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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

BENJAMIN H. BURTON

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

CASE NO. ER-2024-0319

*Jefferson City, Missouri
February 2025*

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- 1 • Institutional – advertising used to improve the company’s public image.
- 2 • Promotional – advertising used to encourage or promote the use of electricity.
- 3 • Safety – advertising which conveys the ways to safely use electricity and to
- 4 avoid accidents.
- 5 • General – informational advertising that is useful in the provision of
- 6 adequate service.
- 7 • Political – advertisement costs falling within this category cannot be charged
- 8 to ratepayers.

9 In the Report and Order in Case No. EO-85-185 on page 51, the Commission states, “The
10 Commission determines on this record that the ratepayers should not bear the costs of
11 institutional or good will advertising. The Commission cannot conclude herein that institutional
12 advertising is beneficial to ratepayers.”² Therefore, Staff’s current process includes
13 determining the primary purpose of the advertising to determine the category that the
14 advertisement belongs in and then based upon that categorization, the customer benefit is
15 determined. When Staff finds the primary purpose of advertising to be general and safety
16 related, this provides a benefit to customers. When Staff determines the primary purpose of
17 advertising to be institutional, there is no benefit to customers, and therefore recommends those
18 advertisements to be disallowed. If Staff determines the primary purpose of the advertising to
19 be promotional, then it is necessary to review a cost-benefit analysis regarding the promotional
20 advertising in order to conclude if there is a benefit to the customer, in order to include the cost
21 in customer rates. Upon reviewing this cost-benefit analysis, the ad is either allowed
22 or disallowed.

² EO-85-224 and EO-85-185 (cases were consolidated).

1 **Economic Development**

2 Q. On page 5, line 1 of Ms. Doria’s testimony, she states that Staff categorized the
3 advertisements as promotional. Does Staff still categorize these advertisements
4 as promotional?

5 A. Yes. Within Ameren Missouri’s response to Staff Data Request (“DRs”) 0003,
6 economic development advertisements were provided in PowerPoint format. Within these ads,
7 Ameren Missouri promoted electric vehicle charging stations at businesses along with their
8 associated incentives. Staff believes the primary purpose is to promote and encourage the use
9 of electricity and would be subject to a cost benefit analysis. Staff has submitted discovery
10 regarding any cost benefit analysis that may exist to determine if this would benefit customers.

11 Q. Could Staff categorize the PowerPoints in more than one of the five advertising
12 categories mentioned above?

13 A. Yes, the PowerPoints contain multiple advertisements. Within the PowerPoints,
14 there are multiple advertisements that have different primary purposes. There is promotional
15 advertising related to electric vehicle charging stations, institutional advertising related to
16 boosting the company’s image by using the “#1 Customer Satisfaction by J.D. Power”, and
17 general advertising related to Ameren’s Smart Energy Plan and energy portfolio.

18 Q. Due to the PowerPoints having many categories of advertising, would it be right
19 to have the whole PowerPoint slide deck categorized as one and disallowed as a whole?

20 A. No. According to the KCPL Case Report and Order, the primary purpose is
21 what is determined in categorizing advertising. Institutional advertising would not be allowed
22 into rates because it does not provide a benefit to the customer. Staff is disallowing the portion
23 as promotional advertising because Ameren Missouri has not provided a cost-benefit analysis

1 at this point. However, general advertising is allowed. With that being said, Staff agrees that
2 all of the economic development advertising expense should not be disallowed, as some of it is
3 general. Staff recommends one-third of the advertising costs be allowed into rates.

4 Q. How did Staff determine that one-third of costs be allowed into rates?

5 A. As stated above, within the PowerPoints, there are multiple advertisements and
6 the primary purpose of them can be classified into three Commission-ordered categories. Of
7 the categories included, only one is included into rates. Therefore, a one-third economic
8 development advertising is recommended to be allowed.

9 **Renewable Solutions Program**

10 Q. Does Staff still recommend that the Renewable Solutions Program portion of
11 advertising be disallowed?

12 A. No, Staff agrees with Ameren Missouri's position that the Renewable Solutions
13 Program portion of advertising be allowed as the primary purpose is general. This has been
14 reflected in Staff's recommended true-up revenue requirement.

