Exhibit No.:	
Issue(s):	Certain Revenue Requirement Issues
Witness:	Laura Moore
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Union Electric Company
File No.:	GR-2021-0241
Date Testimony Prepared:	October 15, 2021

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2021-0241

REBUTTAL TESTIMONY

OF

LAURA MOORE

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
October 15, 2021

TABLE OF CONTENTS

REBUTTAL TESTIMONY

OF

LAURA MOORE

FILE NO. GR-2021-0241

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Laura Moore. My business address is One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri.

Q. Are you the same Laura Moore that submitted direct testimony in this case?

A. Yes, I am.

Q. To what testimony or issues are you responding?

A. I am responding to the following issues raised by Staff: (1) Advance Metering Infrastructure ("AMI") software (Staff witness Kimberly K. Bolin); (2) Orr Street Property (Staff witness Jason Kunst), (3) Misallocation of costs between electric and gas (Staff witness Christopher D. Caldwell); (4) Injuries and Damages (Staff witness Caldwell); (5) Call center costs (Staff witness Paul K. Amenthor); (6) Netting of amortizations of regulatory assets and liabilities (Staff witness Lisa M. Ferguson); (7) Cost savings measurement reporting (Staff witness Kunst), and (8) General Plant Retirements (Staff witness David T. Buttig).

II. AMI SOFTWARE

Q. What is the issue the Company would like to raise regarding AMI[1] software?

A. The Company installed software that is necessary to use and operate AMI meters currently being installed for its electric customers and that will also be installed for its gas customers. This software was placed in service and is being used for electric customers today, but since AMI meters for gas customers have not yet been installed the software is not currently supporting any gas meters. Starting in 2023, AMI gas meters will be installed for our gas customers. Because ultimately the software will not exclusively support operation of electric meters, the Company allocated for ratemaking purposes a portion of the software's cost to its gas operations. Because of that allocation, that portion was not included in the determination of the revenue requirement in the electric case.

Q. Were those allocated costs included in the revenue requirement in this case?

A. While they could have been, no we did not include them in the revenue requirement in this case and instead proposed to defer the gas portion of the AMI software cost to a regulatory liability to be recovered in a future gas case revenue requirement once the software was actually use to support gas AMI meters. This approach delayed any rate contributions by gas customers today who don't have AMI meters, but would create a much better alignment of the cost of the software with those that will benefit from it.

[1] Also referred to as "smart meters."

Q. Please explain Staff's position on the gas software.

A. Staff "concurred" in the exclusion from the electric case revenue requirement of the portion of the software cost that the Company had allocated to the gas business, but then opposed the deferral of those costs in this case. The result of Staff's position would deny the Company recovery of prudently-incurred AMI software costs, even though the total cost of the AMI software would have been the same even if the Company did not have a gas business.

Q. What is the basis for Staff's position?

A. Staff claims the deferral violates the matching principle. Staff provides no basis for also failing to include the allocated costs in the electric case's revenue requirement.

Q. Does the Company agree with Staff?

A. No, for two reasons. First, as indicated the AMI software is necessary and used and useful for the electric business regardless of whether the Company has a gas business, and the cost of that software would have been exactly the same even if the Company had no gas business. There is absolutely no basis to exclude any of the cost from both revenue requirements. Consequently, if the deferral proposed in the gas case is not adopted the costs allocated on the Company's books should be included in the revenue requirement used to set rates in the electric case.

Second, the matching principle does not preclude the proposed deferral in this case. To understand why requires one to recognize (as the Commission itself has) that there are two aspects to the matching principle. Staff's matching principle objection is based on the first aspect, that is, the aspect that holds that revenues and expenses should be matched to the period within which they are incurred. Staff is basically saying to defer part of the costs incurred now to be addressed in a gas rate review case later creates a mismatch. It is not clear that there is a mismatch at all given that the deferral would in fact match the costs with gas customers actually being served by AMI meters. Regardless, there is a second aspect of the matching principle that the Staff completely ignores. That aspect holds that "ratepayers are charged with the costs of producing the service they receive."[2] The purpose of this second aspect of the matching principle is to "match costs with benefits so that ratepayers that enjoy the benefits of utility property also bear the costs thereof."[3] It is also important to note that the Commission can and has set revenue requirement components that do not always neatly fit within both aspects of the matching principle, even if some aspect of the principle may not be fully adhered to for a given ratemaking adjustment.[4]

Q. Will gas customers bear a fair share of the costs of the software from which they will benefit if this deferral is not allowed?

