

Exhibit No.:
Issue(s): *Property Tax Tracker,
Equity Issuance, Renewable
Energy Standard Tracker,
Electric Vehicle Incentive
Program, True Up Direct*
Witness: *Karen Lyons*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal/True-Up Direct
Testimony*
Case No.: *ER-2022-0337*
Date Testimony Prepared: *March 13, 2023*

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

SURREBUTTAL/TRUE-UP DIRECT TESTIMONY
OF
KAREN LYONS

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

CASE NO. ER-2022-0337

Jefferson City, Missouri
March 2023

1
2
3
4
5
6
7
8
9
10
11
12
13

TABLE OF CONTENTS
OF
SURREBUTTAL/TRUE-UP DIRECT TESTIMONY OF
KAREN LYONS
UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI
CASE NO. ER-2022-0337

EXECUTIVE SUMMARY1
PROPERTY TAX TRACKER2
ELECTRIC VEHICLE EMPLOYEE INCENTIVE4
EQUITY ISSUANCE COSTS7
RENEWABLE ENERGY STANDARD TRACKER9
TRUE UP DIRECT9

1 **PROPERTY TAX TRACKER**

2 Q. Please summarize Ameren Missouri's position regarding the new property
3 tax tracker and when Ameren Missouri can begin tracking property taxes consistent with
4 the new law.

5 A. Beginning on page 23, line 12 of his rebuttal testimony, Mr. Lansford states,

6 The tracking requirement became law last August and requires that the
7 tracking start then. If the legislature intended for tracking to start after
8 the conclusion of the first rate review immediately following the bill be
9 signed into law, that's exactly what the law would say.

10 He continues on page 24, beginning on line 3,

11 Analysis of the stipulation and agreement and record evidence from File
12 No. ER-2021-0240 allows one to determine the property tax expense
13 underlying the rates set in that case.

14 Q. Does Staff agree that the new legislation requires that Ameren Missouri begin
15 tracking property taxes in August 2022 as Mr. Lansford suggests?

16 A. No. Although I agree that the property tax tracker legislation was effective in
17 August 2022, a base level of property taxes does not exist to track deferred property taxes for
18 Ameren Missouri. As described in my rebuttal testimony in this case, the effective date of rates
19 in Ameren Missouri's last rate case, Case No. ER-2021-0240, was February 28, 2022,
20 six months prior to the effective date of the property tax legislation¹. It is impossible for the
21 parties to consider or the Commission to order a base level of property taxes for legislation that
22 did not exist until six months after the effective date of rates.

23 Q. Do you agree that one can determine the level of property tax expense
24 underlying the rates set in Case No. ER-2021-0240 as Mr. Lansford suggests?

¹ Case No. ER-2022-0337, Karen Lyons Rebuttal Testimony, p. 3.

1 A. No. The parties to Case No. ER-2021-0240 entered into a *Unanimous*
2 *Stipulation and Agreement* that was approved by the Commission on December 22, 2021. The
3 agreement was a global agreement that settled all the issues in the case. The Commission did
4 not base Ameren Missouri's revenue requirement upon a specific level of property tax expense².
5 Mr. Lansford is recommending the Commission approve an imaginary property tax base level.

6 Q. In this case what base level of property tax expense does Ameren Missouri claim
7 should be used to track the property taxes starting September 1, 2022?

8 A. Ameren Missouri's proposed base level for property taxes is \$157,052,863.

9 Q. If the Commission determines that Ameren Missouri is eligible to take
10 advantage of the property tax tracker as of September 1, 2022, does Staff agree that Ameren
11 Missouri's base property tax level is \$157,052,863?

12 A. No. In Ameren Missouri's last rate case, Staff recommended \$154,468,503 for
13 property taxes in Staff's true-up accounting schedules. This amount excluded property taxes
14 for the Meramec generating station. If the Commission determines that Ameren Missouri is
15 eligible to take advantage of the property tax tracker as of September 1, 2022, Staff recommends
16 a base level of \$154,468,503.

17 Q. Has Staff calculated what the regulatory asset should be if the Commission
18 allows Ameren Missouri to start tracking the property taxes as of September 1, 2022 as
19 proposed by Mr. Lansford?

20 A. Yes. Using the base level identified above, the balance of the regulatory asset
21 as of December 31, 2022 is \$2,576,372. Staff further recommends a two-year amortization
22 resulting in an annual amortization of \$1,288,186.

