MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2023-0392, Union Electric Company, d/b/a Ameren Missouri

FROM: Kwang Y. Choe, PhD., Economics Analyst
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/s/ *David M. Sommerer* 12/13/24
Project Coordinator / Date

SUBJECT: Staff Recommendation in Case No. GR-2023-0392, Union Electric Company, d/b/a Ameren Missouri, 2022-2023 Actual Cost Adjustment Filing

DATE: December 13, 2024

EXECUTIVE SUMMARY

On October 17, 2023, Union Electric Company, d/b/a Ameren Missouri ("Ameren" or "Company") filed its Actual Cost Adjustment ("ACA") for the 2022-2023 period for rates to become effective on November 1, 2023. This filing revised the ACA rates based upon the Company's calculations of the ACA balance for the 2022-2023 period. The Commission approved those rates on an interim subject to refund basis, with an effective date of November 1, 2023.

The Procurement Analysis Department Staff ("Staff") of the Missouri Public Service Commission has reviewed the Company's ACA filing. Staff's analysis consisted of:

1. A review and evaluation of the Company's billed revenues and its natural gas costs for the period of September 1, 2022, to August 31, 2023;
2. A reliability analysis of the Company's estimated peak day requirements and the capacity levels to meet those requirements;
3. An examination of the Company's gas purchasing practices to determine the prudence of the Company's purchasing decisions; and,
4. A hedging review to evaluate the reasonableness of the Company's hedging practices for this ACA period.

** Denotes Confidential Information **

Based on Staff's review, adjustments to the Company's filed ACA balances have been recommended to reflect the actual billed revenues, less natural gas costs, for the period under review. Please see Section V. Recommendations of the report for Staff's recommendations. Additionally, Staff recommends the Commission order the Company to respond to the Staff Recommendation Memorandum within 30 days.

STAFF'S TECHNICAL DISCUSSION AND ANALYSIS

Staff's discussion of its findings is organized into the following five sections, which include Staff's concerns and recommendations:

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I. OVERVIEW

Ameren's natural gas operations are served by the following interstate pipelines: Panhandle Eastern Pipe Line Company, LP ("PEPL"), Trunkline Gas Company (upstream, or prior to, PEPL), Texas Eastern Transmission, LP ("Texas Eastern" or "TETCO"), Natural Gas Pipeline Company of America, LLC ("NGPL"), Southern Star Central Gas Pipeline, Inc ("SSC") and MoGas Pipeline ("MoGas"). PEPL and SSC serve an average of 111,905 customers in the Jefferson City/Columbia area. TETCO serves an average of 18,596 customers in the Cape Girardeau area. NGPL serves an average of 1,512 customers in the Marble Hill area. MoGas serves approximately 3,950 customers in the Rolla, Salem, and Owensville area. Combined, Ameren served an average of 135,963 natural gas customers this ACA period.

II. RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As a regulated gas corporation providing natural gas services to Missouri customers, a local distribution company ("LDC"), such as Ameren, is responsible for conducting reasonable long-range supply planning and implementing the decisions resulting from that planning. A purpose of the ACA process is to review whether the LDC's planning for gas supply, transportation, and storage meets its customers' needs. For this analysis, Staff reviewed Ameren's plans and decisions regarding estimated peak day requirements and the capacity levels to meet those requirements, peak day reserve margin and the rationale for this margin, and natural gas supply plans for various weather conditions.

Reserve Margin

MOGas Pipeline Reserve Margin – Rolla Region

When reviewing the reserve margins for Ameren, ** [redacted] ** Staff encourages Ameren to evaluate its capacity need for the Rolla region on an annual basis.

Panhandle Eastern Pipeline Company Reserve Margin – Columbia Region

When reviewing the reserve margins for Ameren, ** [redacted]

[redacted] ** Staff encourages Ameren to evaluate its capacity needs for the Columbia region on an annual basis based on contracted peak day supply.

Staff has no proposed financial adjustments for the 2022-2023 ACA period related to reliability analysis and gas supply planning.

III. BILLED REVENUE AND ACTUAL GAS COSTS

ACA Balances

ACA balances are cumulative such that the ending balance of one period becomes the beginning balance of the next period. The beginning ACA balance reported for both the firm and interruptible customer classes agreed to the ending ACA balances in GR-2022-0351. Ameren included an adjustment to the ACA balance of ($2,282) in March 2023 reflecting an adjustment made in GR-2021-0291 (2020-2021 ACA period); however, this adjustment is not needed and was reversed increasing the firm ACA balance $2,282.

Billed Revenues

Detailed revenue reports were agreed to the total revenues and volumes reported in Ameren's ACA workbook with exceptions noted in the volumes reported. Based on conversations with the Company, the volumes reported as CCFs were actually British thermal units ("BTUs"). Correcting the volumes reported to CCF resulted in allocation shifts between firm and interruptible classes including PGA v. ACA revenue classifications as well as allocated natural gas costs. With this correction made to volumes, calculated total PGA rates (monthly revenues/monthly volumes) were compared to Commission approved rates with no material differences noted and blended rates in rate change months appearing reasonable.