15 **Community Solar**

16 Q. Does Staff recommend that the Community Solar portion of advertising
17 be disallowed?

18 A. No. After a further DR response providing the E-Newsletter that was utilized in
19 advertising for Community Solar, Staff does not recommend to disallow this cost as the primary
20 purpose is general and has reflected it in its recommended true-up revenue requirement.³

³ Response to Staff Data Request 0710.

1 **Social Media**

2 Q. Why does Staff recommend disallowing a portion of social media costs?

3 A. Staff proposes that only social media posts categorized as general or safety be
4 added into rates. However, there are a number of posts that Ameren Missouri and Staff disagree
5 on regarding the primary purpose of the ad and thus the advertising category the ad belongs in.

6 Q. Can you explain Staff's process in assessing social media advertisements?

7 A. Yes. First of all, Ameren Missouri provided responses to DRs 0003 and 0004.
8 The response to DR 0003 included a spreadsheet with a line item entitled "Social Media-
9 Ameren" and provided dollar amounts by each line item.⁴ The response to DR 0004 contained
10 examples of each social media ad, and each ad contained a dollar amount. ⁵ At first, Staff was
11 unaware these two DR responses were correlated. Staff was of the understanding that the dollar
12 amounts next to each social media post in the response to DR 0004 were the expense of each
13 ad. However, when Staff attempted to reconcile the social media posts with the costs attached
14 to them in DR 0004's response or with the amount in the line item for DR 3's response, Staff
15 was unable to do so. Staff met with Ameren Missouri personnel in early November, and learned
16 that the costs next to each social media posting were inaccurate. The amount listed in the
17 response to DR 0003 was associated with all the social media ads provided in DR 0004, as that
18 was the amount recorded in the general ledger. The amounts in Ameren Missouri's response
19 to DR 0004 were not the final costs recorded on the books and records. Based on that
20 discussion, Staff reviewed the primary purpose of each social media posting and placed it in a
21 category. As mentioned above, the categories listed in the Commission order determine if there
22 is a benefit to the customer. Staff calculated a percentage of the advertising categories there

⁴ Response to Staff Data Request 0003.

⁵ Response to Staff Data Request 0004.

1 were recoverable vs. unrecoverable that was then applied to the total cost provided in the
2 response to DR 0003.

3 Q. On page 4, line 4 of Witness Doria’s rebuttal testimony, she states that Ameren
4 Missouri utilizes three categories: general, institutional, and safety. Why does Staff find that a
5 portion of Ameren Missouri’s ads are promotional?

6 A. The primary purpose of the social media ads encourages the purchase of electric
7 vehicle (“EV”) home charging stations, and this promotes the use of more electricity.
8 Therefore, Staff categorizes a number of social media posts as promotional.

9 Q. Does the attachment “Schedule KK-r1” to Ms. Doria’s rebuttal
10 testimony- specifically the column “Staff Classification” – accurately reflect Staff’s position in
11 direct testimony?

12 A. No. Ameren Missouri had certain social media posts incorrectly categorized
13 from Staff’s direct testimony work paper. For example, some line items in “Schedule KK-r1”
14 denote that Staff categorized the ads as institutional. In reality, Staff categorized the ads as
15 general in direct testimony.

16 Q. Is Staff’s position filed in this surrebuttal/true-up direct its final position on
17 social media advertising?

18 A. No. Staff will file a true-up rebuttal position on advertising due to receiving an
19 update to Staff data request 0004. This updated response was received from Ameren Missouri
20 on January 6, 2025, Staff had assumed that all ads had previously been provided, but after
21 reviewing the Data Request response, Staff determined that not all of the social media postings
22 had initially been presented. On January 31, 2025, Staff contacted Ameren Missouri and
23 supplied an Excel document listing social media postings for which costs had been provided,

1 but no examples of social media postings had been provided for review. Ameren then supplied
2 copies of the social media postings based upon the list Staff had provided, but it was not
3 provided until the afternoon of February 10, 2025. The number of social media postings
4 provided were substantial in nature and the format provided was not conducive to a quick
5 review and since the postings were provided shortly before internal deadlines for
6 surrebuttal/true-up direct testimony, Staff will review the advertisements and reflect its position
7 in true-up rebuttal on this issue.

