

# Exhibit No. 146

*Exhibit No.:*  
*Issue(s):* *Transmission Expense,  
Property Tax*  
*Witness:* *Karen Lyons*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *True-Up Rebuttal  
Testimony*  
*Case No.:* *ER-2022-0337*  
*Date Testimony Prepared:* *March 24, 2023*

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**TRUE-UP REBUTTAL TESTIMONY**  
**OF**  
**KAREN LYONS**

**UNION ELECTRIC COMPANY,  
d/b/a AMEREN MISSOURI**

**CASE NO. ER-2022-0337**

*Jefferson City, Missouri*  
*March 2023*

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**CASE NO. ER-2022-0337**

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1 **TRUE-UP REBUTTAL TESTIMONY**

2 **OF**

3 **KAREN LYONS**

4 **UNION ELECTRIC COMPANY,**  
5 **d/b/a AMEREN MISSOURI**

6 **CASE NO. ER-2022-0337**

7 Q. Please state your name and business address.

8 A. My name is Karen Lyons. My business address is 615 E 13<sup>th</sup> Street,  
9 Kansas City, MO. 64106.

10 Q. Are you the same Karen Lyons who filed direct, rebuttal and surrebuttal/true-up  
11 direct testimony in this case?

12 A. Yes, I am.

13 **EXECUTIVE SUMMARY**

14 Q. What is the purpose of your testimony?

15 A. The purpose of my True-Up Rebuttal Testimony is to respond to Ameren  
16 Missouri's proposal to include forecasted transmission expense in its true-up direct revenue  
17 requirement that is supported by Mitchell Lansford. I will also respond to Mr. Lansford's base  
18 levels for the property tax tracker and Renewable Energy Standard Rate Adjustment  
19 Mechanism ("RESRAM") addressed in his surrebuttal/true-up direct testimony.<sup>1</sup>

20 **TRANSMISSION EXPENSE**

21 Q. What is Ameren Missouri proposing for its true-up transmission expense,  
22 specifically the Midcontinent Independent System Operator ("MISO") transmission  
23 schedule 26A and schedule 9?

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<sup>1</sup> Case No. ER-2022-0337, Mitchell Lansford Surrebuttal Testimony, page 13-14.

1           A.     Based on Ameren Missouri’s true up workpapers, Ameren Missouri annualized  
2 transmission expense for the MISO schedule 26A by applying an escalation factor to the actual  
3 costs incurred for the period, 12 months ending December 31, 2022. Ameren claims that 2023  
4 transmission expense using the escalation factor is a known increase for MISO schedule 26A  
5 costs. The escalation factor was derived by calculating the difference in MISO’s schedule 26A  
6 billing determinants in 2022 and 2023 and applying the escalation factor to actual 2022 costs.  
7 Ameren is also proposing a forecasted level for MISO’s schedule 9 because the Missouri Joint  
8 Municipal Electric Utility Commission (“MJMEUC”) became a transmission owner with  
9 MISO in Ameren Missouri’s zone effective January 1, 2023. Ameren Missouri utilized  
10 MJMEUC’s 2023 estimated Annual Transmission Revenue Requirement (“ATRR”) and  
11 calculated a monthly rate that was applied to Ameren’s retail peaks. The estimated monthly  
12 amount was added to Ameren Missouri’s actual 2022 MISO schedule 9 costs to determine a  
13 2023 forecasted level.

14           Q.     Please explain MISO schedules 26A and 9.

15           A.     MISO schedule 26A charges deal with Multi-Value Projects (“MVPs”) that are  
16 determined by MISO and for which costs are allocated to the individual transmission owner  
17 (“TO”) members. MISO determines a total actual “revenue requirement” in January each year  
18 and posts monthly rate determinants throughout the year. MISO schedule 9 is defined as  
19 network integration transmission service charges. Transmission customers, such as Ameren  
20 Missouri, are responsible for paying the firm monthly zonal rate or a monthly demand charge,  
21 as applicable, for the zone based upon where the load is physically located.<sup>2</sup>

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<sup>2</sup> MISO tariff, [Tariff \(misoenergy.org\)](https://www.misoenergy.org).