Staff selected a sample of customer bills, verifying that the PGA/ACA rates charged for natural gas also reflected Commission approved PGA/ACA rates. Customer bills were then traced to revenue reports for test of cutoff and to ensure completeness of revenue reports. Staff also reviewed the reconciliation of the General Ledger ("GL") balances to the ACA reported balances and billing adjustments.

In GR-2022-0351 (2021-2022 ACA case), Staff performed a test of cutoff/completeness utilizing actual customer statements to determine completeness of revenues reported. Testing results from prior year's case appeared to support an adjustment to reported revenues; however, Ameren stated that they were compliant with their tariff and no adjustment was made to the ending ACA balance.

In designing revenue tests for this ACA cycle, Staff reviewed Ameren's tariff for language that defines "billed revenue" again finding no explicit definition of billed revenues nor any reference to the billing schedule utilized by Ameren for assigning a revenue month referenced in the tariff. However, Staff did note that payment provision sections of the tariff include language such as, "bills are due and payable within twenty-one (21) days from the date of the bill"; Staff's use of the actual statement date was the basis for Staff's conclusion that revenues were under reported in GR-2022-0351 (as well as this case).

Testing this year again shows no objective measure for when revenue is recognized by Ameren. For example, for one account, the dates of service (meter read dates) are 1/29-2/27/2023, with a reported revenue transaction date of 2/28/2023 and a statement date of 3/1/2023 reported in February revenues. Another account with dates of service 2/28-3/29/2023, a reported revenue transaction date of 3/30/2023 and a statement date of 3/31/2023 reported in April revenues. While no adjustment is recommended, Staff does plan to address these billed revenue issues in Ameren's current rate case GR-2024-0369. Further, Staff recommends Ameren use CCFs, as noted on the

Revenue tab of the ACA workbook rather that BTUs or other measurement options given the billed CCFs are used to allocate expenditures, refunds, etc. in calculating the ending ACA balance.

Natural Gas Costs

Ameren submitted invoices for all natural gas purchases made during the review period. Staff compared each natural gas invoice to Ameren's ACA filing by pipeline. Staff also reconciled storage balances, injections/withdrawals, and weighted average cost of gas ("WACOG"). On a test basis, Staff also agreed invoiced transportation and natural gas rates to gas supply contracts or other referenced rate sources, such as First of Month ("FOM") pricing, pipeline tariff, etc. Based on testing, one invoice included in natural gas costs for $268.50 was missing and was requested from the Company with the Company stating that they had not paid this invoice because it had not been received and that the supplier had written off the balance. Adjusting for the unpaid supply invoice of $268.50 reduced total natural gas costs reported. As was noted in the Billed Revenue section above, adjustments made to the volumes to reflect billed CCF also impacted the allocation of natural gas costs between firm and interruptible customer classes. The table below summarizes the impact from these adjustments.

Natural Gas Cost Adjustments			
Customer Class	**Reported**	**Corrected**	**Adjustment**
Firm	$ 69,285,071.46	$ 69,285,292.82	$ 221.36
Interruptible	$ 894,782.64	$ 894,292.77	$ (489.87)

Imbalance/Cash Outs

Ameren's transportation tariff contains a cash out provision which reconciles a transportation customer's imbalance by requiring Ameren to either buy (shown as a billing credit) or sell (shown as a billing charge) gas to the transportation customer equal to the customer's monthly imbalance.[1] A billing credit increases gas costs (for PGA customers) whereas a billing charge reduces gas costs (for PGA customers). Staff reviewed imbalances and cash out calculations, on a test basis, and

[1] "Balancing" by a transportation customer or a pool of transportation customers means that the amount of gas put into Ameren's system (receipts) is made equal to the amount used or taken out of Ameren's system (deliveries). When a transportation customer puts more or less gas into Ameren's system than it uses, this is referred to as an "imbalance."

compared the imbalance charges/credits to transportation customer invoices and the ACA filing. No material exceptions were noted.

Carrying (Interest) Cost

Pursuant to Ameren's PGA Clause, interest is computed upon the average of the accumulated beginning and ending monthly over/under recoveries at an interest rate of prime rate published in the Wall Street Journal ("WSJ") on the first business day of the following month, less 2%. For the month of January 2023, the prime interest rate applicable should reflect the prime rate published in the February 1st WSJ of 7.5% rather than 7.75% used overstating carrying costs. The table below summarizes the impact of the corrected prime rate as well as adjustments noted above.

