Exhibit No.:	
Issue(s):	*NL Distribution Maintenance, FERC ROE Fees, Sioux Scrubber Construction Accounting, Callaway Decommissioning, Equity Issuance, Capacity, Make Whole Payments, Disposition Deduction, True-Up*
Witness:	*Lisa M. Ferguson*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal / True-Up Direct Testimony*
Case No.:	*ER-2024-0319*
Date Testimony Prepared:	*February 14, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

LISA M. FERGUSON

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. ER-2024-0319

Jefferson City, Missouri
February 2025

** Denotes Confidential Information **

TABLE OF CONTENTS OF

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY OF

LISA M. FERGUSON

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. ER-2024-0319

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

LISA M. FERGUSON

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. ER-2024-0319

Q. Please state your name and business address.

A. Lisa M. Ferguson, 111 N. 7th Street, Suite 105, St. Louis, Missouri 63101.

Q. By whom are you employed?

A. I am employed by the Missouri Public Service Commission ("Commission") as a member of the Auditing Staff ("Staff").

Q Are you the same Lisa M. Ferguson who filed Direct Testimony on December 3, 2024, as well as filed Rebuttal Testimony on January 17, 2025, in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal/true-up direct testimony in this proceeding?

A. My surrebuttal testimony will address the rebuttal testimony of the following Ameren Missouri Witnesses: Stephen J. Hipkiss regarding Non-Labor Distribution Maintenance, FERC ROE Legal and Consultant Costs, Sioux Scrubber Construction Accounting, and Callaway Decommissioning Costs; Mitchell Lansford regarding Equity Issuance Costs; Andrew Meyer regarding Capacity Revenue and Expense; and Mark J. Peters regarding Normalized Make Whole Payment ("MWP") margins to be included in the net base energy costs ("NBEC"). My surrebuttal testimony will also address

OPC witness John S. Riley regarding his proposal to include a disposition loss deduction within Staff's accounting schedules.

NON-LABOR DISTRIBUTION MAINTENANCE

Q. On page 19, lines 17-22 and page 20, lines 1-2, Ameren Missouri witness Stephen J. Hipkiss discusses that Staff's proposed adjustment to non-labor distribution maintenance double counts adjustments proposed by Staff witness Keith Majors regarding non-labor vegetation management and non-labor storm restoration costs. Is Mr. Hipkiss correct?

A. Yes, as mentioned in my rebuttal testimony on page 7 lines 3-18, Staff's proposed adjustment initially included a FERC distribution account with non-labor vegetation management and an account that included non-labor storm restoration costs. Staff isolated those amounts, removed them from the calculation and re-analyzed the historical data.

Q. Did Staff maintain that an adjustment would still be proposed after re-analyzing the data?

A. Yes. However, when Staff requested discovery regarding further description of the non-capital projects necessary for distribution maintenance outside of those needed for storm restoration and vegetation management, as well as the number of projects, and how costs were impacted by inflation, changing business conditions and supply shortages, as Mr. Hipkiss alluded to in his rebuttal testimony; Staff was provided with a list of projects as well as the labor and non-labor related costs associated with them for the period of January 2019 through

December 31, 2024.[1] This data was different than that provided in the original discovery request for non-labor distribution maintenance costs with the vegetation management and storm restoration costs removed.[2] When reviewing this new data without the non-labor vegetation management and storm restoration costs, the test year is still quite high compared to amounts incurred during most of the five-year period reviewed. The costs actually begin to decline after the test year. There was only one other 12-month calendar period during the six years analyzed that recorded a cost level above the test year level in this case.

Q. On page 20, lines 11-13, Mr. Hipkiss states that removing the $8 million in test year storm restoration expenses would allow for an apples-to-apples comparison, and that test year non-labor distribution maintenance costs are consistent with budgeted future levels. Once the amounts were adjusted to remove the vegetation management and storm costs from the analysis, does it appear that the test year levels are consistent with budgeted future levels?

A. No, when considering the new data provided within the response to Staff data request 708 as a comparison to that budgeted within the response to Staff data request 197. The budget appears higher. As Staff understands it, the budgeted data within the response to Staff data request 197 did not include storm restoration costs and it appears high even with an estimated removal of vegetation management expenses.

