

Exhibit No.:

Issue(s): Property Tax Expense, Property Tax Tracker, Rate Case Expense, PSC Assessment, Plant & Reserve, Materials & Supplies, Other Rate Base Items, Capitalized O&M Depreciation, Fuel Inventories, Advertising, Misbooked Allocation of Gas Costs, Meter Read Adjustment, Radioactive Waste Disposal Expense, NRC Fees

Witness: Benjamin H. Burton

Sponsoring Party: MoPSC Staff

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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

BENJAMIN H. BURTON

**UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri**

CASE NO. ER-2024-0319

*Jefferson City, Missouri
December 2024*

**** Denotes Confidential Information ****

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3 **BENJAMIN H. BURTON**

4 **UNION ELECTRIC COMPANY,**

5 **d/b/a Ameren Missouri**

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1 **DIRECT TESTIMONY**

2 **OF**

3 **BENJAMIN H. BURTON**

4 **UNION ELECTRIC COMPANY,**
5 **d/b/a Ameren Missouri**

6 **CASE NO. ER-2024-0319**

7 Q. Please state your name and business address.

8 A. My name is Benjamin H. Burton, and my business address is 111 North 7th
9 Street, Suite 105, St. Louis, MO, 63101.

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

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as
12 a Utility Regulatory Auditor.

13 Q. Have you previously filed testimony before this Commission?

14 A. Yes. A list of cases and issues that I have addressed in written testimony are
15 attached to this testimony as Schedule BHB-d1.

16 Q. Please describe your educational background.

17 A. I graduated from Lindenwood University with a Bachelor of Science in Finance.
18 I am currently enrolled in Lindenwood University’s Master’s program pursuing my Masters in
19 Business Administration with an emphasis in Accounting.

20 Q. What is the purpose of your direct testimony?

21 A. The purpose of this testimony is to provide a detailed explanation for Staff’s
22 recommendations regarding property tax expense, the property tax tracker, rate case expense,
23 Missouri Public Service Commission assessment, plant in service, accumulated depreciation
24 reserve, materials and supplies, prepayments, customer deposits, interest on customer deposits,

1 customer advances, emission allowances, capitalized Operations & Maintenance Expenses
2 (“O&M”) depreciation, fuel inventories including coal in transit, advertising, misbooked
3 allocation of gas costs within the electric books and records during the test year, automated
4 meter reading (“AMR”) and advanced metering infrastructure (“AMI”) meter adjustment,
5 radioactive waste disposal expense, and Nuclear Regulatory Commission fee expense.

6 **PROPERTY TAX EXPENSE**

7 Q. Please describe property tax expense.

8 A. Property tax expense is tax paid on property owned by individuals or businesses.
9 Ameren Missouri’s properties are assessed on January 1 of each year by the taxing authority.
10 During the year, the assessment value is determined and the current property tax rate is levied
11 on the property to determine the tax amount dues. Ameren Missouri must pay the tax due by
12 December 31 of each year or incur penalties.

13 Q. Did Staff review Ameren Missouri’s property tax assessed values and property
14 tax rates?

15 A. Yes. Staff reviewed the assessed values, the property tax rates, along with the
16 accrued and actual amount of property taxes paid recorded on its books and records by Ameren
17 Missouri for the 2023 calendar year.

18 Q. Does Staff have any recommendations for an annualized level of property tax
19 expense?

20 A. Yes. Staff recommends, at this time, that the annualized amount of property
21 taxes included in the cost of service be based on Ameren Missouri’s actual property taxes paid
22 in 2023, less the non-utility taxes, less future use taxes, and less Rush Island Energy Center
23 property tax expense.

1 Q. Why does Staff recommend the Rush Island Energy Center property tax expense
2 adjustment?

3 A. Staff recommends the adjustment to remove the property taxes related to the
4 Rush Island Energy Center because the plant was retired on October 15, 2024. Because the
5 retirement occurred after the assessment date, the taxes were included into the assessment, but
6 should be removed due to the fact that the energy center is no longer useful.

7 Q. Does Staff intend to true-up Ameren Missouri property taxes?

8 A. Yes. Staff intends to use the actual property tax expense as of December 31,
9 2024, because it will be known and measurable at the time of Staff's true-up audit. Staff will
10 still need to remove property taxes associated with the Rush Island Energy Center and
11 RESRAM¹, as they will be included in the 2024 calendar year expense.

12 Q. Do Staff and Ameren Missouri agree on a test year amount for property tax
13 expense?

14 A. No, Staff has concerns with Ameren Missouri's test year property tax expense
15 and will discuss with Ameren personnel prior to true-up.

16 Q. Does Ameren Missouri currently utilize a property tax tracker?

17 A. Yes. In Case No. ER-2022-0337 a property tax tracker was established based
18 upon the legislation passed in Missouri Statute RSMo. 393.400. As part of the Stipulation and
19 Agreement in Case No. ER-2022-0337, the parties agreed to amortize the regulatory asset of
20 property taxes accumulated through December 31, 2022, over two years. This amortization has
21 been included in the expired and expiring amortizations. See Staff witness Lisa M. Ferguson's
22 direct testimony for discussion on this. Then, beginning January 1, 2023, Ameren Missouri

¹ Renewable Energy Standard Rate Adjustment Mechanism (RESRAM).