8 **Louie the Lightning Bug**

9 Q. Why has Staff disallowed costs related to Louie the Lightning Bug?

10 A. Staff disallowed Louie the Lightning Bug costs as they are institutional and do
11 not provide a benefit to the customer. The character is used to improve Ameren Missouri's
12 image – much like a mascot. The primary purpose does not directly convey ways to safely use
13 electricity or useful in the provision of adequate service. Staff has also recommended
14 disallowing Louie the Lightning Bug costs in other recent cases such as ER-2022-0337, and
15 ER-2021-0240.

16 **Giveaway Items**

17 Q. Why does Staff recommend disallowing giveaway items?

18 A. Staff recommends disallowing giveaway items because the primary purpose is
19 institutional. The primary purpose of the items does not provide safety information and these
20 items are not useful in the provision of adequate service. Instead, they are used to promote
21 Ameren Missouri's image, which is the definition of institutional advertising.

1 Q. On page 9, line 14 of Ms. Doria's testimony, she states that typically the items
2 have a web address on them that is intended to benefit customers and give them information
3 regarding assistance. Why does Staff recommend to disallow this?

4 A. The primary purpose of the items is to boost Ameren Missouri's public image.
5 If the customer is truly interested in additional information, the web address is also located on
6 their bills, along with other advertisements that are contained within a category that is allowed
7 by Staff.

8 **RATE CASE EXPENSE**

9 **Depreciation Study**

10 Q. On page 28, lines 5-12, of his rebuttal testimony, Ameren Missouri witness
11 Stephen J. Hipkiss discusses the difference between Ameren Missouri's and Staff's positions
12 regarding the depreciation study. Why did Staff propose to include the actual costs from the
13 last depreciation study in this case rather than an average of the last four depreciation studies?

14 A. Staff included the cost of the ER-2022-0337 depreciation study as that is the one
15 that current depreciation rates are based on.

16 Q. Mr. Hipkiss mentions on page 29, lines 1-5, of his rebuttal testimony that electric
17 utilities are not discouraged from performing an updated depreciation study more often than
18 every five years, if conditions warrant, and that depreciation expense represents 20% of the
19 Company's total revenue requirement. Staff did propose to include the depreciation study
20 cost, correct?

21 A. Yes. Mr. Hipkiss argues as if Staff had not included the cost of a depreciation
22 study at all. While depreciation expense may be 20% of the overall revenue requirement, the

1 cost of a depreciation study is far less, and Staff has recommended it be included in the
2 revenue requirement.

3 Q. Has Ameren Missouri ever proposed to recover the depreciation study costs over
4 a five-year period?

5 A. Yes. On page 29, lines 13-14, of Mr. Hipkiss' rebuttal testimony he cites
6 multiple cases (ER-2019-0335, ER-2021-0240, ER-2022-0337) where Ameren Missouri has
7 requested a five-year amortization period for its depreciation studies, based upon Commission
8 rules.⁶ In fact, in Case No. ER-2019-0335, Ameren Missouri witness Moore stated,
9 "Depreciation study expenses will be recovered over five years based on the requirement for a
10 study to be completed every five years."⁷

11 Q. On page 29, lines 21-22, and page 30, lines 1-3 of his rebuttal testimony,
12 Mr. Hipkiss states that because the Company has performed a depreciation study as part of each
13 of its last four rate reviews, the cost of the study should be treated similarly to Staff's position
14 regarding the normalization period for the rest of rate case expense. Is Ameren Missouri
15 required to incur depreciation study expense every rate case?

16 A. No. As Mr. Hipkiss states in his testimony, a depreciation study is filed when it
17 is warranted, but at a minimum of every five years.

18 Q. What conditions does Ameren Missouri believe warrant the completion of a
19 depreciation study and were those conditions present for every case in the last four years?

