

Exhibit No.:

Issue(s): Corporate Franchise Tax,
Rents and Leases, Dues
and Donations, Board of
Directors Expense,
Miscellaneous Expenses,
Insurance Expense,
Electric Revenue,
Miscellaneous Revenue,
Gross Receipts Tax,
Uncollectibles, FAC
Expense, Customer
Survey Costs

Witness: Blair Hardin

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: ER-2024-0319

Date Testimony Prepared: December 3, 2024

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

BLAIR HARDIN

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

CASE NO. ER-2024-0319

*Jefferson City, Missouri
December 2024*

**** Denotes Confidential Information ****

TABLE OF CONTENTS OF

DIRECT TESTIMONY OF

BLAIR HARDIN

UNION ELECTRIC COMPANY,

d/b/a Ameren Missouri

CASE NO. ER-2024-0319

1

2

3

4

5

6

7 CORPORATE FRANCHISE TAX2

8 RENTS AND LEASES EXPENSE.....3

9 DUES AND DONATIONS3

10 BOARD OF DIRECTORS’ FEES AND EXPENSES4

11 MISCELLANEOUS EXPENSES5

12 INSURANCE EXPENSE6

13 ELECTRIC TEST YEAR REVENUE7

14 MISCELLANEOUS REVENUE9

15 GROSS RECEIPTS TAX EXPENSE9

16 UNCOLLECTIBLES EXPENSE10

17 FAC TEST YEAR EXPENSE REMOVAL.....11

18 TEST YEAR CUSTOMER SURVEY COSTS.....11

1 **CORPORATE FRANCHISE TAX**

2 Q. Please explain what corporate franchise tax is.

3 A. Corporate franchise tax is a tax incurred by a company for the privilege of doing
4 business in a state. There are a handful of states, including Missouri, that do not assess a
5 franchise tax, but each state that does assess this tax has its own corporate franchise tax return
6 that must be completed with different information requirements, calculations to determine taxes
7 due, and due dates for remittance.

8 Q. Does Ameren Missouri pay corporate franchise taxes in any other states?

9 A. Yes. Ameren Missouri pays corporate franchise taxes in Illinois.

10 Q. Has Ameren Missouri proposed an adjustment for corporate franchise tax?

11 A. Yes. Ameren Missouri accrues its corporate franchise tax expense on a monthly
12 basis and then reverses that accrual at the time the tax is actually paid. Ameren Missouri has
13 proposed to include the estimated franchise tax for the year 2024 in the cost of service.

14 Q. What does Staff propose to include in the cost of service for corporate
15 franchise taxes?

16 A. Staff has included the most recent corporate franchise tax amount paid for
17 Illinois, as the amount is known and measurable. Staff included the amount paid in 2023 for
18 Illinois, as its corporate franchise tax is due annually every May. During its analysis, Staff
19 determined that the Illinois corporate franchise taxes have been declining over the most recent
20 years. According to Ameren Missouri's data request ("DR") responses, this decline has been
21 driven by a reduced portion of Ameren Missouri's gross asset value being located in the state
22 of Illinois.

1 **RENTS AND LEASES EXPENSE**

2 Q. Please explain the types of rents and leases for which Ameren Missouri
3 incurs costs.

4 A. Ameren Missouri incurs costs related to leases for property easements,
5 office equipment, rail cars, communication, storage/parking, and other items used for
6 day-to-day operations.

7 Q. What is Ameren Missouri's position on rents and leases expense?

8 A. Ameren Missouri proposed an adjustment to increase lease expense.

9 Q. What has Staff proposed to include in the cost of service for rents and
10 leases expense?

11 A. Staff has reviewed Ameren Missouri's current rent and lease contracts and will
12 be using the amounts incurred during the test year in its direct filing. Staff may propose an
13 adjustment in a future round of testimony based upon further clarification from
14 Ameren Missouri on this issue.

15 Q. Has a portion of annualized land easement costs been included in the
16 Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM")?

17 A. Yes. Staff annualized the land easements associated with the High Prairie,
18 Atchison, and Cass County renewable energy projects that will be included in Staff's plant in
19 service in this case and provided this amount to Staff witness Paul Amenthor in order to set the
20 new base amount for the RESRAM.

21 **DUES AND DONATIONS**

22 Q. What types of membership dues and donations did Ameren Missouri incur
23 during the test year?

1 A. Staff found membership dues and donations in the following categories:
2 Business and Professional, Industry, Economic and Civic, and Social.