A. Obviously not. As noted, the software itself, and its costs, would have been the same even if Ameren Missouri only had an electric business and even if it only supported electric meters. Therefore, if the deferral is not allowed all of the costs must be included in the electric revenue requirement because without a gas business, electric customers would have had to pay 100% of the same cost. The Company proposed the deferral because while the electric customers would have had to pay the full cost if there were not gas customers, since there are gas customers, it believed a fairer result was for gas customers to ultimately pay the proportion of the software costs that is equal to the proportion of gas meters to the total number of meters (gas and electric) once all meters for both gas and electric customers are installed. To put another

[2] *In the Matter of the Joint Application of Missouri-American Water Co et al,* File No. WO-2002-273, Report and Order on Remand (Nov. 10. 2004).
[3] *Id.*
[4] *In the Matter of Union Electric Company*, File No. ER-2010-0036, Report and Order (May 28, 2010) (Agreeing that increased nuclear fuel costs that would take effect after the true-up data in the case but before new rates would take effect should be included in the revenue requirement, even though Staff argued that doing so violated the matching principle).

way, it is fair for gas customers to pay costs for the software that benefits them (match costs with benefits). The Company's proposal does just that, just as the second aspect of the matching principle holds.

III. ORR STREET PROPERTY

Q. What is the issue that Staff discusses regarding the Orr Street Property?

A. Staff mentions the Company has some land that may be sold after the true-up cutoff date in this case. Because the sale will be after that date, Staff mentions that it may propose an adjustment in the next rate review to apply any gain that may be received to the cost of the new facility.

Q. Do you agree with this potential future adjustment?

A. No, I do not. This issue is similar to the Saint Louis University ("SLU") land donation issue in the Company's current electric rate review. The Orr Street property is not in use by the Company and is included in a non-utility asset account, as prescribed by the Uniform System of Accounts, and that account is already properly excluded from the revenue requirement. As is discussed in my electric rebuttal testimony in File No. ER-2021-0240, such an adjustment would be completely inappropriate.

IV. MISALLOCATION OF COSTS BETWEEN ELECTRIC AND GAS

Q. Please explain the issue that Staff has raised related to electric costs misallocated to gas operations.

A. Currently, the Company's accounting systems and code block record costs as either electric or gas. Costs that are considered common costs are recorded as electric costs in the Company's general ledger and those costs are then allocated monthly to gas operations.

There are some costs that have been allocated to gas operations incorrectly as this process was applied. Staff has proposed an adjustment related to these misallocated costs.

Q. Does the Company agree with the adjustments that Staff has proposed for this issue?

A. Partially, yes. I agree with Staff's adjustments related to the allocation of building costs, but the majority of the adjustment with which we agree is related to changes in circumstances since we filed our direct case, that is, the pending sale of the Sunset Hills building. The remaining adjustment is extremely minor, only about $2,000. Company witness Mitchell Lansford discusses the misallocated dues and donations in his discussion of that topic, and why the Company does not entirely agree with those adjustments.

Q. Are there any other issues related to this topic that you would like to discuss?

A. Yes. Mr. Caldwell mentions in his portion of the Staff Cost of Service Report that after this issue came up in the Company's last gas rate review the Company planned to set up a new code in the General Ledger to prevent these issues from recurring. He also states that Staff expected this issue to be resolved before the current case and asks the Commission to order Ameren Missouri to make the changes necessary to prevent this issue.