1 began accumulating the difference between the actual property taxes incurred as compared to
2 the tracker base. The tracker's base amount of \$161,446,770 was agreed upon by the parties in
3 Case No. ER-2022-0337 and the tracking mechanism began with the effective date of rates.
4 As part of this current case the accumulated taxes for the period of January 1, 2023 through
5 June 30, 2024, above and beyond that established in rates has been deferred to a regulatory
6 asset. A portion of the accumulated taxes in the regulatory asset are included in the RESRAM
7 base. Staff has reviewed this amount and included the balance in rate base and included a
8 three-year amortization in expense.

9 Q. Does Staff oppose Ameren Missouri's recommendation of a three-year
10 amortization on the property tax tracker regulatory asset?

11 A. No, Staff does not oppose a three-year amortization period.

12 Q. Does Staff have a recommendation for the base level of the property tax tracker
13 for the next rate case?

14 A. Yes. Staff recommends the next base level to be the same as the actual property
15 tax expense Ameren Missouri incurs for 2024. Staff also recommends a three-year amortization.

16 **RATE CASE EXPENSE**

17 Q. Please explain rate case expense.

18 A. Rate case expense is the cost that a utility incurs in preparing and filing a
19 rate case.

20 Q. What are some examples of the costs a utility might incur in preparing and filing
21 a rate case?

22 A. Utility companies may incur costs related to outside legal counsel, specialized
23 consultants, mailing expenses for rate case notifications and/or depreciation study expenses.

1 Q. What does Staff recommend to include in the cost of service for the depreciation
2 study costs in this rate case?

3 A. The Commission requires a depreciation study to be completed at least every
4 five years. Ameren Missouri performed a depreciation study in Case Nos. ER-2014-0258,
5 ER-2019-0335, ER-2021-0240, and last performed a depreciation study in case No.
6 ER-2022-0337. Staff recommends inclusion of the depreciation study expense incurred in
7 ER-2022-0337 amortized over five years.

8 Q. In regard to the remaining rate case expense, what does Staff recommend to be
9 included in the cost of service?

10 A. Staff recommends including the average cost of the three most recent rate cases
11 (ER-2019-0335, ER-2021-0240, & ER-2022-0337) after application of a 50/50 sharing
12 mechanism. Staff proposes to normalize this amount over two years as Ameren Missouri has
13 been filing its rate cases approximately every 21 months.

14 Q. What is the basis of Staff's recommendation to share rate case expenses?

15 A. Staff's recommendation to share rate case expense is based upon the following:

16 1) Rate case expense sharing creates an incentive for the utility to control rate
17 case expenses to a reasonable level, while eliminating the disincentive for the utility
18 to control the rate case expenses.

19 2) Ratepayers and shareholders both benefit from the rate case process. While
20 ratepayers receive safe and adequate service at just and reasonable rates, shareholders
21 are afforded the opportunity to earn an adequate return on their investment.

22 3) Ratepayers will continue to pay for the majority of the rate case expenses
23 regardless of any sharing mechanism when including the internal labor costs that are

1 not included in the sharing mechanism, therefore it is fair and equitable to allocate a
2 portion of the rate case expenses to the shareholders.

3 4) It is highly probable that some recommendations advocated by the utility
4 through the rate case process will ultimately be determined to be not in the public
5 interest by the Commission.

6 Q. Please explain why it is problematic for utilities to be allowed full recovery of
7 rate case expenses

8 A. Allowing a utility to recover all, or almost all of its rate case expense creates an
9 inherent disincentive for the utility to control rate case expenses. For every other participant in
10 the rate case proceeding, their funds are ultimately limited by budgetary and financial
11 constraints. The ability to pass through the entire amount of expense, along with significant
12 financial resources, creates what can be viewed as an unfair advantage over the parties during
13 a rate case proceeding.

14 Q. Will the sharing of rate case expenses impact a utility's spending?

15 A. Yes, other discretionary utility expenses are not recovered by the utility during
16 the rate setting process. Charitable contributions, which are discretionary amounts paid to
17 individuals or organizations for charitable reasons that have no direct business benefit, are
18 examples of costs that have not historically been included as an expense in the cost of service
19 calculations. While the utility may believe it has the responsibility to be a "good corporate
20 citizen," these donations would represent an involuntary contribution by the ratepayer if they
21 were to be included in rates. Other costs routinely disallowed by Staff are expenses for a
22 company's political activities (lobbying). Lobbying and charitable contributions represent
23 costs which are not necessary for the provision of safe and adequate service, and, therefore, are

1 not recovered through rates. The lack of recovery of those costs has not dissuaded utilities from
2 engaging in these activities. Similarly, while any form of sharing of rate case expense may act
3 as an incentive to control these costs, Staff has not identified significant curtailing of
4 incremental rate case expenses by utilities affected by the 50/50 sharing mechanism.

