Exhibit No.:_____
Issue: In the Matter of Union Electric Company d/b/a Ameren Missouri's
Tariffs to Adjust Its Revenues for Natural Gas Service
Witness: David Vognsen
Exhibit Type: Surrebuttal
Sponsoring Party: Missouri School Boards' Association
Case No.: GR-2021-0241
Date: November 5, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE No. GR-2021-0241

SURREBUTTAL TESTIMONY

OF

DAVID VOGNSEN

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

Jefferson City, Missouri
November 5, 2021

Q. Please state your name and business address.

A. My name is David Vognsen. My business address is 150 First Avenue NE, Suite 300 Cedar Rapids, IA 52401.

Q. On whose behalf is your testimony presented?

A. I am testifying on behalf of the Missouri School Boards' Association (hereinafter "MSBA").

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

A. I am energy advisor with the firm of Latham, Ervin, Vognsen, and Associates ("LEV"). I am the Vice President of Rates and Regulatory for the firm.

Q. Will you briefly describe Latham, Ervin, Vognsen & Associates?

A. LEV is an independent energy adviser, primarily to Midwestern purchasers of natural gas, electricity and steam. Our clients include K-12 education institutions, colleges, universities, grain handling and feed industry companies, hospitals, cities, large industrial companies, smaller municipal electric utilities and trade associations. LEV is not affiliated with any utility, energy marketer, broker or pipeline. Our primary activities are negotiation of short-term and long-term electric supply and natural gas supply agreements, aggregation of clients into larger purchasing pools, oversight of the administration of energy supply contracts, preparation of Class Cost of Service and rate design studies, provide expert witness testimony in state and federal jurisdictions, advice on strategic energy investments in electric generation, negotiation of the purchase and sale of energy production and aggregation businesses, and advice on market participation in Regional Transmission Organizations. Our firm has advised clients on the establishment and operations of statewide school natural gas programs in Missouri, Illinois, Iowa, Wisconsin, Nebraska and Kansas.

Q. Please state your relevant education and background business experience.

A. I received a Bachelor of Arts degree from the University of Northern Iowa and a Master of Business Administration degree from the University of Iowa. I joined LEV in January 2020 advising clients on natural gas and electric regulatory matters including retail rate design, aggregate purchasing, development and negotiation of contracts, tariff applications and economic feasibility analyses, Midcontinent Independent System Operator ("MISO"), Southwestern Power Pool ("SPP") and PJM Independent System Operator ("ISO") rates and regulations.

Q. Have you testified as an expert witness before courts, legislatures, and regulatory bodies?

A. I have over 33 years of experience in the utility industry with over 27 years of experience specific to retail rate regulation which included electric and natural gas rate design, electric and natural gas retail tariff filings, development of pricing policies, and development of energy contracts. I have testified before the Iowa Utilities Board, the Minnesota Public Utilities Commission, and the Illinois Commerce Commission.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of MSBA, a 501(c)(6) not-for-profit corporation representing 387 schools and school districts in the State of Missouri as a trade association with approximately 2,000 individual school locations, several of which have multiple natural gas meters or accounts.

Q. What is the purpose of your testimony?

A. My testimony is responsive to the rebuttal testimony of Commission staff witness Keenan Patterson and is focused on his claims that revising the balancing provisions for the school aggregation program by adjusting the following month's nominations shifts costs to other customers and that the imbalances should be cashed out monthly (Patterson Rebuttal, 2:19-20, 9:20-10:14).

Q. Do you agree that cashing out MSBA imbalances monthly based upon a Purchased Gas Adjustment ("PGA") ensures all parties are made whole?

A. No. LEV has been directly involved with oversight of natural gas transportation purchasing pools on behalf of public schools throughout the upper Midwest including Illinois, Iowa, Nebraska, in addition to Missouri. The gas transportation tariffs of the utilities in these states are typically do not utilize a PGA monthly cash-outs.

Q. Why are PGA clauses not appropriate for determining the value for a cash out for the MSBA program?

A. A PGA not only includes the commodity cost for the natural gas but also includes the fixed demand-related charges including interstate pipeline transmission costs to deliver the gas commodity to the utility's natural gas distribution system[1]. Ameren's PGA tariff includes these pipeline demand charges which is typical of a PGA clause. Ameren's demand-related costs, in addition to fixed pipeline transmission costs, include fixed seasonal and peaking storage costs, fixed gas supply charges, fixed purchase storage, and other Federal Energy Regulatory Commission ("FERC") authorized fixed charges. Ameren's PGA tariff annualizes an estimate of gas costs and the annualized costs are unrelated to the incremental gas costs for any particular month in which an imbalance is

[1] See Ameren Rider A, Purchase Gas Adjustment, Sheet No. 24

cashed out. In addition, and of particular concern, the PGA includes an annual ACA reconciliation component to recover or refund over or under collections of gas costs during the prior PGA year such as Polar Vortex Uri costs. The ACA would not be related to the incremental costs for any particular month in which an imbalance is cashed out.

Q. Does a cash-out for MSBA participants based on a PGA, which includes fixed demand costs, result in just and reasonable rates?

