

Exhibit No.:

Issue(s): *Test Year Revenue Removal,
Annualized Revenue,
Miscellaneous Revenue,
Gross Receipt Tax Expense,
Uncollectibles, Insurance
Expense, PGA Test Year Gas
Cost Removal, Misbooked Test
Year Costs of Electric/Gas*

Witness: *Benjamin H. Burton*

Sponsoring Party: *MoPSC Staff*

Type of Exhibit: *Direct Testimony*

Case No.: *GR-2024-0369*

Date Testimony Prepared: *February 28, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

BENJAMIN H. BURTON

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

CASE NO. GR-2024-0369

*Jefferson City, Missouri
February 2025*

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UNION ELECTRIC COMPANY,
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1 **DIRECT TESTIMONY**

2 **OF**

3 **BENJAMIN H. BURTON**

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

6 **CASE NO. GR-2024-0369**

7 Q. Please state your name and business address.

8 A. My name is Benjamin H. Burton, and my business address is 111 North 7th Street,
9 Suite 105, St. Louis, MO 63101.

10 Q. By whom are you employed and in what capacity?

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as
12 a Utility Regulatory Auditor.

13 Q. Have you previously filed testimony before this Commission?

14 A. Yes. A list of cases and issues that I have addressed in written testimony are
15 attached to this testimony as Schedule BHB-d1.

16 Q. Please describe your educational background.

17 A. I graduated from Lindenwood University with a Bachelor of Science in Finance.
18 I am currently enrolled in Lindenwood University’s Master’s program pursuing my Masters in
19 Business Administration with an emphasis in Accounting.

20 Q. What is the purpose of your direct testimony?

21 A. The purpose of this testimony is to provide a detailed explanation for Staff’s
22 recommendations regarding removal of certain test year gas revenue, annualization of revenue
23 regarding customer growth, miscellaneous revenue, and intercompany revenue. I will also

1 discuss recommendations regarding gross receipts tax (“GRT”) expense, uncollectibles,
2 insurance expense, misbooked electric/gas costs in test year, and intercompany expense.

3 **TEST YEAR GAS REVENUE REMOVAL**

4 Q. Why does Staff recommend adjustments to remove test year revenues?

5 A. Staff removed certain test year revenue items as those items are either included in
6 a single-issue ratemaking mechanism outside of base rates or they are not included in order to
7 annualize the amount of revenue generated by Ameren Missouri as they are pass-through items.

8 Q. How do revenues effect the cost of service calculation?

9 A. Revenues are essentially the recovery of the cost of service. When a utility
10 requests a rate review and the revenue requirement is positive, this typically signals that the
11 current revenues may not be sufficient to recover the cost of service, and a rate change may be
12 necessary to adjust revenue levels. Within the cost of service calculation, if annualized revenues
13 are increased (lowering the overall cost of service holding all other cost of service components
14 constant), this reduces the revenue requirement, and conversely, if annualized revenues are
15 decreased (increasing the overall cost of service holding all other cost of service components
16 constant), this increases the revenue requirement.

17 Q. Does Staff and Ameren Missouri agree on what revenue items must have a
18 test year removal adjustment?

19 A. Yes, Staff agrees with Ameren Missouri that the test year unbilled revenue,
20 purchased gas adjustment (“PGA”) revenue, GRT revenue, delivery charge adjustment (“DCA”)
21 revenue, and revenue associated with the weather normalization adjustment rider (“WNAR”) be
22 removed from the cost of service.

1 Q. Please provide an explanation for each of the test year revenue removals.

2 A. Unbilled revenues represent the sale and distribution of gas to the customer that
3 have occurred, but have not yet been billed to the customer. PGA revenue is collected from
4 customers through the Purchased Gas Adjustment/Actual Cost Adjustment (“PGA/ACA”) rider
5 and is designed to recover the cost of natural gas. For base rates, it should be removed as those
6 revenues directly associated with the sale of gas only are contemplated within the PGA/ACA.

7 GRT is assessed on a company’s gross sales. These taxes are included in customers’
8 bills and then remitted by Ameren Missouri to the taxing authorities. This GRT revenue is not
9 retained by Ameren Missouri and is considered a pass-through item going from customers to
10 the taxing authority.