Q. On page 20, lines 14 through 20 and page 21, lines 1-12, Mr. Hipkiss mentions that Staff failed to support a need for a normalization adjustment because of a general description I included in my direct testimony regarding when a normalization adjustment is

[1] Response to Staff Data Request 708.
[2] Response to Staff Data Request 197.

required. Is the use of a normalization adjustment only limited to when the test year contains an abnormal event?

A. No. When the test year contains an abnormal event, a normalization adjustment is required. However, there are certain costs, such as maintenance expense, that fluctuate over time due to many factors that may themselves not be abnormal. Perhaps from month to month and year to year, there are differing levels of maintenance projects needed. There isn't necessarily anything abnormal in that, however, if the test year lands during a year that has the most maintenance projects than the surrounding historical years, it is appropriate to propose an adjustment to smooth out the costs associated with those projects. This is also why Staff reviewed historical data and also reviewed the budgeted/forecasted data for reasonableness and to determine if a higher level of costs is anticipated to occur moving forward. If, as Mr. Hipkiss states, inflation was a cause, Staff would expect actual costs to increase and continue to increase, all else being equal. However, the new data does not seem to align with the budgeted data.

FERC ROE LEGAL AND CONSULTING FEES

Q. What costs are associated with the FERC ROE legal and consulting fees?

A. For many years, Ameren Missouri has participated in multiple FERC dockets as part of a transmission owner's ("TO") group in MISO. They have utilized the legal services of Wright and Talisman and a consultant that prepared analysis for the return on equity. Utilizing the legal and consulting services as a group, reduced costs for all of the members of the group.

Q. On page 27, lines 20-23, Ameren Missouri witness Hipkiss discusses that retail customers have benefited from the higher ROE paid by transmission customers because revenues associated with those higher ROEs have resulted in a direct offset to the retail revenue requirement. Have customers benefitted through this way?

A. Customers have benefitted through the transmission revenue that has offset transmission expense.

Q. Mr. Hipkiss also states on page 28, lines 1-3, that the transmission ROE directly impacts the retail customer rates and has provided offsets that lower the revenue requirement from what it otherwise would have been. Does Staff agree with this statement?

A. While Mr. Hipkiss is right that transmission revenue would lower the overall transmission revenue requirement as compared to without it, the FERC ROE also is a component of MISO transmission expenses. This is not a one-sided benefit to customers as it is portrayed to be. Looking at transmission revenue and expense in isolation, one would need to perform the calculations to determine if the benefit of the higher ROE actually outweighed the higher ROE within the transmission expense calculations.

SIOUX SCRUBBER CONSTRUCTION ACCOUNTING

Q. On page 33 of his rebuttal testimony, Ameren Missouri witness Hipkiss discusses that Staff calculated the amortization associated with the recovery of the Sioux scrubber costs utilizing a balance as of the June 1, 2025, operation of law date in this case and that this treatment is inconsistent with Staff's treatment of other amortizations in this case. Is that true?

A. Yes. Staff inadvertently picked up the balance as of the operation of law date rather than the balance at June 30, 2024, for its direct case. However, as this is a true-up item, Staff intends to include the amortization expense related to the balance as of December 31, 2024, as part of its true-up audit.

Q. Mr. Hipkiss also states that this position was inconsistent with the amortization approach agreed to by Staff and the Company in Ameren Missouri's last rate case, ER-2022-0337. Does Staff intend to calculate the amortization amount based on the balance at true-up rather than the operation of law for this item and other amortizations, as part of its true-up audit?

A. Yes, for many years Staff proposed to include balances and/or annual amounts for amortization expense based upon the operation of law date as that is the date when a rate change becomes effective, but also because amortizations that already exist continue to amortize through that date before any possible change to the amortization period could go into effect. However, this becomes difficult to maintain if the operation of law date changes due to settlement. It has been administratively cleaner and straightforward to stop the balance and develop the amortization expense based upon the balance as of the true-up cutoff, especially with the number of amortizations that Ameren Missouri currently has.

CALLAWAY DECOMMISSIONING COSTS

Q. On page 36, lines 17-21, of his rebuttal testimony Ameren Missouri witness Hipkiss discusses that the Commission rules require the Company to file updated decommissioning cost studies every three years and that until a decision has been made in Case No. EO-2023-0448, that the proper amount to include in rates is the $6,758,605 as dictated in the Stipulation & Agreement from Ameren Missouri's last decommissioning study. What is the status of Case No. EO-2023-0448?