1 Q. What is the difference between the actual costs incurred by Ameren Missouri  
2 and its proposed forecasted levels for MISO schedules 26A and 9?

3 A. The table below reflects Ameren Missouri actual transmission expense incurred  
4 during the 12 month period ending December 31, 2022 and their proposed forecasted level for  
5 MISO schedules 26A and 9.

Month	Actual 2022 Schedule 26A expense	Forecasted Schedule 26A expense	Proforma Percentage Increase	Actual 2022 Schedule 9 expense	Forecasted Schedule 9 expense
January	\$ 4,877,587	\$ 5,001,344	2.54%	\$ 907,034	\$ 1,002,034
February	4,396,861	4,508,421	2.54%	702,190	796,190
March	3,711,835	3,806,013	2.54%	718,417	798,417
April	3,474,653	3,562,813	2.54%	609,588	676,588
May	3,917,754	4,017,157	2.54%	907,854	995,854
June	5,033,944	5,163,875	2.58%	985,886	1,092,886
July	5,590,033	5,612,516	1.88%	1,040,509	1,153,509
August	5,245,064	5,379,652	1.88%	1,006,061	1,117,061
September	4,012,364	4,116,987	1.88%	914,413	1,016,413
October	3,553,184	3,647,497	1.88%	635,674	726,674
November	3,907,363	4,011,431	1.88%	693,819	772,819
December	4,544,152	4,779,214	1.88%	1,019,689	1,105,689
<b>Total</b>	<b>\$ 52,264,794</b>	<b>\$ 53,606,919</b>		<b>\$ 10,141,134</b>	<b>\$ 11,254,134</b>

7  
8 Q. Why is Ameren Missouri proposing a forecasted level of transmission expense  
9 specifically for MISO schedules 26A and 9?

10 A. Based on discussions with Ameren personnel, it is Staff's understanding that  
11 Ameren Missouri proposes to include a forecasted level of transmission expense for MISO  
12 schedule 26A since MISO's 26A billing determinants associated with these costs is effective  
13 January 1, 2023, and proposes a forecasted level for MISO schedule 9 because MJMEUC  
14 became a transmission owner with MISO in Ameren Missouri's zone effective January 1, 2023.

1 Ameren Missouri represents that forecasted expense for these MISO schedules are known costs  
2 that will be in effect in 2023.

3 Q. Did Ameren Missouri provide supporting testimony for its proposed forecasted  
4 transmission expense for MISO schedules 26A and 9?

5 A. No. Ameren included its proposed increase for the MISO schedules 26A and 9  
6 in its true-up workpapers but provided no supporting testimony for its proposal.

7 Q. Please explain how Staff treated Ameren Missouri's transmission expense in its  
8 true-up direct filing.

9 A. Staff analyzed Ameren Missouri's actual transmission expense for the period of  
10 January 2018 through December 2022. Staff included an annualized level of actual transmission  
11 expense, including costs billed on MISO schedules 26A and 9, based on the 12 month period  
12 ending December 31, 2022.

13 Q. What is the difference between Ameren Missouri's and Staff's annualized level  
14 of transmission expense for MISO's schedules 26A and 9?

15 A. The difference between Ameren Missouri's forecasted level of these costs and  
16 Staff's annualized level based on actual known and measurable costs is approximately,  
17 \$2.5 million.

18 Q. Does Staff agree with Ameren Missouri's proposal to forecast MISO  
19 schedule 26A by applying an escalation factor to the actual expense incurred during the  
20 12 months ending December 31, 2022 and increasing costs associated with MISO's schedule 9  
21 due to MJMEUC becoming a transmission owner in Ameren Missouri's zone?

22 A. No. By applying an escalation factor and using MJMEUC's estimated ATRR  
23 to develop a level of estimated costs for MISO schedules 26A and 9 in 2023, Ameren Missouri

1 is essentially proposing an annualized level of transmission expense based on a forecast.  
2 Forecasts are developed using assumptions that may or may not be realized in the future. As a  
3 result, the use of forecasts to develop an ongoing level of costs to include in a utility's cost of  
4 service is neither known nor measurable. Additionally, Ameren Missouri's proposal to use a  
5 forecast to determine an ongoing level of costs also violates the matching principle by isolating  
6 certain transmission expense without taking into consideration concurrent changes that will  
7 occur in other areas of its cost of service. Consequently, Ameren Missouri's proposal disrupts  
8 the relationship in time that occurs between its investment, expense, and revenue.