Q. What is the Company's response?

A. I was involved in the discussion with Staff during the last gas rate review when this issue came up. The Company never stated that the issue would be resolved by the current case and did not state that a new accounting code would be added to the General Ledger. It was discussed that a new accounting code was a potential option, but because the Company is involved in a project to review all of the accounting systems and accounting codes, no decision on a permanent solution has yet been made. This issue is still being reviewed and will be adjusted going forward, but adding an accounting code to the system is a major process that would be better handled when new systems are implemented. Changes to the accounting codes cannot just be made in the General Ledger but must also be made in every system that feeds the General Ledger. The Company would like to continue the finance transformation project that is currently underway and make the appropriate changes during that project.

Until those changes can be made, the Company is reviewing the charges allocated to gas and made a pro forma adjustment to reflect appropriate allocations between gas and electric in the Company's direct filing. In its Cost of Service Report, Staff made an adjustment to include additional amounts. As noted earlier, I have agreed to the additional amounts related to building costs. There were also additional amounts included in Staff's adjustment with which the Company does not agree that are discussed by Company witness Lansford.

V. INJURIES AND DAMAGES

Q. Please explain the adjustment that Staff has proposed for injuries and damages.

A. Staff has proposed to use a five-year average ending March 2021 of the actual injuries and damages expense. Mr. Caldwell explains that this approach reflects the most recent experience and is the best indication of the ongoing level of expense.

Q. Does the Company agree with this adjustment?

A. Not completely. The Company does not oppose the five-year normalization for the injuries and damages expense, but the expense should be updated through the true-up period. Mr. Caldwell mentioned in his testimony that his approach reflects the most recent experience, yet he used information through March instead of using the June data which was available to

Staff. In summary, the Company is proposing to use a five-year average with data through the true-up period.

VI. CALL CENTER COSTS

Q. Please explain Staff's position on call center costs.

A. Staff is proposing to annualize the costs of the outside call center by applying the current hourly rate to the actual hours worked during the twelve months ended June 30, 2021.

Q. Do you agree with Staff's position regarding call center costs?

A. No. The level of this expense during the true-up period is artificially low compared to a normal level of expense to be expected once rates set in this case take effect. If the hours from the external call center are averaged for the last three years to smooth out the unusually low number of hours worked during a significant part of the pandemic, the hours will be much more reflective of hours expected in the future.

Q. Why were hours during the pandemic artificially low?

A. Because for much of 2020, the Company operated with a moratorium on disconnections due to the pandemic, which substantially reduced call volume. In addition, due to staffing shortages experienced in 2021, likely from a variety of causes (the pandemic, greater governmental benefits available to unemployed persons during the pandemic, and a very tight labor market), hours dropped further as compared to 2020.

Q. What level of call center costs should be reflected in the revenue requirement?

A. $182,000, calculated by applying the contract rates to a three-year average of the call center hours worked. This will increase the test year level of expense by $11,000.

VII. NETTING OF AMORTIZATIONS OF REGULATORY ASSETS AND LIABILITIES

Q. Please explain Staff's adjustment to the netting of amortizations of regulatory assets and liabilities.

A. Staff has proposed to adjust the beginning regulatory liability balance based on the operation of law date in the last rate review, File No. GR-2019-077. Ms. Ferguson then applied the amortization that was set in the last case through the true-up period and is proposing to reset the amortization of that revised balance over 3 years.

Q. Do you agree with this adjustment?

A. Yes.

VIII. COST SAVINGS MEASUREMENT REPORTING

Q. Please explain the proposal Staff has made regarding the Cost Savings Measurement reporting in their direct case.

A. Staff has requested that they continue to receive the cost savings reporting that they are currently receiving as agreed to by the Company in the stipulation resolving File No. ER-2019-0335. Staff is also now asking for two additional pieces of information. First, Staff has requested the Company to provide the actual quantified savings for the period examined. Second, Staff indicates it would like to see any variance between the actual cost savings and the forecasted cost savings with a detailed description of the variance. Staff's justification is based on its claim that it is important to quantify the savings so that the savings can be passed through to customers.