A. The parties to this case filed a non-unanimous stipulation & agreement for Commission consideration regarding the ongoing level of decommissioning costs on February 7, 2025. The agreement states that Ameren Missouri's retail jurisdictional authorized annual decommissioning expense accrual and trust fund payment will be adjusted to zero in the Company's compliance tariffs in File No. ER-2024-0319. If an order from the Commission is known before this current rate case concludes, the new stipulated amount ordered from that case should be included in base rates in this case as it is known and measurable.

EQUITY ISSUANCE COSTS

Q. On page 30, lines 16-22 and page 31, lines 1-2, of his rebuttal testimony, Mitchell Lansford discusses that Staff recommends amortization of the equity issuance costs based on a 30-year amortization as set out in the *Unanimous Stipulation and Agreement* approved by the Commission on December 22, 2021, as part of case no. ER-2021-0240. He states that the Company would be forced to finance these costs over 30 years without recovery of carrying costs on this balance if Staff continues to reflect the Stipulated amount from that case in this proceeding. Would the company be "forced" to finance these costs?

A. No, as they initially agreed to not include it in rate base as part of the Stipulation & Agreement in ER-2021-0240. Ameren Missouri agreed to the 30-year amortization period as part of the Stipulation & Agreement within that prior rate case with no rate base treatment. Stipulations & Agreements consist of give and take on the part of all parties and Ameren Missouri agreed to the Stipulation & Agreement without specifically delineating that this balance receive rate base treatment.

Q. Does the Stipulation & Agreement in that case prohibit Ameren Missouri from requesting rate base treatment of the regulatory asset balance in cases subsequent to ER-2021-0240?

A. No, as the Stipulation was silent regarding rate base treatment of this item. However, Ameren Missouri is now proposing and had previously proposed in ER-2022-0337 to come to Staff's initial position from ER-2021-0240. It appears somewhat disingenuous when Mr. Lansford discusses that in ER-2022-0337, Ameren Missouri fully conceded to Staff's recommendation from Case No. ER-2021-0240 to avoid wasting additional time and resources in front of the Commission on this issue. Ameren Missouri very well could have accepted Staff's position in ER-2021-0240 without the need for time and resources in its subsequent two rate cases and without the need to place Staff in a position where the alternative is an unnecessary increase in rates for customers, due to a decision that was made by Ameren Missouri when agreeing to that Stipulation.

Q. Will Staff reflect the equity issuance amortization over a five-year period in the cost of service with no rate base treatment?

A. Yes, as it was Staff's initial position in ER-2021-0240, and so as not to unnecessarily increase rates for carrying costs that would apply if given rate base treatment.

CAPACITY REVENUE AND EXPENSE

Q. On page 3, lines 9-12, of his rebuttal testimony, Ameren Missouri witness Andrew Meyer states that company's position in this case is to propose an amount of capacity revenue and expense based upon a two-season planning resource auction ("PRA") and that the reasoning of this inclusion was so as not to skew future results by relying on clearing prices that are not typical. Has Ameren Missouri experienced a PRA in the past, where the zone in which Ameren Missouri's service territory resides did not meet the Local Clearing Requirement ("LCR"), therefore resulting in the Auction Clearing Price for the zone being set to cost of new entry ("CONE")?

A. Yes, as recent as PY 2022-2023. While Staff agrees that there are a lot of factors that go into the PRA and due to this has proposed multi-year averages of this very revenue and expense in the past, in the last three PRA's, Ameren Missouri has been subject to CONE two out of the three years; prior to the new seasonal pricing construct and after it was established in 2023.

<u>NORMALIZED MAKE WHOLE PAYMENT MARGINS</u>

Q. Please explain what a make whole payment ("MWP") is.

A. In the context of a regional transmission organization ("RTO") electricity market, such as MISO, a make whole payment is compensation that is paid to a power generator when they are required to provide reserve capacity, which ensures that the generator is "made whole" for the potential loss of revenue from selling their power in the market and providing this additional reserve service. Stated another way, this is compensation for generators for the opportunity cost of holding reserve capacity that might otherwise have been used to sell electricity at a higher price in the market. In MISO, there is a real time revenue sufficiency guarantee ("RSG") MWP and there is a Day-Ahead ("DA") MWP. These payments essentially net to a margin of zero for Ameren Missouri for all generator types except combustion turbine generators ("CTG"). As discussed by Ameren Missouri witness Mark J. Peters on page 2, lines 17-18 and page 3 lines 1-7, of his rebuttal testimony, the CTGs are offered into the market with an adder to their cost, meaning that the MWPs for these generators would be more than the cost paid through the MWP, netting an amount of revenue due to that adder.