² Case No. ER-2021-0240, Unanimous Stipulation and Agreement, approved on December 22, 2021.

1 Q. How did Staff calculate the regulatory asset amount?

2 A. Staff prorated the property taxes paid by Ameren Missouri for the period of
3 September 2022 through December 2022 and excluded the property tax expense that is
4 recoverable through the Renewable Energy Standard Rate Adjustment Mechanism
5 (“RESRAM”). Staff compared this amount to its recommended level of property tax expense
6 included in Staff’s cost of service in Case No. ER-2021-0240.

7 Q. What is Staff’s recommendation for the base property level in this case?

8 A. Staff recommends a base level of \$161,344,659. This base level excludes
9 property taxes for renewable investment that is included in Ameren Missouri’s RESRAM. This
10 base level will be used to track deferred property taxes beginning with the effective date of rates
11 in this case.

12 **ELECTRIC VEHICLE EMPLOYEE INCENTIVE**

13 Q. Please summarize Ameren Missouri’s position regarding Staff’s accounting
14 treatment of the electric vehicle incentive program costs.

15 A. Beginning on page 17, line 9 of his rebuttal testimony, Mr. Lansford states,
16 The payment of a small (\$1,500 to \$2,500) incentive to Company
17 employees to adopt electric vehicle technology is beneficial to
18 customers. Adoption of electric vehicle technology increases electric
19 revenue volumes, allowing customer rates to decline (holding all other
20 factors constant). Additionally, this incentive improves employee
21 engagement, attraction, and retention and helps employees set a good
22 example for Company customers. Staff’s proposed disallowance has not
23 been supported and fails to consider the above factors.

24 Q. Do you agree with Mr. Lansford’s statement that rates are reduced with
25 increased revenues from this incentive program?

1 A. No. Mr. Lansford suggests that the electric vehicles purchased by Ameren
2 Missouri employees increases revenues and with all other factors held constant, reduces rates.

3 ** [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED] **

9 Q. Do you agree with Mr. Lansford’s statement that this incentive improves
10 employee engagement, attraction, and retention and helps employees set a good example for
11 Company customers?

12 A. It appears that Mr. Lansford is suggesting that the electric vehicle employee
13 incentive is comparable to other employee benefits and salaries that can be tied to engagement,
14 attraction, and retention of employees⁴. Staff does not consider the electric vehicle employee
15 incentive program an employee benefit. ** [REDACTED]

16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

³ Case No. ER-2022-0337 Response to Staff Data Request No. 0569, Schedule KL-s1.
⁴ Case No. ER-2022-0337, Staff Data Request No. 0303, Schedule KL-s2.

1 [REDACTED] ** For this reason, the electric vehicle employee incentive is not akin to
2 employee benefits, which are available to all Ameren Missouri employees.

3 Q. Do you agree that the electric vehicle employee incentive program helps
4 employees set a good example for Company customers as suggested by Mr. Lansford?

5 A. Staff is unclear how Ameren Missouri employees set a good example for their
6 customers by simply receiving an incentive to purchase or lease an electric vehicle. In response
7 to Staff Data Request No. 0303, attached as Schedule KL-s2 to this testimony, the incentive
8 was offered to get Ameren Missouri employees to share their experience with electric vehicles
9 to family, friends, and neighbors. Staff understands that there is no requirement for Ameren
10 Missouri employees that participate in the incentive program to promote electric vehicles
11 through an Ameren-sponsored event, informal discussions with the general public, or
12 discussions with the employees' friends and family. If Ameren Missouri wants its employees
13 to set a good example by talking about electric vehicles that were purchased using an incentive
14 provided by the Company, while providing no benefit to the customer, its shareholders should
15 be held responsible for the cost.

16 Q. Are there other options that Ameren Missouri can do to promote electric vehicles
17 that actually benefit its customers?

18 A. Yes. Ameren Missouri can utilize electric vehicles in its fleet. Ameren Missouri
19 currently has 71 electric vehicles, used for various functions in utility operations, in its fleet⁵.
20 The use of these vehicles not only promotes electric vehicles, if seen by the public, but also
21 provide a benefit to customers since they are used in providing utility service to Ameren
22 Missouri customers.

⁵ Case No. ER-2022-0337, Staff Data Request No. 0303, Schedule KL-s2.

1 Q. Are there other incentives available to Ameren Missouri employees that would
2 like to purchase an electric vehicle?