9 Q. Has the Commission addressed the known and measurable concept?

10 A. Yes. In Case No. WR-2016-0064, Hillcrest Utilities, the Commission stated the  
11 following on page 18 of its Report and Order issued July 12, 2016:

12 Hillcrest has proposed that estimated property taxes in the amount of  
13 \$2,972 be included in its cost of service in this case. That estimated  
14 property tax will not be paid until approximately December 31, 2016, so  
15 it is beyond the test and update periods for this case. **Since it occurs**  
16 **after the update period, to be included in Hillcrest's cost of service**  
17 **the expense must have been realized (known) and must be calculable**  
18 **with a high degree of accuracy (measurable).** However, the evidence  
19 shows that the 2016 property tax amount has not yet been paid, is an  
20 estimate of the property tax costs, and could change during the summer  
21 of 2016. Therefore, that property tax estimate is not known and  
22 measurable, so it is inappropriate to include that amount in the revenue  
23 requirement for this case.

24 [Emphasis added.]

25 Although the Commission specifically addresses property taxes in Case No.  
26 WR-2016-0064, the Commission's Report and Order is applicable to other areas of utility cost  
27 of service.

28 Q. How does Ameren Missouri's proposal to use forecasted levels of transmission  
29 expense violate the matching principle?



1           A.     A utility's rates are developed based on use of ratemaking adjustments known  
2 as annualizations and normalizations to establish an ongoing investment, revenue, and expense  
3 relationship. The amounts determined through the ratemaking adjustments are intended to  
4 match the relationship with a utility's investment, revenue, and expense at a point in time, and  
5 anticipates that the same relationship will continue in the foreseeable future, allowing the utility  
6 the opportunity to earn its authorized return. Ameren Missouri's proposal to isolate certain  
7 transmission expenses by using forecasted levels without considering changes forecasted to  
8 occur with other areas of its cost of service disrupts the relationship projected to occur among  
9 its investment, revenue, and expense. To determine the revenue requirement in this case, Staff  
10 consistently treated all areas of Ameren Missouri's cost of service, leaving the relationship  
11 between Ameren Missouri's investment, expense, and revenue intact.

12           Q.     Are the costs billed to Ameren Missouri for MISO's schedules 26A and 9 the  
13 only transmission costs incurred by Ameren Missouri?

14           A.     No. Ameren Missouri incurs costs for the transmission expense schedules listed  
15 below and also receives transmission revenue from MISO:

- 16                   • Schedule 1: Scheduling, System Control, and Dispatch
- 17                   • Schedule 7&8: Basic Transmission expense
- 18                   • Schedule 9: Transmission paid to other transmission owners
- 19                   • Schedule 10: Demand and Energy Charge
- 20                   • Schedule 26: Network Upgrade Charge
- 21                   • Schedule 26A: Multi-Value Projects
- 22                   • Schedule 26D and 26E: TMEP and IMEP projects
- 23                   • Schedule 33: Blackstart Service
- 24                   • Schedule 11: Distribution Facilities Charge
- 25                   • Energy Related transmission expense
- 26                   • Other non-MISO transmission expense

1 Ameren Missouri's proposal is isolating two MISO schedules by forecasting the costs in 2023  
2 without considering any other aspect of transmission expense or transmission revenue. Future  
3 changes in transmission expense or changes in other areas of Ameren's cost of service may  
4 offset any potential increase in MISO schedules 26A and 9 costs in part or entirely.

5 Q. Did Staff agree to include projected costs for MISO schedule 26A in past general  
6 rate cases for Ameren Missouri?

7 A. In Case Nos. ER-2016-0179 and ER-2019-0335 a global settlement for the  
8 revenue requirements was approved by the Commission on March 8, 2017 and March 18, 2020  
9 respectively. Staff did not file any testimony on this issue. Ameren Missouri advised Staff in  
10 2016 and in 2019 that a change in MISO's schedule 26A billing determinants is a known cost  
11 and therefore should be reflected in rates.