5 Q. What is the Commission's position regarding the sharing of rate case expense?

6 A. This 50/50 sharing mechanism is consistent with the Commission's most recent
7 decision concerning rate case expense in the Spire Missouri Case Nos. GR-2017-0215 and
8 GR-2017-0216. The Missouri Supreme Court recently upheld the Commission's decision.²
9 Also, in Empire District Electric Company's Case No. ER-2019-0374, the Commission
10 determined that a 50/50 sharing mechanism was appropriate.³

11 **PSC ASSESSMENT**

12 Q. What is the Missouri Public Service Commission Assessment ("PSC
13 Assessment")?

14 A. The PSC Assessment is incurred by all utilities subject to regulation by the
15 Commission. The Commission's total budget is allocated and billed to regulated utility
16 companies based on factors such as each company's intrastate revenue and Staff time sheet
17 data demonstrating the amount of time dedicated to working on specific utility types by
18 utility company. The funding amount is re-evaluated each year and a new assessment is billed
19 on July 1.

20 Q. How did Staff annualize the PSC assessment expense?

21 A. Staff has included the actual expense assessed utilizing the fiscal year 2025
22 assessment.

² Spire Missouri, Inc. v Pub. Serv. Comm'n, 618 S.W.3rd 225, 233 (Mo. Banc 2021).

³ Case No. ER-2019-0374, Amended Report and Order (EFIS Item No. 617) pages 76-84.

1 **PLANT IN SERVICE AND DEPRECIATION RESERVE**

2 Q. What do the balances in plant and accumulated depreciation reserve Staff has
3 included in the cost of service represent?

4 A. The plant in service balances represent the direct and allocated plant additions
5 and retirements of Ameren Missouri's actual plant as of March 31, 2024, with estimated
6 adjustments to reflect the value of plant in service through the true-up cutoff of December 31,
7 2024. Staff has also adjusted the plant balances to allocate a portion of Ameren Missouri's
8 general plant to its natural gas business.

9 Q. Please explain why Staff included an estimate for the plant and reserve balances
10 in its direct case.

11 A. Ameren Missouri plans to add material investment into service as well as retire
12 the Rush Island Energy Center after the update period, but before the true-up period. In order
13 to remain consistent with other aspects of the cost of service, such as other rate base items and
14 fuel expense, Staff has accepted the adjustments removing Rush Island Energy Center from
15 plant in service and accumulated reserve.

16 Q. Does Staff intend to verify and include Ameren Missouri's actual plant in service
17 and accumulated depreciation reserve during its true-up audit?

18 A. Yes. Staff will verify and include in the cost of service the actual plant in
19 service and accumulated reserve recorded on Ameren Missouri's books and records as of
20 December 31, 2024.

21 Q. Is there some plant and reserve associated with the Rush Island Energy Center
22 that will continue to be in use and useful?

1 A. Yes. Staff has learned that some assets will still be useful at Rush Island Energy
2 Center and will be transferred to other energy centers. Assets not recovered through the
3 Rush Island Securitization Rider will either be transferred or retired. Ameren Missouri has the
4 right to seek recovery of any assets that are not recovered in the rider in a future rate case.

5 **MATERIALS AND SUPPLIES**

6 Q. Please explain Ameren Missouri’s materials and supplies.

7 A. Materials and supplies include the cost of materials that are purchased as
8 inventory for use in meeting the needs of utility operations on a day-to-day basis for
9 construction, operations and maintenance.

10 Q. How did Staff evaluate Ameren Missouri’s materials and supplies?

11 A. Staff examined Ameren Missouri’s monthly reports along with each Federal
12 Energy Regulatory Commission (“FERC”) account to determine if there were any trends or
13 outliers within the data. Staff recommends including a 13-month average ending June 30, 2024,
14 for the on-going investment into materials and supplies.

15 Q. Has Staff proposed the inclusion of materials and supplies that are located at the
16 Rush Island Energy Center?

17 A. As part of the Report and Order in Case No. EF-2024-0021,⁴ the Commission
18 found that:

19 After Rush Island materials and supplies valued at more
20 than \$1,000 are transferred to other Ameren Missouri facilities,
21 the remaining materials and supplies at Rush Island will be of no
22 use. The Commission is not persuaded by Public Counsel’s
23 arguments that materials and supplies should be recovered in a
24 future rate case after Rush Island is retired and the full amount is
25 known. The amount of materials and supplies that the
26 Commission authorizes Ameren Missouri to securitize will be

⁴ Report and Order, Case No. EF-2024-0021, pages 50-54.

1 reconciled with the actual material and supply costs at the Rush
2 Island retirement date in a future rate case. The Commission
3 does agree with Public Counsel that materials and supplies that
4 are not actually in inventory should not be included for
5 securitization and accepts the Public Counsel adjustment to
6 reduce materials and supplies by \$441,553.27. Therefore, the
7 Commission finds it appropriate to include \$18,259,888.74 of
8 materials and supplies to be securitized.

