

**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 Natural Gas)	Case No. GR-2024-0369
Increase for Water and Sewer Service)	
Provided in Missouri Service Areas)	

**THE OFFICE OF THE PUBLIC COUNSEL'S RESPONSE TO AMEREN MISSOURI'S
MOTION TO MAKE DISCRETE ADJUSTMENT**

COMES NOW the Office of the Public Counsel ("OPC") and for its Response to Ameren Missouri's ("Ameren's" or "Company's") Motion to Allow Parties to Make Discrete Adjustment Beyond the True-Up Date but Before Final Rates go into Effect ("Motion") respectfully states as follows:

1. On September 30, 2024, Ameren filed tariffs to increase gas revenues by 22.9%, or \$39.6 million, over and above those revenues currently produced by base rates. At that time, Ameren also filed its Motion, requesting a historical test year ranging from March of 2023 through March of this year, 2024, trued-up through December 31, 2024.¹ The Company also requests a "discrete adjustment that goes beyond the true-up date of December 31, 2024," for a project "that is expected to go into service during July of 2025."²

2. The OPC does not object to Ameren's historical test year ending March 2024 with a true-up period through December 31, 2024. This test year and true-up period will provide an opportunity to audit the books and records of assets that are in service. Further, plant added during this period will not violate the "matching principle"

¹ *Motion to Allow Parties to Make Discrete Adjustments Beyond the True-Up Date but Before Final Rates go into Effect*, GR-2024-0369, EFIS Item No. 5.

² *Ibid.*

as costs, expenses, and revenues will match to the same period, providing a more accurate representation of the true cost of service.

3. However, the OPC is concerned that the Company is requesting to include assets that will not be in service during a test year and true up period into rates. This request raises significant problems with the ability to ensure just and reasonable rates, as explained in greater detail below. Moreover, the \$39.6 million increase the Company seeks exceeds Ameren's usual requests at a time when Missouri customers are struggling with high inflation rates. This fact makes Ameren's request not only improper from an auditor's perspective, but ill-timed from a public interest perspective.

4. The OPC agrees with the concerns raised by the Public Service Commission Staff ("Staff"). Staff pointed out that allowing an isolated adjustment violates the matching principle.³ In making this argument, Staff highlights the fact that making this adjustment, beyond the true-up date, further violates the known and measurable standard and the used and useful standard. For these reasons, the OPC joins Staff in requesting that the Public Service Commission ("Commission") reject Ameren's attempt to include a large plant addition that is well beyond the test year chosen by Ameren .

5. In the past the Commission has relied upon the matching principle to protect the Missouri consumers, as well as its Staff's ability to effectively audit public utilities. In these instances, the Commission has explained the matching principle as follows:

³ *Staff Response to Ameren Missouri's Motion to Establish Test Year*, GR-2024-0369, p.2, EFIS Item No. 22.

The matching principle is a fundamental concept of accrual basis accounting, which provides that in measuring net income for an accounting period, the costs incurred in that period should be matched against the revenue generated in the same period. Such matching creates consistency in income statements and balance sheets by preventing distortions of financial statements which present an unfair representation of the financial position of the business.⁴

The matching principle is simply that rates should be based on a measurement of costs and revenues at a single point in time. Updating some costs or revenues at a different time than other costs and revenues risks throwing the measurements out of balance and creating a single-issue ratemaking problem. For example, updating only a falling cost in one area might miss a corresponding rising cost in another area, thereby showing a false picture of the company's overall level of costs.⁵

In these excerpts, past Commissions have recognized the problem with violating the matching principle is that it throws measurements out of balance by selecting one cost outside the test year and true-up period without also recognizing any offsetting increase in revenue or decrease in expenses. The concern that these Commissions have expressed directly relate to this current case.

6. The OPC is also concerned about the fact that the asset that Ameren is hoping to place into rate base will not be completed until after the hearing regarding the Company's rate case has occurred.⁶ The ultimate cost of the asset Ameren is seeking to add to this will not be known until the parties partake in briefing. Without knowing what that cost is, Staff, the OPC, and the Missouri School Board Association ("MSBA") have no way to measure it.

⁴ IN THE MATTER OF KANSAS CITY POWER & LIGHT COMPANY'S REQUEST FOR AUTHORITY TO IMPLEMENT A GENERAL RATE INCREASE FOR ELECTRIC SERVICE, p. 2, ER-2014-0370, *Report and Order* (Sept. 2, 2015).

⁵ IN THE MATTER OF THE REQUEST FOR AN INCREASE IN SEWER OPERATING REVENUES OF EMERALD POINTE UTILITY COMPANY, SR-2013-0016, *Report and Order* (July 10, 2013).

⁶ *Joint Proposed Procedural Schedule*, GR-2024-0369, p. 2, EFIS Item No. 23.

7. There is still a very real possibility that the “Phase 2” project will take longer and cost more, or shorter and cost less, than Ameren is currently requesting and planning for. This possibility highlights the main problem with Ameren’s attempt to include an incomplete project that is so far removed from the test year. The entire situation around this asset is speculative, thus the situation cannot be “known.”

8. Further, with Staff, the OPC, and possibly MSBA already stretched thin, adding yet another project for these parties to track conflicts with the ability to do our jobs effectively. Ameren has managers, supervisors, and construction workers to follow the progress of these projects. The other parties do not. Therefore, permitting this discrete adjustment creates a situation where the information asymmetry is at its highest.

9. In its response opposing Ameren’s request, Staff lists yet more reasons this adjustment should be rejected. While the Company asserts that it is requesting the inclusion of this adjustment “in the interest of administrative efficiency,”⁷ the reality is that the administrative efficiency will only occur on the part of Ameren.

10. Therefore, the OPC joins Staff in both consenting to the Company’s requested test year, and requesting that the Commission reject the Company’s request for a “discrete adjustment.”

⁷ *Motion to Allow Parties to Make Discrete Adjustments Beyond the True-Up Date but Before Final Rates go into Effect*, p. 4 § 4, GR-2024-0369, EFIS Item No. 5.

WHEREFORE, the OPC respectfully requests that the Commission employ Ameren Missouri's test year but reject its requested \$50.1 million discrete adjustment.

Respectfully submitted,
The Office of the Public Counsel

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the foregoing pleading has been served by electronic means on all parties of record as reflected in the records maintained by the Secretary of the Commission through the EFIS system.

/s/ Anna Martin

Dated: October 27, 2024