3 A. Yes. In response to Staff Data Request No. 0303, Ameren Missouri employees
4 are eligible for electric car discounts with local dealers⁶. In addition, the federal government
5 offers a tax credit up to \$7,500 for qualified plug in EV or fuel cell electric vehicles.

6 Q. Is Staff's position that Ameren Missouri should not offer its employees an
7 incentive to purchase or lease an electric vehicle?

8 A. No. As Mr. Lansford states in his rebuttal testimony, the amount of incentive is
9 "small". It is Staff's opinion that Ameren Missouri customers do not benefit from this employee
10 incentive program and therefore the costs should not be included in Ameren Missouri's cost of
11 service. If Ameren Missouri wants to provide this small incentive to its employees, it can do
12 so at the expense of the shareholders, not the ratepayers.

13 **EQUITY ISSUANCE COSTS**

14 Q. Please summarize Ameren Missouri's position regarding Staff's accounting
15 treatment of equity issuance costs.

16 A. Beginning on page 34, line 14 of his rebuttal testimony, Mr. Lansford states,
17
18 A recovery period of approximately 30 years is entirely too long if the
19 Company receives no compensation for its financing costs, as
20 recommended by Staff. This disagreement truly stems from File No.
21 ER-2021-0240, where the Company proposed recovery of this cost over
22 the approximate thirty-year term in question, but with the remaining
23 unrecovered costs included in the Company's rate base. Staff's position
24 was for the Company to recover these costs over five years, but no costs
were recommended to be included in the Company's rate base.

⁶ Case No. ER-2022-0337, Staff Data Request No. 0569, Schedule KL-s1.

Surrebuttal/True-Up Direct Testimony of
Karen Lyons

1 Q. Did Staff recommend recovery of equity financing costs over a five year period
2 in Case No. ER-2021-0240 as described in Mr. Lansford's testimony?

3 A. Yes. Staff recommended a five year amortization of the equity financing costs
4 with no rate base treatment for the unamortized balance.

5 Q. If Staff recommended a five year amortization of these costs in Case No.
6 ER-2021-0240, why is Staff recommending a recovery period of approximately 30 years in
7 this case?

8 A. As described in my direct testimony⁷, the parties to Case No. ER-2021-0240
9 entered into a *Unanimous Stipulation and Agreement* that was approved by the Commission on
10 December 22, 2021. The parties agreed to and the Commission approved an annual
11 amortization of \$255,447 for the equity issuance costs.

12 Q. Mr. Lansford states that Company conceded to Staff's position in Case No.
13 ER-2021-0240⁸. Do you agree?

14 A. I agree that Ameren Missouri is proposing a 5 year amortization with no rate
15 base treatment that is consistent with Staff's position in Case No. ER-2021-0240. However, in
16 Case No. ER-2021-0240 the parties agreed and the Commission approved an amortization over
17 a period of approximately 30 years. Staff's recommendation is consistent with this agreement.
18 Staff recommends the Commission should approve the annual amortization of \$255,447 that
19 was approved in Case No. ER-2021-0240.

⁷ Case No. ER-2022-0337, Karen Lyons Direct Testimony, page 30, lines 3-19.

⁸ Case No. ER-2022-0337, Mitchell Lansford Rebuttal Testimony, p.34, lines 22-23 and p.35, lines 1-2.

1 **RENEWABLE ENERGY STANDARD TRACKER**

2 Q. Please summarize Ameren Missouri's position regarding Staff's accounting
3 treatment of the RES tracker base amount.

4 A. Beginning on page 19, line 10 of his rebuttal testimony, Mr. Lansford describes
5 an error in Staff's test year level for the RES base tracker. He states that Staff's methodology
6 in calculating the test year results in an error because there are two vintages of the RES tracker
7 recorded in the test year.

8 Q. Do you agree with Mr. Lansford?

9 A. Yes. Staff requested additional data from Ameren Missouri to confirm the error.
10 Staff reflected the correction in Staff's true-up accounting schedules. Staff's recommended
11 base level for the RES tracker is \$9,142,858.