3 Q. What is Ameren Missouri's position on dues and donations?

4 A. Ameren Missouri did not propose an adjustment on this issue.

5 Q. What is Staff's position on dues and donations?

6 A. Staff reviewed Ameren Missouri's test year dues and donations and has
7 disallowed membership dues related to the Edison Electric Institute ("EEI"), Utility Water Act
8 Group ("UWAG"), and Greater St. Louis Inc. due to their lobbying affiliations. Staff disallowed
9 all test year donations, as they are considered to be involuntary donations on part of the
10 ratepayers. Also, they are not necessary for the provision of safe and adequate service at just
11 and reasonable rates.

12 Q. Did Staff discover that some membership dues were capitalized as part of
13 its audit?

14 A. Yes. Through discovery, it was determined that membership dues related to the
15 Electric Power Research Institute ("EPRI") were capitalized. Staff has proposed to remove the
16 original cost recorded in plant-in-service and an amount of associated accumulated reserve from
17 FERC account 312 and 392. The capitalization on dues and donations should be disallowed
18 because there is no need to capitalize an annual recurring expense that is not directly tied to a
19 capitalized project.

20 **BOARD OF DIRECTORS' FEES AND EXPENSES**

21 Q. Did Ameren Missouri propose an adjustment to the test year for board of
22 directors' fees and expenses?

Direct Testimony of
Blair Hardin

1 A. Yes. Ameren Missouri proposed to remove test year expenses related to the
2 board of directors' use of private aircraft.

3 Q. Does Staff agree with Ameren Missouri's adjustment for board of
4 directors' expenses?

5 A. Yes, while Staff does agree with Ameren Missouri's removal of costs for private
6 charter flights, Staff has also proposed disallowance of costs incurred for hotel costs in excess
7 of normal business travel. These private flights and hotel are a choice over the less expensive
8 alternatives and needlessly increase costs for ratepayers. Staff is also awaiting a DR response
9 for Board of Directors' invoices for hotels, meals, and remodeling costs, and will update its
10 proposed adjustment as necessary.

11 **MISCELLANEOUS EXPENSES**

12 Q. What is miscellaneous expense and what types of costs would be included in
13 this category?

14 A. Miscellaneous expenses are costs that do not fall under any specific category.
15 Costs included in this category might include office supplies, professional services or
16 expense charges.

17 Q. Did Ameren Missouri incur any miscellaneous expenses?

18 A. Yes, during the test year, Ameren Missouri recorded numerous
19 miscellaneous costs.

20 Q. What miscellaneous expenses did Ameren Missouri incur during the test year?

21 A. Ameren Missouri's miscellaneous expenses included alcohol, meals, and
22 entertainment purchases.

23 Q. What is Staff's position on miscellaneous expenses?

1 A. After review of the books and records, Staff recommends disallowing all
2 alcohol, meals, and entertainment expenses as they are not necessary for the provision of safe
3 and adequate service at just and reasonable rates.

4 **INSURANCE EXPENSE**

5 Q. What types of insurance does Ameren Missouri maintain?

6 A. Ameren Missouri maintains Directors and Officers, Fiduciary, Crime, Cyber,
7 Excess Liability, including punitive damages, Errors & Omissions Liability,
8 Workers Compensation, Pollution Legal Liability, Property & Terrorism, Boiler & Machinery,
9 Solar, Marine, Environmental, Mail Bond, Nuclear Property, Nuclear Liability, and
10 General Liability insurance.

11 Q. What is Ameren Missouri's position on insurance expense?

12 A. Ameren Missouri has proposed to annualize insurance expense to reflect the
13 policies and premiums that are currently in effect. This issue will be updated in true up to
14 monitor the costs.

15 Q. What has Staff included in the cost of service regarding insurance expense?

16 A. Staff removed any policy costs associated with expiring insurance policies and
17 included the amount of direct and allocated insurance expense associated with the most current
18 insurance policies in effect as of June 30, 2024, in the cost of service. ** [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]. **

1 **ELECTRIC TEST YEAR REVENUE**

2 Q. Please list the test year revenue Staff has proposed to remove from the cost
3 of service.

4 A. Staff recommends removing the test year revenue associated with the
5 Missouri Energy Efficiency Investment Act (“MEEIA”) (including shared benefit revenue),
6 gross receipts tax, unbilled revenue, Fuel Adjustment Clause (“FAC”) revenue, the
7 Economic Development Incentive (“EDI”), RESRAM, and disposition of allowances.