9 The \$18,259,888.74 of materials and supplies that the Commission ordered to be included in
10 the securitization rider must be removed from base rates in order to avoid double recovery of
11 the costs. Staff has removed this amount from its analysis and proposed an average of materials
12 and supplies to include in the cost of service. The materials and supplies that Ameren Missouri
13 currently have at the Rush Island Energy Center that have not been included in the securitization
14 should be included in rate base.

15 Q. Why should materials and supplies that are currently still at Rush Island Energy
16 Center be included into rate base?

17 A. Since shutdown, the plant has been performing closure activities to ensure a safe
18 decommissioning and demolition. Therefore the storeroom is still active, but expected to be
19 complete at the end of December 2024.

20 Q Does Ameren Missouri have any unusable materials and supplies that will not
21 be transferred to other facilities?

22 A. Yes. Items that are not transferred and deemed unusable by Ameren Missouri
23 will be part of a sourcing event that allows vendors to come on site and bid on the items. This
24 is expected to happen during the first quarter of 2025. Staff recommends that records be kept
25 on the items sold and that the revenue offsets ongoing materials and supplies since ratepayers
26 have paid for the items initially.

1 Q. Does Ameren Missouri intend to true-up actual costs of unusable inventory
2 compared to the estimate provided in the Securitization case?

3 A. Yes, in a future rate case.

4 Q. Does Staff intend to review materials and supplies as part of its true-up audit?

5 A. Yes. Staff intends to analyze the data through December 31, 2024, to determine
6 the appropriate level of ongoing investment.

7 **PREPAYMENTS**

8 Q. What are prepayments?

9 A. Prepayments consist of expenses that Ameren Missouri must pay for in advance
10 of receiving goods or services. This upfront, prepaid balance will then be expensed to the
11 income statement. Since there are investment costs incurred by the utility when prepayments
12 are paid, Ameren Missouri is allowed to earn a return on this investment in rate base.

13 Q. What is Staff's recommendation for inclusion in the cost of service for
14 prepayments?

15 A. After analyzing the data provided, as well as meeting with Ameren Missouri
16 personnel, Staff recommends including a 13-month average of prepayments for the period
17 ending June 30, 2024.

18 Q. Please explain what types of prepayments Staff did not include in rate base.

19 A. Staff recommends excluding the prepayments for membership dues as they
20 were for Greater St. Louis Inc. ("GSLI") and Edison Electric Institute ("EEI"). Please see
21 Staff witness Hardin for further details. After conversations with Ameren Missouri regarding
22 a mis-recorded prepayment relating to the coal car lease, Staff also excluded this amount from
23 its 13-month average.

1 Q. Please explain any major changes in prepayments between the last rate case and
2 the current rate case.

3 A. Two major changes occurred that caused a material change in value within
4 prepayments. The first change is related to software maintenance. In November 2023, Ameren
5 Missouri started to incur a charge that was previously charged to Ameren Services. Since
6 Ameren Missouri owns the asset of the software and the contracts require a prepayment, this
7 charge is recoverable. The second change within prepayments is related to power and capacity.
8 In March 2024, Ameren Missouri executed a contract for buying capacity so that they could
9 cover the peak capacity for three winter months. Both changes are included in Staff's
10 prepayment amount at the time of direct filing. Staff intends to do further discovery and may
11 update its position at true-up.

12 Q. Does Staff intend to true-up prepayments?

13 A. Yes. Staff intends to review prepayments through December 31, 2024, as part
14 of its true-up audit.

15 **CUSTOMER DEPOSITS**

16 Q. Please describe customer deposits.

17 A. Customer deposits are funds received from Ameren Missouri's customers as
18 security against potential loss from the customer's failure to pay for utility service. Ameren
19 Missouri has customer deposits for electric customers, gas customers, and joint electric and gas
20 customers. Until refunded, customer deposits represent a source of funds available to Ameren
21 Missouri that accumulate interest. Therefore, customer deposits are an offset to rate base.

22 Q. Are utility companies required to return customer deposits to customers?

23 A. Yes. After 12 months of satisfactory payments, the deposit must be returned
24 including accrued interest.

1 Q. What amount of customer deposits has Staff included in the cost of service at
2 this time?

3 A. Staff recommends that a 13-month average as of June 30, 2024, be included as
4 an offset to rate base for customer deposits.

5 Q. How is the interest on customer deposits calculated?

6 A. Per Ameren Missouri's current tariff, the interest rate is the most current prime
7 interest rate as published by the Wall Street Journal (8.5%) plus 100 basis points. Currently,
8 that equates to a total of 9.5%. This percentage is then multiplied by the 13-month average of
9 customer deposits.

10 Q. Does Staff intend to review customer deposits and interest as part of its true-up
11 audit?

12 A. Yes. Staff intends to review customer deposits and the associated interest
13 amount as of December 31, 2024, as part of its true-up audit.