12 **TRUE UP DIRECT**

13 Q. What cost of service items are you recommending to true up through
14 December 31, 2022?

15 A. I am sponsoring Staff's true-up adjustments for the following cost of
16 service components.

- 17 • Purchased power expense
- 18 • Energy Sales
- 19 • Capacity expense and revenue
- 20 • Property tax expense
- 21 • Charge Ahead amortization
- 22 • Renewable Energy Standard costs
- 23 • RESRAM base
- 24 • PAYS rate base balance and amortization
- 25 • Renewable Energy Credits ("REC) rate base balance
- 26 • Transmission revenue and expense
- 27 • MISO day 2 and Day 3 revenues and expenses
- 28 • SPP revenues and expense

1 Q. How did Staff true-up the purchased power expense and energy sales?

2 A. Consistent with Staff's recommendation in direct testimony filed on
3 January 10, 2023, Staff annualized purchased power energy charges and energy sales based on
4 the output of Staff's production cost model results.

5 Q. How did Staff true-up the capacity expense and revenue?

6 A. Ameren Missouri's capacity revenues and expense is fixed based on
7 MISO's planning year (June-May). Although the plan year is fixed, the revenues fluctuate
8 from one plan year to the next. Staff recommends a normalized level of capacity expense
9 based on 2021-2023 plan years.

10 Q. How did Staff true-up the property tax expense?

11 A. Staff updated property tax using actual property tax expense incurred by Ameren
12 in 2022. Staff's recommended annualized level of property is \$170,407,513. Staff further
13 recommends that this level less property taxes for renewable investment included in the
14 RESRAM, which amounts to \$161,344,659, is used as a base level to track property taxes
15 Ameren incurs beginning with the effective date of rates in this case.

16 Q. How did Staff true-up the Charge Ahead program?

17 A. Consistent with its recommendation in Staff's COS Report. Staff included an
18 annual amortization, based on a 7 year period, for the regulatory asset balance as of the true up
19 period, December 31, 2022.

20 Q. How did Staff true-up the RES costs?

21 A. Staff updated the RES costs through December 31, 2022, the true-up period in
22 this case. Consistent with its recommendation in its direct testimony, Staff continues to
23 recommend a 3 year amortization of these costs with no rate base treatment.

1 Q. Did Staff make any additional adjustments in its true up recommendation?

2 A. Yes. A significant change occurred to the Renewable Energy Credit (“REC”)
3 costs and the solar rebate costs incurred by Ameren Missouri through December 31, 2022. Staff
4 annualized these costs based on the 12 months ending December 31, 2022.

5 Q. How did Staff calculate the RESRAM base?

6 A. Staff updated the RESRAM base level through the true-up period, 12 months
7 ending December 31, 2022.

8 Q. What is Staff’s recommendation for each of these cost categories that are
9 included in the RESRAM?

10 A. Staff recommends the following for the base level of the RESRAM:

- 11 • RECs: 12 months ending December 31, 2022.
- 12 • Non-labor Operation and Maintenance (“O&M”) Expense: 12 months
13 ending December 31, 2022.
- 14 • Solar Rebates: 12 months ending December 31, 2022.
- 15 • Property taxes: Actual property taxes paid December 2022 for wind
16 facilities.
- 17 • Insurance Expense: annualized level of insurance expense based on
18 current insurance policies for the wind facilities.
- 19 • Interconnection Costs: 12 months ending December 31, 2022.
- 20 • Production Tax Credits (“PTC”): Based on the results of Staff fuel
21 production model and the current PTC rate.
- 22 • Depreciation Expense: Based on Staff’s proposed depreciation
23 expense for the wind facilities.
- 24 • Return on eligible plant: Based on net plant of eligible facilities and
25 Staff’s recommended rate of return.
- 26 • Energy Sales: Based on the results of Staff fuel production model.
- 27 • Capacity Sales: Based on a three year average of capacity sales related
28 to the wind facilities.
- 29 • Ancillary Services and MISO Day 2 Revenue: Based on actual
30 revenues for the 12 months ending December 31, 2022.

Surrebuttal/True-Up Direct Testimony of
Karen Lyons

1 Q. Did Staff make additional adjustments related to the RESRAM?

2 A. Yes. Staff also made an adjustment to reflect wind non-labor maintenance based
3 on December 31, 2022.

4 Q. How did Staff true-up the PAYS Regulatory Asset?

5 A. Consistent with the Stipulation and Agreement in Case No. EO-2018-0211, the
6 regulatory asset balance as of the true up period, December 31, 2022 is included in the rate base
7 schedule of Staff's true-up accounting schedules. Staff also included an annual amortization
8 based on the weighted average useful life of the measures installed.