⁶ Direct Testimony of Mitchell J. Lansford, Page 29, lines 16-18, ER-2022-0337; Direct Testimony of Mitchell J. Lansford, Page 30, lines 13-14, ER-2021-0240; Direct Testimony of Laura M. Moore, Page 26, lines 21-23, ER-2019-0335.

⁷ Laura M. Moore Direct Testimony ER-2019-0335, Page 26, lines 21-23.

1 A. Ameren Missouri believes that changes in or establishment of retirement dates
2 based on the results of the Company’s Integrated Resource Planning process for energy centers
3 have driven the need for depreciation studies.⁸

4 **All Other Rate Case Expense**

5 Q. In his rebuttal testimony, Mr. Hipkiss explains that while depreciation was
6 settled by the parties in the most recent rate review, Ameren Missouri could incur additional
7 expenses relating to the external expert witness when a depreciation study is contested in a rate
8 review.⁹ Should rate case expense include both settled and non-settled cases within
9 the average?

10 A. Yes. Staff agrees with Mr. Hipkiss that for an accurate normalization, you must
11 consider cases that are settled and non-settled. Staff is utilizing this methodology by
12 recommending a three case average for rate case expense. Staff is not including the cost of the
13 ER-2016-0179 rate case expense as it was globally settled. Of the three cases that Staff
14 recommends (ER-2019-0335, ER-2021-0240, and ER-2022-0337), none were globally settled.
15 This means that a portion of each rate case went to an evidentiary hearing. In 2019, the fuel
16 adjustment clause (“FAC”) went to hearing, 2021 class cost of service (“CCOS”) went to
17 hearing, and in 2022 CCOS, depreciation, and an issue related to retiring coal plants early went
18 to an evidentiary hearing. Therefore, Staff is not being biased by picking up only rate case
19 expenses that have been settled, instead Staff believes that a three case average is an
20 accurate normalization.

⁸ Response to Staff Data Request 0705 and 0715.

⁹ Stephen J. Hipkiss Rebuttal Testimony, page 28, lines 13-21.

1 Q. Can you explain why a six case average as proposed by Ameren Missouri should
2 not be included as the rate case expense normalization?

3 A. Yes. Similar to Staff witness Jared Giacone from ER-2022-0337, Staff believes
4 that reaching back six cases and 13 years does not signify the recent trend. Staff does
5 acknowledge that the 2012 and 2014 cases were heavily litigated and that is the incentive for
6 Ameren Missouri to reach back six cases. However, looking at the recent cases, Staff does not
7 agree that this is the trend and should not be normalized over a six case average.

8 Q. Are there any major rate case expenses that are not being picked up in Staff's
9 three case average compared to Ameren Missouri's six case average?

10 A. Yes. Case No. ER-2012-0166 was fully litigated in front of the Commission
11 with no stipulation. Generally, rate case expense is higher in fully litigated rate cases. Case
12 No. ER-2014-0258 was partially litigated, but is the most expensive case by over one million
13 dollars. During this case, depreciation was litigated that created separate minor accounts within
14 Ameren Missouri's ledgers. This is not a regular issue and therefore should be treated as
15 an outlier.

16 Q. On page 30, lines 17-22, of his rebuttal testimony, Mr. Hipkiss states that a
17 three-case average is not appropriate to use for setting rate case expense in this case. Why does
18 Staff disagree with Ameren Missouri's proposed six rate case average for setting the level of
19 expense in this case?¹⁰

20 A. As stated above, Staff disagrees that a six-case average should be considered.
21 Instead, Staff recommends a three-case average as it would more accurately portray the most

¹⁰ Stephen J. Hipkiss Rebuttal Testimony, page 30, line 9.

1 recent cases since 2019. Staff agrees with the two-year normalization proposed by Ameren
2 Missouri, as they have filed rate cases nearly every 18 months.