14 **CUSTOMER ADVANCES**

15 Q. Please explain customer advances.

16 A. Customer advances are payments that Ameren Missouri requires from individual
17 customers for extending and providing electric service to them. These funds are considered an
18 interest free source of capital, thus the amount is a reduction to the rate base.

19 Q. Please explain what Staff proposes to include in the cost of service for customer
20 advances.

21 A. Staff reviewed the customer advances contracts, including the dates of new and
22 expiring contracts. Based on this, Staff proposes to include a 13-month average of customer
23 advances as of June 30, 2024, to offset rate base.

1 Q. Does Staff intend to review customer advances as part of its true-up audit?

2 A. Yes. Staff intends to review customer advances as of December 31, 2024, as part
3 of its true-up audit.

4 **EMISSION ALLOWANCES AND RENEWABLE ENERGY CREDITS**

5 Q. What are emission allowances and renewable energy credits?

6 A. Emission allowances are permits or certificates that give utilities the legal right
7 to emit a certain amount of greenhouse gases. These allowances are distributed to utilities as
8 part of a cap and trade system in order to limit pollution emissions, but can also be treated as a
9 commodity and sold for value. There is a firm limit on greenhouse gas emissions, so depending
10 on how a company is cutting emissions, it can buy, sell, or bank their share of emission
11 allowances as a commodity for a given compliance period. The Environmental Protection
12 Agency (“EPA”) administers this system as part of its Acid Rain Program under the 1990 Clean
13 Air Act Amendment.

14 Renewable Energy Credits (“REC”) are tradeable certificates that represent one
15 megawatt-hour of electricity generated from a renewable energy resource and delivered to the
16 electricity grid. The electricity grid is shared. Thus the electricity that is produced that is on grid
17 is of mixed origin. RECs play a role in accounting, tracking, and assigning ownership to
18 renewable electricity generation and use. RECs are what must be used by consumers to
19 substantiate their claims of renewable electricity use.

20 Q. Why are emission allowances and RECs included in rate base?

21 A. Emission allowances and RECs are typically included into rate base because
22 they are an asset for Ameren Missouri as well as an ongoing investment in order to do business.

1 Q. What has Staff included in rate base for emission allowances and RECs in this
2 case?

3 A. ** [REDACTED] ** Staff recommends taking
4 the 13-month average, ending June 30, 2024. ** [REDACTED]

5 [REDACTED]

6 [REDACTED] **

7 Q. Does Staff intend to review and update emission allowances and renewable
8 energy credits as part of its true-up audit?

9 A. Yes. Staff intends to review and update emission allowances and renewable
10 energy credits through December 31, 2024, as part of its true-up audit.

11 **CAPITALIZED OPERATIONS & MAINTENANCE (“O&M”) DEPRECIATION**

12 Q. Please describe capitalized O&M depreciation.

13 A. There are assets in certain plant in service accounts that are used in both capital
14 projects and maintenance projects. The assets themselves are depreciated at rates ordered by
15 the Commission during rate cases. Due to the fact that these assets are used in capital and
16 expense projects, the depreciation expense associated with the assets should follow the types of
17 projects the assets are used for. Staff reviewed the amount of depreciation that these plant
18 accounts incurred during the test year and determined the portion of depreciation recorded as
19 capital and expense. Based upon that ratio, Staff has removed the portion of the depreciation
20 expense for these accounts that is capitalized.

21 Q. Can you explain why Staff proposes an adjustment to remove coal car
22 depreciation from depreciation expense?

1 A. Yes. Staff removes the depreciation related to coal cars from annualized
2 depreciation expense as it is already included in the fuel production cost model, and including
3 the amount in depreciation expense would create double recovery of the cost.

4 Q. Does Staff intend to review and update these adjustments as of December 31,
5 2024, during its true-up audit?

6 A. Yes.

7 **FUEL INVENTORIES**

8 Q. Please explain what types of fuel Ameren Missouri keeps in inventory.

9 A. Ameren Missouri keeps an inventory of coal, natural gas, oil, and nuclear fuel
10 for their production facilities. Fuel inventories are included in rate base because Ameren
11 Missouri invests in inventory for their fuel stock and must keep an amount on hand for ongoing
12 operations.

13 Q. How did Staff calculate the rate base amount to include for coal inventory?

14 A. Staff gathered historical data to show the breakdown of the amount of coal by
15 production facility. Staff also took into consideration the amount of coal that was “in-transit”
16 each month for each production facility. After reviewing the data, Staff priced the inventory
17 based upon current contractual amounts for Labadie and Sioux and a current valuation of the
18 coal at Rush Island Energy Center. Staff recommends that a 13-month average of the value of
19 the coal as of June 30, 2024, be included in rate base.

20 Q. What is basemat coal and did Staff include basemat coal in its inventory
21 calculations?

22 A. Basemat coal is the coal located at the bottom of the pile. This portion of the
23 coal pile, while it can be burned in some instances, it is considered unusable as fuel due to soil

1 and other possible contaminants. Staff has included the agreed upon basemat values of coal in
2 inventory for the Labadie and Sioux facilities in its 13-month average as of June 30, 2024.