12 Q. Did Ameren propose an increase to these costs in Case No. ER-2021-0240?

13 A. No. The true-up period in Case No. ER-2021-0240 was 12 months ending  
14 September 30, 2021. Ameren Missouri's proposal to increase these costs in the 2016 and 2019  
15 rate cases and the current rate case is due to the true-up period, 12 months ending December 31.

16 Q. Has Staff compared the proposed forecasted levels to the actual expense of the  
17 MISO schedule 26A in the 2016 and 2019 rate cases?

18 A. Yes. Staff analyzed Ameren Missouri's actual costs incurred for MISO's  
19 schedule 26A in 2017 and 2020, the year following the true up period in the 2016 and 2019 rate  
20 cases. In Case No. ER-2016-0179 the true up period was 12 months ending December 31,  
21 2016. Ameren Missouri proposed to forecast 2017 MISO schedule 26A costs. In Case No.  
22 ER-2019-0335 the true up period was 12 months ending December 31, 2019. Ameren Missouri  
23 proposed to forecast 2020 MISO schedule 26A costs. Ameren Missouri used the same

1 methodology to forecast these as proposed in the current case. The following table compares  
2 the MISO schedule 26A forecasted expense and the actual expense incurred by Ameren  
3 Missouri in 2017 and 2020.

<b>MISO Schedule 26A</b>			
		Case No ER-2016-0179 based on 2017	Case No. ER-2019-0335 based on 2020
Forecasted expense	\$	42,174,412	\$ 53,486,729
Actual expense	\$	42,766,360	\$ 53,357,809
Difference	\$	591,948	\$ (128,920)

4  
5  
6 The table clearly shows that Ameren Missouri's claim that the change in MISO's schedule 26A  
7 billing determinants is not a known cost. In one rate case the cost was higher and the other case  
8 was lower. If Ameren Missouri's claim that the change in MISO's schedule 26A billing  
9 determinants is known then forecasted costs and actual costs would be identical.

10 Q. Did Staff perform a similar analysis for any other period?

11 A. Yes. Staff was able to retrieve MISO's 2021 schedule 26A billing determinants  
12 from its website and performed an analysis using the same methodology performed by Ameren.  
13 Staff calculated the difference between the 2021 and 2022 MISO schedule 26A billing  
14 determinants and applied the percentage to 2021 actual costs to determine a forecasted level for  
15 2022 costs. Staff then compared the forecast to actual 2022 schedule 26A expense incurred by  
16 Ameren. Ameren Missouri incurred approximately \$226,000 less 26A expense than the  
17 projected costs for 2022. Based on Staff's analysis of three different time periods, 2017, 2020,  
18 and 2022, Ameren's forecasted levels of schedule 26A costs was not what it actually  
19 experienced in actual costs. In fact, two of the three years Staff analyzed were less than the

1 forecasted levels. Again, if Ameren Missouri's claim that these projected costs are known, the  
2 actual costs incurred would be identical to the projections.

3 Q. Are there any other reasons why MISO's schedule 26A billing determinants  
4 should not be used to project future 26A transmission costs?

5 A. Yes. When reviewing historical MISO schedule 26A billing determinant data  
6 on its website, Staff found that the billing determinants are revised at least two times a year.  
7 Changes that may occur in January of any given year may also change later during that same  
8 year. Changes that occur throughout the calendar year are not known and measurable.

9 Q. Please summarize Staff's position regarding Ameren's proposal to increase  
10 MISO's schedules 26A and 9 costs based changes that are effective January 1, 2023.

11 A. Staff recommends that the Commission deny Ameren's proposal to include  
12 forecasted transmission expense for MISO's schedules 26A and 9 in the revenue requirement  
13 approved in this case. Ameren Missouri's proposal to use forecasted costs to set base rates for  
14 schedules 26A and 9 transmission expense is not known and measurable. Further, regulatory  
15 concepts such as annualizations and normalizations are intended to match the relationship with  
16 a utility's investments, revenues, and expenses and anticipated that the same relationship will  
17 continue in the foreseeable future. Ameren Missouri is asking the Commission to isolate one  
18 cost that it claims will increase in 2023 without considering changes to other components of its  
19 cost to service during the same time period.