3 Q. Can you explain why Staff's 50/50 sharing mechanism is appropriate for
4 this case?¹¹

5 A. Yes. Although the 50/50 sharing is not a general Staff policy, it has been
6 adopted and utilized across multiple utilities that the Commission regulates. As Staff explained
7 in its direct testimony, there are several reasons that Staff is recommending the 50/50 sharing.¹²

8 They are as follows:

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

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

16 3) Ratepayers will continue to pay for the majority of the rate case expenses
17 regardless of any sharing mechanism when including the internal labor costs that are
18 not included in the sharing mechanism, therefore it is fair and equitable to allocate a
19 portion of the rate case expenses to the shareholders.

20 4) It is highly probable that some recommendations advocated by the utility
21 through the rate case process will ultimately be determined to not be in the public

¹¹ Stephen J. Hipkiss Rebuttal Testimony, page 31, lines 1-6.

¹² Benjamin H. Burton Direct Testimony, page 5, lines 14-23 and page 6, lines 1-5.

1 interest by the Commission such as the use of outside technical experts seeking a
2 higher return on equity (“ROE”), and experts regarding the High Prairie Wind
3 Farm revenues.

4 Q. On page 31, line 5-6, Mr. Hipkiss states that there is no basis to justify
5 Commission adoption of the 50/50 sharing recommendation. Does Staff agree there is no
6 basis in order to justify this recommendation?

7 A. Staff does not agree with this statement. Similar to the answer above, Staff
8 believes there is basis to justify the 50/50 sharing as shareholders also benefit from the rate
9 case. There have also been multiple cases that support Staff’s position including Case Nos.
10 ER-2014-0370, Case Nos. GR-2017-0215, and GR-2017-0216. The Missouri Supreme
11 Court recently upheld the Commission’s decision from the Spire Missouri case
12 (GR-2017-0215 and GR-2017-0216).¹³

13 **PROPERTY TAX TRACKER**

14 Q. On page 32, lines 12-19, of Stephen J. Hipkiss’ rebuttal testimony, he states that
15 Staff incorrectly applied the property tax tracker base amount from Ameren Missouri’s prior
16 rate case to the time period prior to when the effective date of rates from Ameren Missouri’s
17 last rate case went into effect. Does Staff agree that this is an error in the calculation?

18 A. Yes. Staff agrees that the base amount should pick up the tracked amounts in
19 the period between the end of the true-up period from the previous case in January 2024 and
20 through the previous effective date of rates in June 2024. Staff has reflected this in the updated
21 work paper.

¹³ Spire Missouri, Inc. v Pub. Serv. Comm’n, 618 S.W.3rd 225, 233 (Mo. Banc 2021).

1 **TRUE-UP DIRECT**

2 Q. What is the time period Staff's audit covered in direct, and how does that change
3 for true-up?

4 A. The time period for Staff's direct filing covered the test year (April 1, 2023
5 through March 31, 2024) and then an update period through June 30, 2024. During the true-up
6 audit, Staff covered information and material through December 31, 2024.

7 **Property Tax Expense**

8 Q. Has Staff updated its position on property tax expense?

9 A. Yes. Staff has updated its position to include the actual amount of 2024 property
10 taxes that Ameren Missouri paid. Staff also updated its amounts on future use taxes and Rush
11 Island Energy Center taxes to subtract from the 2024 actuals.

12 **Property Tax Tracker**

13 Q. Has Staff updated its position on the property tax tracker?

14 A. Yes. Staff has included the new property tax tracker base for the ongoing tracker
15 to be set at the actual property tax expense of \$175,814,238 for 2024.

16 **Plant in Service and Depreciation Reserve**

17 Q. Did Staff update its position on plant in service and depreciation reserve?

18 A. Yes. Staff updated the amount of plant in service and depreciation reserve
19 through December 31, 2024.

20 Q. Does Staff have any recommendations for Ameren Missouri regarding plant in
21 service and depreciation reserve?

1 A. Staff recommends that Ameren Missouri update the new general ledger to match
2 the minor accounts related to solar with the minor accounts used in the Company’s work paper
3 under “Other Production Plant”.