3 Q. Is Staff recommending an amount of basemat coal for the Rush Island Energy
4 Center be included in rate base?

5 A. No. As part of the Report and Order in Case No. EF-2024-0021,⁵ the
6 Commission ordered that the Rush Island Energy Center basemat coal be recovered through the
7 Rush Island Securitization Rider. Therefore, Staff did not include the amount of basemat coal
8 that was at Rush Island Energy Center upon retirement.

9 Q. Did Staff include any coal inventory from the Rush Island Energy Center in
10 rate base?

11 A. Yes. According to Data Request (“DR”) 0582 there is an amount of coal that is
12 currently at Ameren Missouri’s Rush Island Energy Center **. [REDACTED]
13 [REDACTED]. ** Rush Island Energy Center was retired on October 15, 2024 and as of December 3,
14 2024, still an inventory of coal. Ameren Missouri **. [REDACTED]

15 [REDACTED]
16 [REDACTED] **

17 Q. Please explain the amount of oil inventory Staff proposed for inclusion in
18 rate base.

19 A. Staff reviewed monthly historical data on the quantity and cost of oil. Based
20 upon this study, Staff recommends inclusion of a 13-month average of oil as of June 30, 2024,
21 in rate base.

22 Q. Has there been increased levels of fuel oil inventory recently?

⁵ Report and Order, Case No. EF-2024-0021, pages 46-50.

1 A. Yes, since February 2023 there has been an increased level of oil inventory due
2 to the ability to burn fuel oil at Peno Creek and Kinmundy Energy Centers. In the future, the
3 fuel oil inventory is projected to increase as Mexico, Moberly, and Moreau Energy Centers add
4 to their inventory for the winter months. In addition, both Audrain Energy Center and Castle
5 Bluff project are expected to increase the levels further in 2026 and 2027.

6 Q. Please explain the proposed amount of natural gas that Staff has included in
7 rate base.

8 A. Staff gathered historical data regarding the quantity and cost of natural gas by
9 month. Staff recommends inclusion of a 13-month average as of June 30, 2024, in rate base.

10 Q. How did Staff calculate the amount of nuclear fuel to include in rate base?

11 A. The nuclear fuel at Callaway Nuclear Energy Center is separated into
12 two balances. Staff recommends including an 18-month average of each balance as of
13 June 30, 2024.

14 Q. Can you explain the two balances of nuclear fuel?

15 A. Yes. One balance consists of the fuel in the reactor. The second balance consists
16 of nuclear fuel on-site at the facility that has not yet been loaded into the reactor. There are two
17 balances because Callaway completes a planned outage for refueling and other needed
18 maintenance every 18-months. Therefore it is necessary to keep backup fuel on-site since this
19 is regular occurring and planned outage.

20 Q. Does Staff intend to review and update its proposed inclusion of fuel inventory
21 in rate base?

22 A. Yes. Staff intends to review and update Ameren Missouri's fuel inventory as of
23 December 31, 2024, as part of its true-up audit.

1 **ADVERTISING**

2 Q. Please explain the methods that Ameren Missouri utilizes for its advertising.

3 A. Ameren Missouri utilizes a number of methods to reach out to its customers such
4 as social media posts, radio, podcast, and billboard and television advertisements. Ameren
5 Missouri sponsors, and their employees attend, various holiday parades and events.

6 Q. Please explain the process that Staff used to analyze Ameren Missouri's
7 advertising and associated costs.

8 A. Staff reviewed and analyzed Ameren Missouri's advertisements on an ad-by-ad
9 basis for each ad utilized during the test year ending March 31, 2024. Staff determined the
10 primary message and, based upon that primary message, classified each ad into one of the four
11 categories defined within Case No. EO-85-185. The categories include:

- 12 • Institutional – these types of advertisements promote the name of the utility and
13 provide a positive image of the company to the public.
- 14 • Promotional – these types of advertisements encourage customers to use more
15 of the utility's product or purchase additional services offered by the utility.
16 There must be a cost benefit analysis performed for inclusion of any
17 promotional advertising.
- 18 • Safety – these advertisements encourage the safe use of the utility's product.
- 19 • General – these types of advertisements provide information to the general
20 public, such as ways that customers can contact the utility as well as any
21 warnings regarding peak use and possible need to curtail usage.

22 Depending upon the primary message and the resulting categorization, Staff determined if the
23 cost incurred will be disallowed from the advertising expense.

24 Q. Did Staff also review advertising on a campaign basis?

25 A. Yes. In Case No. ER-2008-0318, the Commission ordered:

Direct Testimony of
Benjamin H. Burton

1 If on a balance a campaign is acceptable then the cost of individual
2 advertisements within that campaign should be recoverable in rates.
3 If the campaign as a whole is unacceptable under the Commission's
4 standards, then the cost of all advertisements within that larger
5 campaign should be disallowed.

6 However, Staff must still review the advertising on an ad-by-ad basis to determine what the
7 campaign consists of to perform this additional analysis.