20 **PROPERTY TAXES**

21 Q. Please summarize Ameren Missouri's position regarding property taxes  
22 included in the RESRAM.

1           A.     On page 13 of Ameren Missouri’s witness Mitchell Lansford’s true-up direct  
2 testimony, he provides a table that includes the RESRAM base level. The base level he provides  
3 is \$1,722,680. Ameren Missouri excluded property taxes associated with renewable energy  
4 generation.

5           Q.     Does Staff agree with Ameren’s Missouri proposed base level for the  
6 RESRAM?

7           A.     No. Staff’s recommended RESRAM base level is \$34,219,094. The differences  
8 in Staff’s recommended RESRAM level and Ameren Missouri’s proposal include differences  
9 in sales and production tax credits that are outputs of Staff’s fuel model and property taxes  
10 associated with renewable energy generation. For this testimony, I will focus on Ameren  
11 Missouri’s proposal to exclude property taxes for renewable generation.

12          Q.     Does the RESRAM statute allow for recovery of property taxes for renewable  
13 generation?

14          A.     Yes. In fact, Ameren and Staff included property taxes in their recommended  
15 base level in Ameren Missouri’s last rate case, Case No. ER-2021-0240.

16          Q.     Why is Ameren excluding property taxes in its RESRAM base?

17          A.     Ameren Missouri is proposing to treat renewable property taxes as Ameren  
18 treats all other property taxes by including them in the property tax legislation passed in 2022.  
19 Including the property taxes for renewable generation based on the newly passed legislation  
20 allows Ameren Missouri to earn a return on these property taxes. The RESRAM does not  
21 include a return on property taxes for renewable generation.

22          Q.     What is Staff’s recommendation regarding the inclusion of property taxes for  
23 renewable generation in the RESRAM base level?

1           A.     Since the RESRAM allows Ameren Missouri to recover property tax for  
2 renewable generation, Staff continues to recommend that the RESRAM base include these  
3 property taxes. Staff's recommended RESRAM base level, which includes eligible renewable  
4 generation property taxes, is \$34,219,094. All other property taxes will be recovered in the  
5 property tax tracker passed in 2022.

6           Q.     Does Mr. Lansford include a base level to be used to track future property taxes  
7 in his table on page 14 of his true-up direct testimony?

8           A.     Yes. Mr. Lansford recommends a base level of \$170,509,624. This level  
9 includes property taxes for renewable generation.

10          Q.     Does Staff agree with Mr. Lansford's recommended property tax base level?

11          A.     No. Staff recommends that Mr. Lansford's proposal for the base level of  
12 property taxes should be reduced for the property tax related to renewable generation as these  
13 property taxes are recovered through the RESRAM. Staff's recommended base level for  
14 property tax excluding property taxes for renewable generation is \$161,344,659. This base  
15 level will be used to track deferred property taxes beginning with the effective date of rates in  
16 this case.

17          Q.     Does this conclude your true-up rebuttal testimony?

18          A.     Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

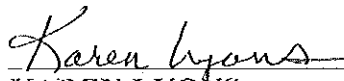
In the Matter of Union Electric Company            )  
d/b/a Ameren Missouri's Tariffs to Adjust        )  
Its Revenues for Electric Service                )            Case No. ER-2022-0337

**AFFIDAVIT OF KAREN LYONS**

STATE OF MISSOURI        )  
  )        ss.  
COUNTY OF JACKSON     )

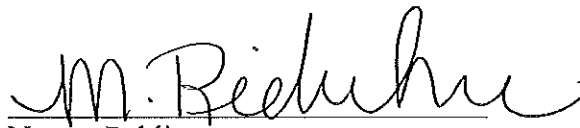
COMES NOW KAREN LYONS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *True-Up Rebuttal Testimony of Karen Lyons*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
KAREN LYONS

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 22nd day of March 2023.

  
\_\_\_\_\_  
Notary Public



M. RIDENHOUR  
My Commission Expires  
July 22, 2023  
Platte County  
Commission #19603483