11 The DCA was a rider mechanism that was terminated as of October 31, 2022, but was
12 replaced by the WNAR. The WNAR is a mechanism that adjusts a customer’s bill due to
13 variations from normal weather and temperature. This revenue is associated with a rider outside
14 of base rates and should be removed from test year.

15 Q. Does Staff recommend removing any other test year items related to revenue?

16 A. Yes. Staff recommends removing the test year provision for rate refunds
17 related to the PGA/ACA. Ameren Missouri records any over or under-collection of PGA
18 revenues since its previous Actual Cost Adjustment (“ACA”) filing in Federal Energy
19 Regulatory Commission (“FERC”) account 496, provision for rate refunds. Since this over or
20 under-collection of revenue will be addressed in the next ACA filing, Staff recommends that it
21 be removed from test year.

1 **ANNUALIZED RETAIL REVENUE**

2 Q. Please explain how annualized revenue is calculated.

3 A. There are two types of tariffed revenue for each rate class, the customer
4 charge and commodity charge. The customer charge is the static monthly rate charged by
5 Ameren Missouri to each customer regardless of usage. Each customer class has a unique
6 customer charge. Commodity revenue reflects the revenues collected by Ameren Missouri based
7 on a customer's monthly consumption of natural gas. This commodity rate also varies by
8 customer class.

9 In order to determine annualized revenue, the monthly customer charge is multiplied by
10 the monthly customer count to account for a customer charge occurring every twelve months of
11 the year. Then Staff's industry analysis department will determine and provide a normalized
12 usage per customer by each month of the year that will also be multiplied by the customer count
13 for each of those months of the year. The sum of these two calculations is annualized revenue.

14 Q. How did Staff determine an annualized customer count for which to apply the
15 base charge and commodity charge?

16 A. Staff analyzed Ameren Missouri's customer count and performed a seasonality¹
17 analysis by natural gas pipeline, by customer class, over a 10-year historical period.
18 The data indicates that there is a consistent increase in customer count for each rate class and
19 therefore, Staff recommends utilizing the customer count by rate class for the 12 months ended
20 June 30, 2024, update period in this case, due to increasing customer growth.

¹ Seasonality is a characteristic of a time series in which data experiences regular and predictable changes that recur every calendar year. It refers to seasonal variations that occur regularly in specific business areas and periods based on a particular season. Annually, natural gas usage tends to decrease in the summer months but tends to increase during the winter months for the heating season.

1 Q. How does Staff calculate the recommended annualized level of revenue growth
2 based on the annualized customer count?

3 A. Staff used the annualized customer count along with the tariffed flat rates
4 and usage rates in a calculation that showed the annualized amount of revenue per pipeline per
5 rate class.

6 Q. Does Staff intend to true-up Ameren Missouri's annualized revenue?

7 A. Yes.

8 **GROSS RECEIPT TAX EXPENSE**

9 Q. Please explain GRT expense.

10 A. GRT expense is the opposite side of the transaction from GRT revenue as
11 discussed earlier in this testimony. GRT is a pass-through tax where the transaction consists of
12 Ameren Missouri collecting the tax and then remitting the tax to the taxing authorities. Therefore,
13 similar to GRT revenue, GRT expense should be removed from test year.

14 **UNCOLLECTIBLE EXPENSE**

15 Q. Please explain uncollectible expense.

16 A. Uncollectible expense is also known as "bad debt expense". It is the portion of
17 retail revenues that Ameren Missouri is unable to collect from customers due to non-payment of
18 bills. The final bill/write off timeline is governed by the Ameren Customer Information System
19 ("CIS") and then turned over to third party collection agencies for collection efforts. Once an
20 amount due from a customer is considered uncollectible, Ameren Missouri will write-off this
21 debt from its books and send the debt to the collection's agency for recovery. If Ameren Missouri
22 is able to recover some of the outstanding amount, Ameren Missouri will reinstate the debt on

1 their books and offset that debt with the recovered amount. This is considered a “net-write-off”.