A. No, a PGA used in pricing the cash outs for MSBA participants results in unjust and unreasonable rates. It results in system-supplied customers being subsidized by MSBA participants. It is inconsistent with the well-established ratemaking principle that rates are based upon the costs to provide service. The PGA is not the marginal cost Ameren incurs to provide gas for monthly imbalances. The fixed demand charges that are part of Ameren's PGA are not related to the current monthly cost of purchasing any incremental gas supply for MSBA schools related to their cash outs. MSBA participants currently pay for their fixed demand costs via their billings from their natural gas supplier which includes their fixed costs, such as pipeline transmission capacity, that are secured on behalf of pool participants (or Ameren has released the capacity to the pool participants pursuant to the school transportation tariff). In either case, the pool participants are already paying for their fixed demand costs including pipeline transmission capacity. Specifically, Section 393.310 RSM provides for Ameren to release any pipeline capacity at cost and MSBA pipeline costs are being passed directly on to MSBA participants[2]. The statue does not provide for Ameren to charge MSBA based on a PGA.

[2] Section RSMo 393.310 subsection 4 (2) - Provide for the resale of such natural gas supplies, including related transportation service costs, to the eligible school entities at the gas corporation's cost of purchasing of such gas supplies and transportation, plus all applicable distribution costs, plus an aggregation and balancing fee to be determined by the commission, not to exceed four-tenths of one cent per therm delivered during the first year;

Q. Have the results of the MSBA pilot indicated that Ameren was required to purchase additional pipeline capacity or any other fixed demand costs that impacted Ameren's PGA in support of the pilot?

A. No. There has been no evidence that Ameren has been required to purchase additional pipeline capacity or any other PGA fixed demand costs to support the pilot.

Q. Would MSBA be required to subsidize other customers through the PGA mechanism that includes polar vortex costs and resulting in MSBA being charged unjust and unreasonable rates if the PGA is used as a basis for the monthly cash-out?

A. Yes. In Docket No. GR-2021-0291 Ameren filed to collect Polar Vortex Uri costs related to securing natural gas for system-supplied customers. Ameren proposes to recover these extraordinary costs over a 36-month period through the Actual Cost Adjustment factor ("ACA"). Since the ACA is included as component of the PGA, MSBA customers would also be subjected to paying for these polar vortex costs if the PGA is used for cash outs. MSBA customers were not the cost causer for polar vortex costs proposed for recovery in ACA and have already paid the polar vortex costs they incurred. They should not be subjected to paying for the polar vortex costs of system-supplied customers collected through the PGA mechanism. Therefore, the PGA would again result in an unjust and unreasonable rate to use as a basis for cash-outs

Q. In your experience, have regulated gas distribution companies typically based costs for cash-outs of school transportation tariffs on a PGA?

A. No. For example, Ameren-Illinois had their proposal to include the PGA in their cash-out rejected by the Illinois Commerce Commission twice[3].

[3] See testimony of Louie R. Ervin Sr. in Missouri Commission case GR-2019-0077, ICC Orders in Docket Nos. 11-0282 and 15-0439.

Q. In your experience developing cash-out provisions for customers with load characteristics similar to schools was the cash-out based upon a PGA?

A. No. During my prior employment in developing the natural gas tariffs for Alliant Energy's Iowa subsidiary, Interstate Power and Light ("IPL"), imbalance cash-outs were tied to the market value of the natural gas using indexes such as the Chicago City Gate or the NNG Ventura, not the PGA. Similar to the Ameren pilot, under the IPL transportation tariff school pools throughout IPL's Iowa service territory are balanced on a monthly basis and do not have telemetering. The monthly cash-out is based upon the index prices described above[4]. Throughout my experience associated with this tariff I never encountered natural gas suppliers attempting to "game" the system through this type of imbalance cash-out.

Q. **What should be the basis compensation for the over or under delivery of gas supply (imbalances) be for MSBA to avoid subsidies between MSBA and system-supplied customers?**

A. It should be at Ameren's current monthly market-price of gas (without penalties that have no cost-basis). This is consistent with Section 393.310 RSM requiring charges for the schools be at the Company's cost of providing services. MSBA's proposal for cash-outs as provided in the testimony of MSBA witness Louie R. Ervin II supports a such a cash-out methodology.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

[4] See IPL's Natural Gas Tariff, Transportation of Customer-owned Gas, Small Volume Balancing, tariff sheet no. 55

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF DAVE VOGNSEN.

STATE OF Iowa)
) ss.
COUNTY OF Linn)

Dave Vognsen, being first duly sworn on his oath, states:

1. My name is Dave Vognsen. I work in Cedar Rapids, Iowa and am employed by Latham, Ervin, Vognsen & Associates, Inc. as the Energy Advisor.

2. Attached hereto an made a part of hereof for all purposes is my Testimony on behalf of Missouri School Boards' Association which has been prepared in written form for introduction into evidence in the above referenced case.

3. I hereby swear and affirm that my answers contained in the questions therein propounded are true and correct to the best of my knowledge and belief.

Dave Vognsen
Dave Vognsen
Vice President, Rates and Regulatory
Latham, Ervin, Vognsen & Associates, Inc.

Subscribed and sworn to before me this 29th day of October, 2021.

NOTARIAL SEAL IOWA
VALERIE IRVINE
Commission Number 805090
My Commission Expires
6-27-2023

Notary Public