Carrying Cost Adjustments						
Customer Class		**Reported**		**Corrected**		**Adjustment**
Firm	$	1,181,582.54	$	1,174,409.69	$	(7,172.85)
Interruptible	$	15,474.27	$	15,371.08	$	(103.19)

IV. HEDGING

Staff reviewed Ameren's hedging program. The Company's goal is to hedge prices to reduce market price volatility for its customers. In particular, Ameren's stated objective is to create a forward gas supply portfolio and to dollar-cost-average gas supply prices to mitigate price volatility for the PGA sales customers, among other objectives. The current planning horizon for gas supply purchases and price hedging is thirteen seasons or six and one-half years. Gas supply transactions and price hedges for this period are phased in, based on factors including current futures prices, availability of gas supply, as well as general market conditions.

Ameren receives regular natural gas market reports from energy and financial firms and regular market reports and assessments. Staff reviewed Ameren's hedging practices for the winter months, November 2022 through March 2023. Ameren's hedging implementation plan is to protect approximately ** [redacted] ** percent of normal winter demand requirements against market price volatility for the three Ameren systems, PEPL, TETCO and NGPL. The price protection, including storage, comes from financial natural gas swaps and fixed price contracts for PEPL. Storage and swaps were utilized for TETCO. NGPL used fixed price hedges. The financial/fixed price hedges were placed between March 2020 and September 2022 for the winter heating season of November 2022 through March 2023. These resulted in ** [redacted] ** hedged overall for Ameren, based on actual delivered volumes for the winter months, and ** [redacted] ** based on normal volumes for the winter months.[2]

Staff reviews the prudence of a Company's decisions based on what the Company knew, or should have reasonably known, at the time it made its hedging decisions. The Company's hedging planning should be flexible enough to incorporate changing market circumstances. The Company should evaluate its hedging strategy in response to changing market dynamics as to how much the existing hedging strategy actually benefits its customers while balancing market price risk. ** [redacted] **

V. RECOMMENDATIONS

Staff recommends the Commission issue an order requiring the Company to:

[2] Although the costs of hedging are spread across the three systems, operational impacts of the hedging may affect each system differently. PEPL, TETCO and NGPL were ** [redacted] **, ** [redacted] ** and ** [redacted] ** hedged, respectively, for November 2022 through March 2023 based on actual delivered gas. PEPL, TETCO and NGPL were ** [redacted] **, ** [redacted] ** and ** [redacted] ** hedged based on normal volumes. Storage was utilized in the past for NGPL but the storage contract expired in March 2015. Since there is one system-wide PGA rate, the specific regional differences are averaged to all systems.

1. Adjust the balances in its next ACA filing to reflect Staff's recommended ending (over)/under recovery ACA balances per the following table:

August 31, 2023 Ending ACA Balances						
Customer Class		**Reported**		**Adjustments**		**Staff Recommended**
Firm	$	7,687,599.77	$	(4,669.48)	$	7,682,930.29
Interruptible	$	104,694.80	$	(593.06)	$	104,101.74

   A positive ACA balance indicates an under-recovery that must be collected from customers. A negative ACA balance indicates an over-recovery that must be returned to customers.

2. Respond to all concerns, comments, and recommendations summarized below within 30 days:
   A. Staff recommends Ameren evaluate its capacity needs on an annual basis based on peak day supply needs. (Section II. Reliability Analysis and Gas Supply Planning)
   B. Staff recommends Ameren use CCFs, as noted in the volume description on the Revenue tab of the ACA workbook rather that BTUs or other measurement options given the billed CCFs are used to allocate expenditures, refunds, etc. in calculating the ending ACA balance. (Section III. Billed Revenue and Actual Gas Costs)
   C. Staff recommends that only actual incurred (not estimated) natural gas costs as supported by an actual paid invoice are included in natural gas costs. (Section III. Billed Revenue and Actual Gas Costs)
   D. Staff recommends Ameren evaluate its hedging strategy in response to changing market dynamics as to how much the existing hedging strategy actually benefits its customers while balancing market price risk and evaluate more cost-effective financial instruments with the appropriate volumes when the market prices become relatively less volatile. (Section IV. Hedging)
   E. Staff recommends Ameren continue to evaluate its current strategy ** [redacted] ** (Section IV. Hedging)

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Purchased Gas Adjustment Tariff Filing	)))	Case No. GR-2023-0392

AFFIDAVIT OF KWANG Y. CHOE, PhD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW KWANG Y. CHOE, PhD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Kwang Y. Choe

KWANG Y. CHOE, PhD

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 9th day of December 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D. Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Purchased Gas Adjustment Tariff Filing	)))	Case No. GR-2023-0392

AFFIDAVIT OF DAVID T. BUTTIG, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID T. BUTTIG, PE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

David Buttig

DAVID T. BUTTIG, PE

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 12th day of December 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D Suzie Mankin

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Purchased Gas Adjustment Tariff Filing	)))	Case No. GR-2023-0392

AFFIDAVIT OF KIMBERLY K. TONES, CPA, CIA

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW KIMBERLY K. TONES, CPA, CIA and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Kimberly Tones

KIMBERLY K. TONES, CPA, CIA

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 12th day of December 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D Suzie Mankin
Notary Public