2 Staff determines an appropriate level of net-write-offs to include in the cost of service.

3 Q. What amount of net-write-offs does Staff recommend to include into the cost
4 of service?

5 A. Staff recommends including net write-offs for the twelve months ending
6 June 30, 2024.

7 Q. Why did the net write-offs increase in 2023?

8 A. Ameren Missouri cited many factors that contribute to the amount of net
9 write-offs such as increased inflation, increased commodity prices, and increased consumer debt.

10 Locally, Ameren Missouri faced unexpected write-offs tied to the closing of rural healthcare
11 facilities².

12 Q. Does Staff intend to true-up Ameren Missouri’s uncollectible expense?

13 A. Yes.

14 **INSURANCE EXPENSE**

15 Q. Please explain insurance expense.

16 A. Ameren Missouri maintains several types of insurance for legal requirements and
17 asset protection such as Director & Officer (“D&O”), fiduciary, crime, cyber, and environmental-
18 Manufactured Gas Plant (“MGP”) insurance. Some of the insurance policies are directly
19 attributable to gas operations and some are utilized for both electric and gas operations. Staff has
20 reviewed the insurance policies to determine the most current policy amounts. Staff has also

² Response to Staff Data Request No. 0190.

1 determined the proper allocation of insurance expense for those policies that are shared between
2 electric and gas operations.

3 Q. Does Staff propose an adjustment for insurance expense?

4 A. Yes. Staff proposes an annualized amount of insurance expense to be included in
5 the cost of service based on the updated insurance policy premiums. Many of the policies are due
6 to increase, and therefore Staff includes the ongoing expense as it is known and measurable.

7 Q. Does Staff intend to true-up Ameren Missouri's insurance expense?

8 A. Yes. Staff will review the insurance policies and amounts through December 31,
9 2024 as part of its true-up audit.

10 **PGA GAS COST REMOVAL**

11 Q. Please explain the removal of test year natural gas expense.

12 A. Natural gas expenses are incurred to serve customers and are included as part of
13 the PGA/ACA. The PGA/ACA mechanism measures the volumes and costs of natural gas that
14 are consumed to serve customers as well as the revenue collected to pay for that natural gas.
15 Due to this, the revenue and expense for natural gas is removed from the test year as those items
16 will be reviewed as part of the rider mechanism. This leaves the remaining revenue, expense and
17 investment needed to provide e customers service for review in a base rate case. Similar to the
18 test year revenue associated with the rider, since the natural gas expense is reviewed in
19 PGA/ACA filings, the amounts are removed for cost of service purposes in a rate case.

20 **MISBOOKED EXPENSES IN TEST YEAR**

21 Q. Please explain how an allocation of gas costs that occurred during the test year
22 can be misrecorded on Ameren Missouri's books and records?

1 A. Ameren Missouri maintains both gas and electric operations, using one general
2 ledger for recording transactions for both gas and electric. The transactions are coded differently
3 within the ledger to separately record transactions for the two operations. In addition to charges
4 that are wholly charged to electric or gas operations, some costs relate to general business
5 transactions that are for the benefit of both electric and gas operations. These costs are recorded
6 mostly to the administrative and general accounts and those transactions are originally recorded
7 under the electric utility. A portion of those transactions are then allocated in mass to the books
8 and records of gas operations. There have been occurrences during the test year where electric
9 only charges were erroneously recorded to gas operations. Staff and Ameren Missouri have
10 proposed adjustments to remove these charges from the books of the gas utility.

11 Q. Please explain the costs that were mis-recorded and Ameren Missouri's proposed
12 resolution.

13 A. The mis-recorded costs such as building expenses and membership dues located
14 in FERC accounts 921, 923, and 930 were removed from the test year for gas operations and
15 added back to the test year for electric operations. This will increase electric expense, absent any
16 proposed adjustment in the electric rate case, and decrease test year costs allocated to gas. Staff
17 has also reviewed the reverse side of this transaction during Staff's audit in Ameren Missouri's
18 currently pending electric rate case, Case No. ER-2024-0319.