Q. Mr. Peters also discusses on page 3, lines 16-19, of his rebuttal testimony, that Ameren Missouri is proposing to implement two changes in methodology for how MWP margins are calculated and reflected in the cost of service. Does Staff agree with the methodology changes proposed?

A. Yes. After meeting with Ameren Missouri personnel, Staff discussed internally the proposals of including non-fuel operations and maintenance costs in the calculation of make whole payments as well as calculating the margin for all MWPs received by the combustion turbine units rather than just the RSG make whole payments, and we agree to utilize these proposals within Staff's true-up calculations.

DISPOSITION LOSS DEDUCTION

Q. On page 4, lines 5-11, of his rebuttal testimony, OPC witness Riley discusses his understanding that when an asset is prematurely retired/abandoned that the depreciation stops, and a loss is recognized on the tax return but does not get recognized for ratemaking purposes if a separate adjustment is not included in the income tax calculation of the cost of service. Does the depreciation stop, and does the early retirement benefit the utility but not the customers?

A. No. Staff has met and discussed this issue with personnel at multiple Missouri utilities, to (1) understand the accounting and impact of early retirements and its impacts on current and deferred income taxes as well as accumulated deferred income taxes ("ADIT"), (2) ensure consistent treatment among the utilities, and (3) to determine if the Missouri utilities appear to follow IRS guidance on this issue.

When an asset used for utility operations is put into service, the asset is recorded to plant and as the asset depreciates and the depreciation accumulates into accumulated depreciation reserve. The straight-line book depreciation is recorded ratably over the life of the asset and is compared to the accelerated depreciation that is taken for income tax purposes. The tax impact of that difference is included in ADIT as a deferred tax liability. If an asset retires early, the original cost of the asset is removed from both plant in service and accumulated reserve.

However, because utilities treat assets on a group unit basis within the FERC accounts, the book depreciation expense continues until the end of the asset's life, but the accelerated income tax ends at the date of retirement. The difference in book depreciation and tax depreciation gets larger, creating an increase in ADIT at the date of the early retirement. This increase in ADIT (larger reduction to rate base) is how the early disposition of assets benefits customers while the tax deduction itself for any loss or gain from sale, benefits the utility. The ADIT remains in rate base. Due to the customer benefit occurring in ADIT within rate base, there is no need to add a line item for a deduction within the income tax schedule. In fact, that would treat the deduction as a flow through item, requiring ADIT associated with the deduction to then be removed from rate base. Ameren Missouri witness Mitchell Lansford discusses in his testimony how this is possible but with complications and possible costs that would be unnecessary since the benefit is captured within the cost of service.

Q. Are the amounts that Mr. Riley mentions on page five of his rebuttal testimony on lines 23-24, tax amounts?

A. No. He is utilizing an average of the loss amount (net book value of asset exceeds the sales price) on the assets for tax returns 2020-2023 and then applying the effective tax rate. This does not consider the increased ADIT that remains in rate base for the early retirement, as he is assuming it has been removed with the early retirement, however it is not removed.

TRUE-UP DIRECT

Q. What are the results of Staff's true-up audit of electric operations?

A. After performing its true-up audit, Staff's revenue requirement for Ameren Missouri's electric operations is $383,839,359.

Facility Sales

Q. Did Ameren Missouri sell any facilities during the test year and update period of this case?

A. No, however ** [redacted]. ** Due to this, Staff has proposed removal of the operations & maintenance expense that had occurred during the test year related to this facility as these costs will no longer be incurred moving forward. The plant and reserve were retired and no longer in rate base as of the December 31, 2024, true-up cutoff date.

Income Tax and IRA Tracker

Q. Has Staff updated its current and deferred income tax calculations based upon the latest add back, deduction and tax credit values known at December 31, 2024?

A. Yes. Staff has updated its current and deferred income tax calculations. As Staff understands it, Ameren Missouri has monetized production tax credits from its solar and nuclear facilities. Staff will, after review of the calculations, reflect those credits that have been included within the IRA tracker as part of true-up rebuttal.

Inadvertent Normalization Violation

Q. Does Staff now know the value of the deferred net operating loss ("NOL") ADIT value associated with Ameren affiliate's use of Ameren Missouri's NOL in accordance with the Tax Allocation Agreement?

