's calculations of actual revenues for the updated period through April 2021 for the General Service class?

A. Yes.

Q. Could you please describe the error in greater detail?

A. In Staff's "Ameren Gas Revenues Final" workpaper, when calculating the General Service revenues for the updated test year for the southeastern pipeline customers, Staff applied block 2 rates to block 1 sales, which caused an understatement of total actual revenues by approximately $663,588 in Staff's calculations.[2] Applying the correct rate to the block 1 Ccf usage brought Staff's actual revenues calculated to be more in line with Ameren Missouri's calculated revenues for the General Service customers. Additionally, if the discrepancy is not corrected, the future development of normalized revenues could be impacted.

IV. WEATHER NORMALIZATION

Q. Did Staff's weather normalization methodology differ from the methodology used by Ameren Missouri?

A. Yes. Staff uses a "rank and average" approach to establish normal weather for its weather normalization adjustment. Additionally, Staff determined the relationship between sales and weather using a monthly regression model, rather than a daily model as the Company did.

[2] File No.GR-2021-0241, Staff workpaper, Ameren Gas Revenues Final (HC) GS Correction.

Q. Do you agree with the methodology Staff calculated their weather normalizations with?

A. Not completely. While Staff's methods are not unreasonable, the daily model used by the Company is a more robust method for quantifying the impact of weather, and the rank and average technique is unnecessarily complex while adding little additional value in the context of gas weather normalization. However, from what the Company could review in the weather normalization workpapers due to technical issues with Staff's work paper files that limited the Company's ability to complete a full and timely review of Staff's calculations, both Staff and the Company's methods for calculating normal weather have produced comparable, overall resulting normalizations. Despite some inconsistences in the actual weather data and differing views on the overall model methodology, Ameren Missouri does not have material issue with Staff's weather normalization results.

V. SPECIAL CONTRACT

Q. What is the purpose of a Special Contract?

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

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

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

Q. In their direct testimony, Staff suggests calculating a Special Contract customer at the Large Volume Transportation rates instead of the rate such customers are currently receiving under their respective Special Contracts. Please explain why this should not be considered in calculating revenues in the test year.

A. Calculating revenues for one of the Special Contract customers based on large volume transportation rates instead of their contract rates would overstate the Company's revenues in the test period by $151,081. An overstatement of revenues would create rates lower than what is actually required to achieve Ameren Missouri's revenue requirement. The imputation of higher revenues associated with this customer would result in Ameren Missouri's rates being designed with the expectation of under-recovering its revenue requirement as long as the Special Contract continues. In other words, the Company would be encouraged to consider terminating the contract, even if the threat of bypass still exists. In such a case, the Special Contract customer may choose to leave the Ameren Missouri system, resulting in the entire revenue contribution formerly associated with that customer, now being allocated to other customers. Ameren Missouri recommends calculating these revenues as they are billed in the test year and will be billed moving forward until a fundamental change in the situation of the customer or pipeline warrants a reevaluation by Ameren Missouri.

Q. Does the Company support the additional tariff language provisions Staff proposed on our Special Contract tariff?

A. No.

Q. Why does the Company not support the increased customer qualifications proposed by Staff?

A. The Company currently has Special Contract agreements with three customers. Each customer is individually evaluated to determine if implementing a Special Contract would be marginally beneficial to the Company and its customers. Enforcing a limiting customer qualification where prospective Special Contract customers have to meet a minimum annual Ccf usage of 300,000 does not guarantee that customer will marginally benefit the system if put on a Special Contract rate. There is not significant evidence to prove that 300,000 Ccf is the break-even point of usage for customers to be able to qualify for a Special Contract discount rate. Additionally, it removes the opportunity to negotiate and prevent a customer who can leave the system that uses less than the 300,000 Ccf qualification from leaving the system. In other words, this minimum qualification could encourage customers who do not meet the minimum threshold to leave the system because we would not be allowed to negotiate a discounted rate with them. Losing revenues from Special Contract customers could have significant revenue impacts if they left one of our rate classes as other customers within their rate class would now be responsible for the expenses their revenues were covering.

Q. Why does the Company disagree with the Special Contract Rate Discount incentive provision proposed by Staff?

A. Customers' marginal costs are already evaluated and assessed on a case-by-case basis to ensure a negotiated, discounted rate is still marginally beneficial to the Company and its other customers if we were to keep the customer on the system. Each potential Special Contract customer has individual needs and requirements in order to agree to stay on our system. An incentive provision that would require a minimum of 90% of the cost of the viable natural gas transportation alternative over the life of the contract would limit the negotiating power of the Company to work with the customer on an agreement that provides them an incentive to stay on our system, all while still covering the marginal costs they impose. This 90% minimum cost sets an artificial floor for negotiations, limiting the ability of the Company to execute a mutually beneficial contract with the customer. It could also encourage the lengthening of contracts in order to spread out the additional cost requirements, and if the Company set a limit on payback years in the Special Contracts, it would limit even more customers who could qualify, and encourage more customers to leave and bypass the system.

Q. Why does the Company disagree with the Revenue Limitation incentive provision proposed by Staff?

A. It is in the Company's own interest to ensure customers, at a minimum, have marginal revenues that meet marginal costs. Unnecessary provisions with no basis or analysis supporting why these limitations should be put in place could be unduly discriminatory due to individual customer bypass situations that may exist. Special Contracts are marginally beneficial to the Company and the other customers, so there should not be provisions put in the Special Contract tariff that could prevent marginal benefits from being achieved since there is not a conflict of interest.

Q. Why does the Company disagree with adjusting Special Contract customer revenues to be based on a different rate class during the ratemaking process?

A. As mentioned above in the current overstatement of revenues by one of our Special Contract customers proposed in Staff's test year revenues, the imputation of higher revenues associated with a Special Contract customer would result in Ameren Missouri's rates being designed with the expectation of under-recovering its actual revenue requirement as long as the Special Contract continue. This overstatement of revenues would create rates lower than what is actually required to achieve Ameren Missouri's revenue requirement and does not reflect normalized revenues.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust Its Revenues for Gas Service.	)))	 Case No. GR-2021-0241

AFFIDAVIT OF KELSEY ANN KLEIN

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

Kelsey Ann Klein, being first duly sworn on her oath, states:

My name is Kelsey Ann Klein, and on her oath declare that she is of sound mind and lawful age; that she has prepared the foregoing *Rebuttal Testimony*; and further, under the penalty of perjury, that the same is true and correct to the best of my knowledge and belief.

Kelsey Ann Klein

Kelsey Ann Klein

Sworn to me this 14 day of October, 2021.