9 Q. Did Staff include revenues associated with the PAYS program?

10 A. Yes. Staff annualized the PAYS revenue based on the 12 month period ending
11 December 31, 2022. Staff's recommended annual level is included in Staff's true-up revenue
12 requirement.

13 Q. How did Staff true-up the Renewable Energy Credit ("REC") rate base balance?

14 A. Staff reflected a 13-month average balance, December 2021 through
15 December 2022, in rate base for the REC costs.

16 Q. How did Staff true-up transmission revenue and expense?

17 A. Staff updated that actual revenue and expense incurred by Ameren for the
18 12 months ending December 31, 2022.

19 Q. Are there any changes to MISO's transmission tariffs since Staff filed its direct
20 testimony on January 10, 2023?

Surrebuttal/True-Up Direct Testimony of
Karen Lyons

1 A. Yes. Effective December 1, 2022, Ameren Missouri no longer receives revenue
2 or incurs expense through MISO’s Schedule 2-Reactive Supply and Voltage Control.⁹ Staff’s
3 recommend annualized level through December 31, 2022 excludes the revenue and expense
4 previously billed by MISO under Schedule 2.

5 Q. How did Staff true-up Midcontinent Independent System Operator (“MISO”)
6 revenue and expense?

7 A. Staff annualized MISO revenue and expense using actual costs incurred by
8 Ameren Missouri for the 12-month period ending December 31, 2022.

9 Q. How did Staff true-up the Southwest Power Pool revenue and expense?

10 A. Staff annualized MISO revenue and expense using actual costs incurred by
11 Ameren Missouri for the 12-month period ending December 31, 2022.

12 Q. Does this conclude your surrebuttal/true-up direct testimony?

13 A. Yes.

⁹ Federal Energy Regulatory Commission, Docket No. ER23-523-000, Order on Tariff Revisions, Issued January 17, 2023.

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 KAREN LYONS

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW KAREN LYONS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal/True-Up Direct Testimony of Karen Lyons*; and that the same is true and correct according to her best knowledge and belief.


Further the Affiant sayeth not.


_____)
KAREN LYONS

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 8th day of March 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

SCHEDULE KL-s1

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Missouri Public Service Commission

Respond Data Request

| | |
|--------------------------|--|
| Data Request No. | 0303 |
| Company Name | Union Electric Company-Investor(Electric) |
| Case/Tracking No. | ER-2022-0337 |
| Date Requested | 9/26/2022 |
| Issue | General Information & Miscellaneous - Other General Info & Misc. |
| Requested From | Geri Best |
| Requested By | Jeff Keevil |
| Brief Description | Electric Vehicle Incentive benefits/requirements |
| Description | 1. Provide the benefits that customers receive by Ameren Missouri employees receiving an incentive to purchase electric vehicles for their personal use. 2. Are there requirements of Ameren Missouri employees that participate in the incentive program to promote electric vehicles? If so, provide all the requirements. DR requested by (Karen.lyons@psc.mo.gov). |
| Response | Please see the attached response. |
| Objections | NA |

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **ER-2022-0337** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Union Electric Company-Investor(Electric)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Union Electric Company-Investor(Electric)** and its employees, contractors, agents or others employed by or acting in its behalf.

| | |
|--------------------|--------|
| Security : | Public |
| Rationale : | NA |

Ameren Missouri's
Response to MPSC Data Request - MPSC
ER-2022-0337

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust Its Revenues
for Electric Service

No.: MPSC 0303

1. Provide the benefits that customers receive by Ameren Missouri employees receiving an incentive to purchase electric vehicles for their personal use. 2. Are there requirements of Ameren Missouri employees that participate in the incentive program to promote electric vehicles? If so, provide all the requirements. DR requested by (Karen.lyons@psc.mo.gov <<mailto:Karen.lyons@psc.mo.gov>>).

RESPONSE

Prepared By: Patrick Justis

Title: Manager, Efficient Electrification Development

Date: 10/12/22

1. EV Incentives for employees were initiated as a benefit for attracting and retaining employees.

Additionally, while not the primary reason for offering employees incentives for EVs, Ameren Missouri employees that drive electric vehicles (EVs) are considered informal "ambassadors" for EVs because, like with any newer technology, those with experience tend to share that experience with other family members, neighbors, friends, and coworkers. I have found that most of our coworker EV drivers are passionate about their EV experience and many are quick to volunteer to help out at customer-facing or internal EV events.

2. There is no requirement to promote EVs.