8 Q. What is Staff's recommendation for advertising costs in this rate case?

9 A. Staff recommends following the long-standing guidance set out in Case No.
10 EO-85-185 that was mentioned above. Staff has disallowed institutional advertising and
11 promotional items from the cost of service. Staff's current position is that it is not appropriate
12 to allow recovery of advertising costs for the campaign as a whole. This is consistent with
13 Staff's position in past rate cases. Staff maintains that the adjustment should be determined on
14 an ad-by-ad basis. This adjustment allows Ameren Missouri to fully recover the cost of general
15 and safety advertisements. The cost of promotional and institutional advertisements is not
16 included into rates.

17 Q. Why does Staff recommend disallowing a portion of a social media posts?

18 A. After conversations with Ameren Missouri, Staff learned that single social
19 media posts cannot be tied to a certain cost within DR No. 0003. Instead, the social media
20 company charges Ameren Missouri a daily fee on days that advertisements were posted.
21 The daily fee is what ties to the costs listed in DR No. 0003. After reviewing each ad utilized
22 by Ameren Missouri, Staff recommends a pro-rata percentage based on the number of ads that
23 are categorized as "institutional" or "promotional" by the total number of advertisements. This
24 percentage would then be applied to the total cost incurred of social media posts within the test

1 year. Please see attached Schedule BHB-d2 for the advertisements that Staff labeled as
2 institutional and promotional.

3 Q. Does Staff recommend a disallowance on promotional items?

4 A. Yes. Staff recommends that all costs related to promotional item costs incurred
5 within the test year be disallowed.

6 **MISBOOKED ALLOCATION OF GAS COSTS IN TEST YEAR**

7 Q. Please explain how an allocation of gas costs in test year can be misbooked on
8 Ameren Missouri's books and records.

9 A. Ameren Missouri maintains both gas and electric operations, using one general
10 ledger for recording transactions for both gas and electric. The transactions are coded
11 differently within the ledger to separate the two operations using the coding "CE" for electric
12 and "CG" for gas. Some costs relate to general transactions that are for the benefit of both
13 electric and gas operations. Those transactions are allocated in mass and are recorded mostly
14 to the administrative and general accounts. There are times when these general costs have been
15 allocated to both electric and gas operations. In reality, these general costs relate only to electric
16 operations or gas operations.

17 Q. Please explain the costs that were mis-recorded and Ameren Missouri's
18 proposed resolution.

19 A. The costs that were mis-recorded were for FERC accounts 921, 923, and 930.
20 Ameren proposes adding the misallocated costs back into the electric coding within the general
21 ledger. Therefore increasing electric and decreasing gas allocation costs.

22 Q. Does Staff agree with Ameren Missouri's proposed inclusion of some of the
23 mis-recorded expenses in the electric cost of service?

1 A. Yes. Staff agrees with Ameren Missouri's proposed inclusion of the
2 mis-recorded expenses in the electric cost of service.

3 **AMR AND AMI METER ADJUSTMENT**

4 Q. Please give some background on Ameren Missouri's Smart Meter infrastructure
5 plan.

6 A. Ameren Missouri's plan consisted of installing approximately 1.3 million
7 electric AMI meters between the years 2019 and 2025. As of March 2024, over 1.2 million
8 meters had been installed. Ameren Missouri has contracted with Landis+Gyr for a ** [REDACTED]
9 [REDACTED]. ** However, there is a
10 customer opt-out option if the customer does not want to utilize the new infrastructure. These
11 customers use non-standard meters that have no electronics. Less than 1% of customers utilize
12 this option.

13 Q. Please explain Ameren Missouri's proposed AMR and AMI meter adjustments.

14 A. AMR meters have one-way communication and require Ameren Missouri to
15 expend costs on truck rolls to drive by the meters to read and collect data. AMI technology has
16 two-way communication. It allows Ameren Missouri to read the meters remotely using wireless
17 networks that link meters and communicating devices, providing real-time access to the meter.
18 This means that Ameren Missouri can receive meter readings without truck rolls as well as
19 identify any problems with the meter such as a malfunction, which would otherwise require an
20 employee to come out into the field to maintenance the meter. Ameren Missouri has proposed
21 adjusting its old AMR meter technology to reflect the reduction in O&M costs due to the
22 installation of AMI. However, adjustments also are required to reflect the cost associated with
23 the new AMI smart meter installations, such as the AMI network equipment monitoring costs

1 that account for the ** [REDACTED] **. ** Staff
2 has also proposed an adjustment and has included the last known and measurable amount in the
3 cost of service for each of these adjustments.

4 Q. When does Ameren Missouri plan to finish the AMI meter installations?

5 A. Ameren Missouri plans to complete installation of the new AMI meters in the
6 first quarter of 2025. As of the filing of this direct testimony, Ameren Missouri has completed
7 99% of AMI meter installations for its electric customers.

8 **RADIOACTIVE WASTE DISPOSAL EXPENSE**

9 Q. Please explain the costs Ameren Missouri incurs for radioactive waste disposal
10 expense.

11 A. Ameren Missouri incurs costs related to their operations at the Callaway nuclear
12 plant to store and then ship low-level radioactive waste for ultimate disposal.