8 Q. Why are these test year revenue adjustments necessary?

9 A. It is necessary for these test year amounts of revenue to be removed for various
10 reasons, as described below, in order to get to a starting point for annualizing ongoing
11 operating revenue.

- 12 • Gross Receipts tax is a pass-through tax, meaning that Ameren Missouri collects
13 the tax and remits it to the proper taxing authorities. As such, it is not a revenue
14 stream for Ameren Missouri and should be removed from test year.
- 15 • Unbilled revenues are associated with sales of electricity that have occurred, but
16 have not yet been billed to the customer. It is necessary to remove unbilled
17 revenue to accurately determine the revenue requirement based on actual
18 electricity sales.
- 19 • MEEIA is legislation designed to incentivize Missouri’s investor-owned electric
20 utilities to offer energy efficiency programs to reduce electric load. The MEEIA
21 rider allows for recovery of program costs, lost revenue related to the energy
22 efficiency programs, as well as being a performance incentive by the utility.

1 All of these program costs are recovered through the MEEIA rider rather than
2 in base rates, so the test year revenue must be removed.

3 • Ameren Missouri’s fuel costs are recovered through the FAC. Ameren Missouri
4 accrues over- or under- collections of FAC revenue from prior period fuel costs
5 and FAC filings. These revenues are associated specifically with the FAC rider
6 and not base rates. Thus, the test year FAC provision for rate refunds must
7 be removed.

8 • Investment, revenue, and expense associated with Missouri Renewable Energy
9 Standard (“RES”) compliance projects are included in the RESRAM rider. The
10 test year RESRAM revenue consists of collections or refunds of prior period
11 RESRAM accumulated costs. These revenues must be removed in order to reset
12 each rider in the base rate case.

13 • The reduction to revenue for EDI that occurred in the test year is restored until
14 a new level of economic development incentive is calculated by Staff witness
15 Hari Poudel.

16 • The test year revenue associated with losses on the sale of emission allowances
17 must be removed, as Staff does not recognize gains or losses on assets in the cost
18 of service, and inclusion of any gain or loss on allowances would not properly
19 reflect actual billed retail rate revenue.

20 Q. Has Ameren Missouri also proposed to remove these items from test year
21 revenue as well?

22 A. Yes.

1 **MISCELLANEOUS REVENUE**

2 Q. Please list and explain the types of miscellaneous revenue that Ameren
3 Missouri receives.

4 A. Ameren Missouri collects revenue for items such as forfeited discounts, late
5 payment charges, rents, disconnect and reconnect revenue, customer installation fees, and other
6 miscellaneous revenue.

7 Q. Did Ameren Missouri propose an adjustment for miscellaneous revenue?

8 A. No.

9 Q. Has Staff proposed an adjustment for miscellaneous revenue?

10 A. Staff accepted Ameren Missouri's test year miscellaneous revenue in its direct
11 filing but may address this issue in Staff's rebuttal testimony. This issue is being further
12 investigated to address incorrect charge of the late fee charges.

13 Q. Please explain the issue with late fees.

14 A. Upon receiving a customer complaint, it was found that Ameren Missouri was
15 charging customers the wrong late fee percentages dating back to 2022. Ameren Missouri plans
16 to correct this error in January 2025, by establishing bill credits to those affected customers.

17 **GROSS RECEIPTS TAX EXPENSE**

18 Q. What are gross receipts tax?

19 A. Gross Receipts Taxes ("GRT") are pass-through taxes that are imposed by
20 municipalities and other taxing authorities on the total revenue from all sources that a business
21 collects. Staff discussed removing the revenue portion of GRT earlier in this testimony.
22 As GRT is a pass-through tax, the expense portion of GRT incurred during the test year must
23 also be removed. Due to timing differences, the revenue and expense adjustments may not be

1 the same, but by removing both the revenues and expenses related to the GRT, this ensures that
2 there is no net income impact on the revenue requirement.

3 Q. Has Ameren Missouri also proposed to remove test year GRT expense?

4 A. Yes.

5 **UNCOLLECTIBLES EXPENSE**

6 Q. What is uncollectibles expense?

7 A. Uncollectibles, or bad debt expense, is an amount of revenue generated from
8 customer use of electricity that Ameren Missouri will not be able to collect. It is included as
9 an operating expense on the income statement, which generally reflects an accrual by
10 Ameren Missouri to provide a reserve for bad debt expense write-offs. After a certain amount
11 of time, as laid out in Ameren Missouri's bad debt policies, the accounts with nonpayment will
12 be written off and given to third party agencies for collection. Sometimes the collections
13 agencies are successful in recovery of these uncollectible amounts. Ameren Missouri will then
14 reinstate the amount of bad debt that was written off and offset that amount with
15 recovered sums. This is considered a net write off.