A. Yes. Staff has included an NOL deferral of $15,147,659 as an offset to Ameren Missouri's ADIT balance as of December 31, 2024.

Accumulated Deferred Income Tax

Q. How has Staff updated its position regarding ADIT?

A. Staff has included accumulated deferred income tax balances as of December 31, 2024, which includes removals of ADIT associated with Rush Island and the three collapsed turbines located at the High Prairie wind facility, as discussed in the surrebuttal/true-up direct testimony of Staff witness Claire M. Eubanks, PE. Also, included within this balance is the NOL deferral discussed above.

Excess Income Tax Trackers

Q. Has Staff updated its position for the excess income tax tracker?

A. Yes. Staff has included the most current amortization regarding the excess income tax tracker as of the December 31, 2024.

Amortizations

Q. Has Staff updated its position for the various amortizations, including the expired and expiring amortizations?

A. Yes. Staff has included the most current amortization for each of Ameren Missouri's amortizations as of December 31, 2024, including those in rate base that are eligible for that ratemaking treatment.

Kersting Estates

Q. Has Staff updated its position for the rebates related to Kersting Estates?

A. Yes. Staff has included amortization expense related to the rebates provided by Ameren Missouri through December 31, 2024, amortized over two years.

Fuel Additives

Q. How did Staff true-up fuel additives?

A. Staff compiled the actual gross generation per fossil fuel energy center by year for the period of 2015 – 2024 and also compiled the actual consumption of each fuel additive by energy center in pounds and dollars for the same time period. Staff developed the cost of each additive on a kWh basis by dividing the consumption in dollars of the fuel additive by the actual generation during the same period. Staff developed a cost per kWh for each year for each energy center. Staff applied a three-year average of the cost per kWh for limestone use at Sioux and applied the 12 months ended December 31, 2024, cost per kWh for activated carbon and potassium iodide to the normalized generation output from Staff's production cost model for both the Sioux and Labadie coal generating centers.

Fuel Expense, Purchased Power, & Energy Sales

Q. How did Staff true-up fuel expense?

A. Staff witness Shawn Lange utilized updated values in its production cost modeling to produce normalized fuel expense, purchased power, and energy sales outputs. Staff has included fuel expense, purchased power and energy sales in the cost of service reflecting coal and coal transportation prices from the most current contracts through January 1, 2025, nuclear pricing as of December 31, 2024, and variable gas and oil based on a three-year average utilizing calendar years 2021, 2023, and 2024. Staff did adjust the variable gas and oil in February 2021 for the impacts of Winter Storm Uri, using a two-year average of years 2023 and 2024 as a substitute for February 2021.

MISO Day 2 Revenue and Expense

Q. Please describe all updates made to MISO revenue and expense for true-up purposes.

A. Staff has reviewed all true-up data provided by Ameren Missouri and has reflected MISO Day 2 revenue related to the Revenue Sufficiency Guarantee ("RSG"), Day Ahead RSG, and net regulation and price volatility revenues as discussed earlier in this testimony. Staff is utilizing the difference between the as offered production cost into MISO for starting Ameren Missouri's combustion turbine generators ("CTGs") less the actual cost of the production during those same hours during the most recent 12-months ending December 31, 2024. In addition, Staff has annualized expense levels for Day 2 Market items based on data provided for the 12-months ending December 31, 2024.

Ancillary Revenue and Expense

Q. Please describe all updates made to ancillary revenue and expense for true-up purposes.

A. Staff has reviewed all true-up data provided by Ameren Missouri and has reflected ancillary revenue and expense utilizing either a three-year average or the 12-months ending December 31, 2024, depending upon the historical data for each schedule.

Capacity Revenue and Expense

Q. How did Staff update capacity revenue and expense as part of their true up review?

A. The capacity expense for the entirety of the 2024-2025 planning year which ended May 31, 2024, is fixed as a result of the MISO auction. Staff continues to utilize the latest planning year, rather than a multi-year average, based on the discussion earlier in this testimony. Staff has also now adjusted the capacity revenue for inclusion of the Huck Finn, Boomtown and Cass County solar facilities as they have now met in-service criteria.

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

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 LISA M. FERGUSON

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

COMES NOW LISA M. FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Lisa M. Ferguson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Lisa M. Ferguson

LISA M. FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 11th day of February 2025.

Antoinette C. Lang

Notary Public

ANTOINETTE C. LANG
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: April 04, 2028
Commission Number: 16787761