4 **Materials and Supplies**

5 Q. Has Staff updated its position on materials and supplies inventory?

6 A. Yes. Staff updated its position to include a 13-month average from Ameren
7 Missouri monthly reports A9, A11, and the general ledger through December 31, 2024.¹⁴

8 Q. Does Staff have any recommendations for Ameren Missouri regarding materials
9 and supplies?

10 A. Yes. As stated in my direct testimony on page 10, Staff recommends that records
11 be kept on the items sold from the Rush Island Energy Center sourcing event that is expected
12 to happen during the first quarter of 2025. Staff further recommends that the revenue from item
13 sales offsets ongoing materials and supplies since rate payers have paid for the items initially.¹⁵

14 **Prepayments**

15 Q. Has Staff updated prepayments to include changes that occurred during
16 the true-up?

17 A. Yes. Staff has included amounts using a 13-month average through
18 December 31, 2024.

19 Q. Was any new information presented during this time period?

¹⁴ Response to Staff Data Request 0025.

¹⁵ Benjamin H. Burton Direct Testimony, page 10, lines 24-26.

1 A. Yes. Ameren Missouri included prepayments for the inventory of large circuit
2 breakers and leases for solar land payments. Staff recommends to include each of these pending
3 reviews of the lease contracts.

4 Q. Can you explain why Staff recommends to include prepayments for inventory
5 and leases?

6 A. Staff recognizes that once the prepaid inventory is delivered to Ameren, it will
7 be placed in materials and supplies. From there, the inventory will be added into plant when
8 deemed in-service. Therefore, the whole life of the prepaid inventory will be included in rate
9 base. Staff recommends that the lease prepayments be included as this prepayment is required
10 in order to use the land for solar facilities.

11 **Customer Deposits**

12 Q. Has Staff updated its position on customer deposits?

13 A. Yes. Staff updated its position to include the most current level of customer
14 deposits using a 13-month average ending December 31, 2024.

15 **Customer Advances**

16 Q. Did Staff update its position for customer advances?

17 A. Yes. Staff updated its position to include the most current level of customer
18 advances using a 13-month average ending December 31, 2024.

19 **Emission Allowances and Renewable Energy Credits (“RECs”)**

20 Q. Has Staff updated its position for Ameren Missouri’s Emission Allowances and
21 Renewable Energy Credits?

1 A. Yes. Staff has updated its position to include the most current levels of Emission
2 Allowances and RECs using a 13-month average ending December 31, 2024.

3 **Capitalized Operations & Maintenance (“O&M”) Depreciation**

4 Q. Has Staff updated its position for capitalized O&M depreciation?

5 A. Yes. Staff updated its position for capitalized O&M depreciation. By removing
6 the updated portion of the depreciation expense for the accounts that have been capitalized.

7 **Fuel Inventories**

8 Q. Did Staff update its position on fuel inventories?

9 A. Yes. Staff included fuel inventories through December 31, 2024, for nuclear
10 fuel, coal, natural gas, and oil. Staff maintains its position of using a 13-month average ending
11 December 31, 2024.

12 **AMR and AMI Meter Adjustment**

13 Q. Has Staff updated its position on Ameren Missouri’s automated meter reading
14 (“AMR”) and advanced metering infrastructure (“AMI”) meter adjustments?

15 A. Yes. Staff has updated its position to include actuals from calendar year 2024
16 for each AMR reading costs, AMI reading costs, and AMI network monitoring costs.

17 **Radioactive Waste Disposal Expense**

18 Q. Has Staff updated its position on radioactive waste disposal expense?

19 A. Yes. Staff has updated its position to include data through December 31, 2024.
20 Staff maintains its position to use a 3-year average to normalize radioactive waste
21 disposal expense.

1 **Nuclear Regulatory Commission Fees**

2 Q. Did Staff update its position on Nuclear Regulatory Commission Fees?

3 A. Yes. Staff updated its position by using the 2024 annual filing, the most recent
4 four quarters for annual dues, and four most recent quarters for normalizing the amount of
5 inspection hours. Staff also updated the hourly rate in which the inspections cost.

6 Q. Were there any new costs during the true-up period?

7 A. Yes. During the true-up period there were quarterly fees for decommissioning.
8 Staff recommends using the four most recent quarters to normalize this cost.

9 Q. Does this conclude your surrebuttal/true-up direct testimony?

10 A. Yes it does.