16 Q. Please explain Staff's approach to determine the appropriate amount of
17 uncollectibles expense to include in the cost of service.

18 A. Staff reviews a history of net write-offs to determine an appropriate level to
19 include in the cost of service. Staff does not review accrued amounts of bad debt expense as
20 recorded in the income statement, as those amounts are estimates of what Ameren Missouri
21 believes will not be collectable, not what has actually been experienced as uncollectable.

22 Q. Please explain Ameren Missouri's proposed adjustment to increase
23 uncollectible expense.

1 A. Ameren Missouri proposed an adjustment to increase test year accrued
2 uncollectibles to actual net write-offs experienced during the test year.

3 Q. Does Staff agree with Ameren Missouri's proposed adjustment?

4 A. No, Staff has normalized the expense by using a three-year average. Due to
5 Ameren Missouri's response to Staff DR 586, it states that there was an increase in uncollectible
6 in 2023 due to economic factors and inflation rates. With this three-year average it will smooth
7 out the spike of uncollectibles expense in 2023.

8 **FAC TEST YEAR EXPENSE REMOVAL**

9 Q. What is FAC expense?

10 A. Similar to GRT, the FAC rider includes both revenues collected and expenses
11 associated with recovery of net based energy costs. It is necessary to remove all revenue and
12 expenses related to the FAC rider so there is no net impact on the revenue requirement for prior
13 period fuel costs and recoveries. Staff removed the test year related FAC expense from the cost
14 of service.

15 Q. Did Ameren Missouri also propose an adjustment to remove this expense?

16 A. Yes.

17 **TEST YEAR CUSTOMER SURVEY COSTS**

18 Q. What are test year customer survey costs?

19 A. Test year customer survey costs are Ameren Missouri's program participation
20 incentives paid during the test year.

21 Q. What are program participation incentives?

Direct Testimony of
Blair Hardin

1 A. When customers share their opinions, ideas, and concerns with Ameren
2 Missouri, they receive points that can be redeemed for gift cards at numerous retailers or get
3 bill credits for participation.

4 Q. What kind of program participation incentives does Ameren Missouri have?

5 A. The programs include:

- 6 • Your Voice Panel
- 7 • Communications Effectiveness Survey
- 8 • Ad Effectiveness/Testing
- 9 • Issues Paying My Bill Interviews
- 10 • Web Usability Studies
- 11 • Paperless Billing

12 Q. What is Staff's position on test year customer survey costs?

13 A. Staff will be removing all costs associated with these program participation
14 incentives because these programs are unavailable for all customers, while the cost of the
15 incentives is charged to all Ameren customers through base rates.

16 Q. Does this conclude your direct testimony?

17 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 BLAIR HARDIN

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

COMES NOW BLAIR HARDIN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Blair Hardin*; and that the same is true and correct according to her best knowledge and belief.

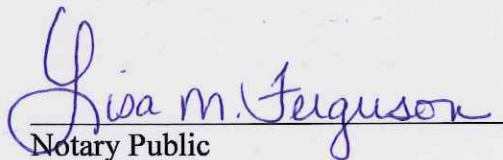
Further the Affiant sayeth not.


_____)
BLAIR HARDIN

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 2nd day of December 2024.

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



Notary Public

Blair Hardin

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. I am responsible, in part, for assisting with the audit and examination of the books and records of utilities that operate within the State of Missouri. I also sponsor testimony and recommendations as an expert witness in Commission proceedings.

Educational Credentials and Work Experience:

I received a Bachelor of Science degree in business administration with a minor in business law from Southeast Missouri State University in December of 2023. I have been employed by the Missouri Public Service Commission since December 2023.

Prior to my present position I worked part-time as an intern for the Commission's St. Louis office from September 2023-December 2023. My tasks as an intern included reviewing testimony, workpapers, as well as learning regulatory terminology and ratemaking methodology.

Past Case Proceedings:

Company Name	Case No.	Issue(s)
Liberty Gas (MNG)	GR-2024-0106	Miscellaneous Expense, PSC Assessment, Plant & Reserve, Other Rate Base Items, and Insurance Expense