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

20 A. Yes. Staff reviewed the costs and agrees with Ameren Missouri's proposed
21 exclusion of the mis-recorded expenses in the cost of service for gas operations.

1 **INTERCOMPANY REVENUE & EXPENSE**

2 Q. Please explain Ameren Missouri's intercompany revenue & expense.

3 A. Under the guidance of its cost allocation manual ("CAM"), Ameren Missouri
4 transacts with other Ameren affiliate entities for certain goods and services. One of those items,
5 is the use of Ameren Missouri owned building space by Ameren affiliates to conduct business.
6 Ameren Missouri's intercompany revenue refers to the revenue generated by charging "rent" to
7 affiliates. This rent consists of test year costs related to land investment, structure improvements,
8 furniture & equipment, security, insurance, building power costs, and income taxes that are
9 allocated utilizing the most current CAM allocation factor. Ameren Missouri must then pay for
10 its portion of rent allocated from Ameren Services (intercompany expense).

11 Q. What is Staff's recommendation on the amount of intercompany revenue and
12 expense to allow into the cost of service calculation?

13 A. After reviewing Ameren Missouri's CAM and support for its work paper, Staff is
14 in agreeance with Ameren Missouri's adjustments.

15 Q. Does this conclude your direct testimony?

16 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

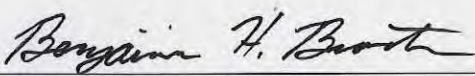
In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to Adjust)
Its Revenues for Natural Gas Service) Case No. GR-2024-0369

AFFIDAVIT OF BENJAMIN H. BURTON

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

COMES NOW BENJAMIN H. BURTON and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Benjamin H. Burton*; and that the same is true and correct according to his best knowledge and belief.

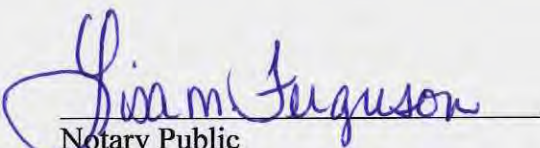
Further the Affiant sayeth not.


BENJAMIN H. BURTON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 26th day of February 2025.

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


Notary Public

Benjamin H. Burton

Present Position:

I am a Utility Regulatory Auditor, Auditing Department, Financial & Business Analysis Division of the Missouri Public Service Commission. As a Utility Regulatory Auditor, I assist in research and analysis of the financial aspects of public utility operations.

Educational Credentials and Work Experience:

I received a Bachelor of Science degree in Finance from Lindenwood University in May 2023, and currently enrolled in Lindenwood University's Masters of Business Administration (MBA) degree program working toward an MBA with an emphasis in Accounting. I have been employed by the Missouri Public Service Commission since June 2023.

Prior to my present position I worked part-time as an intern for the Commission's St. Louis Unit from March 2023 through June 2023. My duties during this time period primarily consisted of compiling large volumes of data into Microsoft Excel spreadsheets for review and analysis as part of a large formal water and sewer rate case. From June 2022 through August 2022 I also completed an internship as a data analytics consultant with New York Life Insurance Company while working in New York City, NY. My duties as an intern included creating Microsoft Excel documents that were presented to a New York Life management team on a daily, monthly and quarterly basis.

Past Rate Case Proceedings:

<u>Company Name</u>	<u>Case No.</u>	<u>Issue(s)</u>
Union Electric Company, dba Ameren Missouri	EA-2023-0286	General Ledger and Recordkeeping (Renewable Solutions Program and Boomtown Order)
Liberty Midstate's Gas	GR-2024-0106	Fuel Expense, Advertising, Payroll & Payroll Tax Expense, Severance, Dues and Donations, Lobbying Expense, Board of Directors Fees, and Legal Expense
Union Electric Company, dba Ameren Missouri	ER-2024-0319	Property Tax Expense, Property Tax Tracker, Rate Case Expense, PSC Assessment, Plant & Reserve, Materials & Supplies, Other Rate Base Items, Capitalized O&M Depreciation, Fuel Inventories, Advertising, Misbooked Allocation of Gas Costs, Meter Read Adjustment, Radioactive Waste Disposal Expense, NRC Fees