13 Q. Has Staff recommended an adjustment to the level of radioactive waste expense
14 experienced during the test year?

15 A. Yes. After reviewing monthly historical data, Staff recommends normalizing the
16 radioactive waste expense using a three-year average ending June 30, 2024.

17 Q. Does Staff intend to review and possibly update its position regarding
18 radioactive waste expense?

19 A. Yes. Staff intends to review radioactive waste expense through December 31,
20 2024, and may propose a further adjustment as part of its true-up audit.

1 **NUCLEAR REGULATORY COMMISSION FEES**

2 Q. What is the Nuclear Regulatory Commission?

3 A. The Nuclear Regulatory Commission (“NRC”) is a federal agency that regulates
4 the operations of nuclear power plants in the United States. Ameren Missouri is subject to the
5 NRC’s regulation due to its ownership and operation of the Callaway Nuclear Power Plant.

6 Q. Please explain the fees the NRC assesses Ameren Missouri and how they are
7 structured.

8 A. There are three components to the fees assessed by the NRC. There is a fixed
9 annual fee that Ameren Missouri pays quarterly for the maintenance of its license to operate the
10 Callaway Nuclear Power Plant. There is also a variable fee that is based on the number of hours
11 of work completed by the NRC that is attributable to Ameren Missouri on a quarterly basis.
12 These hours of work include inspections, resident inspector expenses, and operator licensing
13 activities. Finally, there is an annual filing amount that occurs each year.

14 Q. How did Staff annualize the NRC fees?

15 A. Staff proposes to include in the cost of service the most recent amount of annual
16 filings, the most recent four quarters for annual dues, as well as an amount of quarterly
17 inspections costs incurred using normalized hours.

18 Q. How did Staff determine the amount of normalized hours?

19 A. Staff normalized hours by taking the average of the four most recent inspections.

20 Q. Does Staff intend to review NRC fees as part of its true-up audit?

21 A. Yes. Staff intends to review Ameren Missouri’s NRC fees through
22 December 31, 2024, and may propose a further adjustment at that time.

23 Q. Does this conclude your direct testimony?

24 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

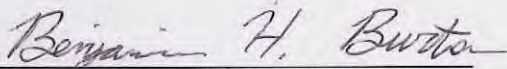
In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to Adjust)
Its Revenues for Electric Service) Case No. ER-2024-0319

AFFIDAVIT OF BENJAMIN H. BURTON

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

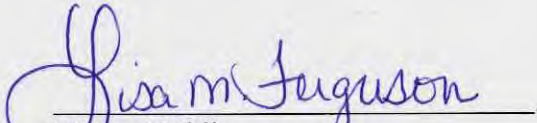
COMES NOW BENJAMIN H. BURTON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Benjamin H. Burton*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.


BENJAMIN H. BURTON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 27th day of November 2024.


Notary Public

LISA M. FERGUSON Notary Public - Notary Seal State of Missouri Commissioned for St. Louis County My Commission Expires: June 23, 2028 Commission Number: 16631502
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Benjamin H. Burton

Present Position:

I am a Utility Regulatory Auditor, Auditing Department, Financial & Business Analysis Division of the Missouri Public Service Commission. As a Utility Regulatory Auditor, I assist in research and analysis of the financial aspects of public utility operations.

Educational Credentials and Work Experience:

I received a Bachelor of Science degree in Finance from Lindenwood University in May 2023, and currently enrolled in Lindenwood University's Masters of Business Administration (MBA) degree program working toward an MBA with an emphasis in Accounting. I have been employed by the Missouri Public Service Commission since June 2023.

Prior to my present position I worked part-time as an intern for the Commission's St. Louis Unit from March 2023 through June 2023. My duties during this time period primarily consisted of compiling large volumes of data into Microsoft Excel spreadsheets for review and analysis as part of a large formal water and sewer rate case. From June 2022 through August 2022 I also completed an internship as a data analytics consultant with New York Life Insurance Company while working in New York City, NY. My duties as an intern included creating Microsoft Excel documents that were presented to a New York Life management team on a daily, monthly and quarterly basis.

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue(s)</u>
Union Electric Company dba Ameren Missouri	EA-2023-0286	General Ledger and Recordkeeping (Renewable Solutions Program and Boomtown Order)
Liberty Midstate's Gas	GR-2024-0106	Fuel Expense, Advertising, Payroll & Payroll Tax Expense, Severance, Dues and Donations, Lobbying Expense, Board of Directors Fees, and Legal Expense

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

BENJAMIN H. BURTON

Schedule BHB-d2
Advertising

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

CASE NO. ER-2024-0319

Jefferson City, Missouri
December 2024

ATTENTION

This filing includes voluminous electronic documents that could not be submitted through EFIS.

To obtain a copy of this information, please send a written request to the Data Center.

E-mail: datacenter-psc@psc.mo.gov

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Data Center
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Please call the Data Center at 573-751-7496 if you have any questions.