Q. Does the Company agree with the additional reporting requirements?

A. No. There are multiple reasons why these reporting requirements are not needed and cannot be agreed to. First, the premise behind Staff's claimed need is flawed because as and when cost savings occur, they will lower test year (or true-up period) expenses which, in turn, will lower the revenue requirement used to set rates. Customers will already receive the benefit of any of these cost savings and there is no need to report on these amounts for this to happen.

There are also severe practical problems with coming up with what the "actual" savings would be, including figuring the savings as compared to what. The Company is consistently looking for savings opportunities and often identifies what it believes to be such opportunities many years in advance of when actual benefits would be realized or fully realized. For example, the Callaway Energy Center has undertaken a project intended to realize future savings for risk-informed operations. The risk-informed operations project will develop the necessary infrastructure that will allow the energy center to use actual plant conditions to determine how long certain equipment can be out of service while the plant continues to remain online and producing power. This is expected to provide two benefits. First, since certain equipment can be maintained or repaired between refueling outages, it is expected to shorten refueling outage duration and thus reduce refueling outage costs since some of those costs increased with each day a refueling outage continues. Second, by shortening the duration of refueling outages the plant would be able to produce more megawatt hours overall, thus increasing energy sales revenues that will flow back to customers in the FAC. This project began in 2016 but the O&M savings and other benefits are not currently expected to be realized until the 2023 refueling outage. For this project, would the actual savings be tracked against the forecast developed when the project began? Would it be tracked against a baseline that might at some point be set as the Company tracks cost savings from Customer Affordability initiatives? Or would it be compared to a later 12-month period preceding the time of reporting? Or would it be some other period or measure? And whatever the comparison might be may or may not related to the period used to set a revenue requirement in a future rate review, which is how and when cost savings would actually be realized for customers. While that example involves the Company's electric operations, the same issues exist for initiatives that could ultimately lower the gas revenue requirement.

These same issues make the requested variance reporting very problematic. There are many efforts underway to control the costs. However, when we begin working through these opportunities, the forecasted savings are by their nature estimates, which will almost certainly turn out to be wrong (too high or too low). As initiatives progress, estimates usually change. This obviously means that there will be variances from the amounts estimated at any given time. What would be the benefit in explaining why our initial or revised estimates are incorrect? The goal should be to encourage employees to pursue cost reduction initiatives rather than attaching some arbitrary and artificial significance to the quality of an estimate of the savings made at various times as savings are being pursued.

The current report that is provided to Staff annually includes a listing of each cost savings initiative project, a description of the project, the functional department responsible for the project, the estimated project start and end date, and the estimated cost savings that are included (as of the time of the report) in the Company's budget/forecast (the current year budget plus a forecast for the succeeding four years), by year, based on a baseline period used for the

Customer Affordability initiative. As and when rate review cases occur, Staff will see the test year (or trued-up test year) level of a given expense, including those targeted by an initiative, and can ask questions about the drivers of reductions in an expense, in the rate of growth of an expense, etc. But in the end, the expense level will be what it will be and if the savings initiative has been able to reduce it or slow the rate of its growth, those benefits will be reflected in rates. There is no need for further reporting.

IX. GENERAL PLANT RETIREMENTS

Q. What is the issue with general plant retirements?

A. I do not believe there is any dispute between the Company and Staff on this issue, but I do want to respond to a recommendation contained in Staff's Cost of Service Report relating to accounts for which the Staff and the Company agree that the use of general plant amortization should continue. Specifically, the Staff recommended that the Company regularly retire assets in these account that are beyond their amortization periods.

Q. Does the Company do this?

A. Yes, retirements are done annually for all of the subject accounts.

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	)	Case No. GR-2021-0241
Its Revenues for Gas Service.	)	

AFFIDAVIT OF LAURA M. MOORE

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

Laura M. Moore, being first duly sworn on her oath, states:

My name is Laura M. Moore, 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.

/s/ Laura M. Moore
Laura M. Moore

Sworn to me this 15th day of October, 2021.