

Exhibit No.:
Issue(s): *Customer Advances,
Customer Deposits,
Materials & Supplies
Excluding Fuel,
Prepayments*
Witness: *Sydney Ferguson*
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

SYDNEY FERGUSON

**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,
d/b/a Ameren Missouri
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1 **DIRECT TESTIMONY**

2 **OF**

3 **SYDNEY FERGUSON**

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 Sydney Ferguson and my business address is 615 East 13th Street,
9 Kansas City, MO 64106.

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

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

13 Q. Please describe your education.

14 A. I earned a Bachelor’s of Arts in Business Administration with a focus in
15 Management from Truman State University in May 2023. I have been employed by the PSC
16 since June 2023.

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

18 A. Yes, a list of cases and issues that I have addressed is attached to this testimony
19 as Schedule SF-d1.

20 **EXECUTIVE SUMMARY**

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

Direct Testimony of
Sydney Ferguson

1 A. The purpose of my direct testimony is to discuss Staff’s position in this case
2 regarding: customer advances, customer deposits, interest on customer deposits, materials and
3 supplies excluding fuel inventory,¹ and prepayments.

4 **CUSTOMER DEPOSITS**

5 Q. What are customer deposits?

6 A. Customer deposits represent funds received from Ameren Missouri’s customers
7 as a security against potential loss arising from failure to pay for utility service received. Until
8 the deposit is refunded, customer deposits represent a source of funds available to
9 Ameren Missouri and are included as an offset to the rate base investment.

10 Q. Is Ameren Missouri required to return the deposits to customers after a period
11 of time?

12 A. Yes. “The credit of the residential customer will be established and the deposit
13 and accrued interest, if any, will be refunded, or the guarantor released, upon satisfactory
14 payment before the delinquency date of all undisputed charges for service for a period of twelve
15 successive months, or customer has closed his account.”²

16 Q. Is customer deposit interest included in Ameren Missouri’s cost of service?

17 A. Yes. Since Ameren Missouri is required to refund the deposits, including
18 interest,³ an appropriate level of interest expense should be included in the utility’s cost
19 of service.

20 Q. How is interest expense related to customer deposits determined?

¹ Fuel Inventory will be addressed by Staff witness Jared Giaccone.

² Ameren Missouri Rules and Regulations, Deposits Sheet 63.

³ Ameren Missouri Rules and Regulations, Deposits Sheet 63.1

1 A. Staff applied the prime interest rate published in the Wall Street Journal (8.50%
2 at November 30, 2023) plus 100 basis points, for a total of 9.50%, to its recommended customer
3 deposit balance per Ameren Missouri’s tariff.⁴

4 Q. Please explain Staff’s recommended level of customer deposits included in rate
5 base and the corresponding adjustment for interest expense.

6 A. The amounts Staff reflected for customer deposits on Accounting Schedule 2,
7 Rate Base, is the 13-month average at June 30, 2024, the update period for this case,
8 for Ameren Missouri gas operations. In addition to the 13-month average at June 30, 2024,
9 the interest rate discussed above was applied to this 13-month average balance to determine the
10 amount for interest on customer deposits that has been included as an adjustment to the income
11 statement, Staff’s Accounting Schedule 9.

12 **CUSTOMER ADVANCES**

13 Q. Please describe customer advances.

14 A. Customer advances are funds typically provided by construction developers to
15 Ameren Missouri in order to ensure that Ameren Missouri builds infrastructure in areas that
16 have potential for future development. These advances are also used by the utility to establish
17 service for potential future customers without investing a substantial amount of money at the
18 risk of the utility and its other customers. Unlike customer deposits, where Ameren Missouri
19 receives these payments from prospective customers to obtain access to utility service, customer
20 advances are provided to Ameren Missouri from certain customers that obligate
21 Ameren Missouri to provide future infrastructure and service for those affected customers.

⁴ Ameren Missouri Rules and Regulations, Deposits Sheet 63.1

1 The infrastructure constructed with these funds is not financed with debt or equity, and thus,
2 ratepayers should not be obligated to pay a return on these plant investments. Consequently,
3 customer advances are a reduction to Ameren Missouri's rate base.

4 Q. What is Staff's recommended treatment of customer advances?

5 A. Staff's recommended treatment of customer advances is to deduct from
6 Ameren Missouri's rate base a 13-month average of customer advances account balances
7 ending June 30, 2024. Staff's recommended level of customer advances are included as a
8 reduction to Ameren Missouri's rate base on Accounting Schedule 2.

9 **PREPAYMENTS**

10 Q. Please describe prepayments.

11 A. Prepayments are expenses that utilities, like Ameren Missouri, pay in advance
12 of the associated good or service being provided. Since there are investment costs incurred by
13 the utility when it prepays expenses, the company is allowed to earn a return on these amounts
14 through inclusion in rate base. For example, Ameren Missouri prepays for property insurance
15 to protect their assets in advance of their coverage period. Accordingly, the cost of that
16 insurance policy, that is paid prior to the insurance policy going into effect, is considered to be
17 a prepaid asset and included in a rate base to allow a return on the unused portion of the prepaid
18 asset. As the goods are consumed or the service period elapses, an amount is charged to an
19 expense account in the income statement.

20 Q. What is Staff's recommended treatment for prepayments?

21 A. Staff's recommended treatment of prepayments is to examine each prepayment
22 account individually in order to determine an appropriate measure that most accurately predicts
23 the ongoing future investment costs of a particular prepayment account, and then to include the

1 appropriate level of prepayments in Ameren Missouri's rate base. Staff examined all of
2 Ameren Missouri's prepayment account balances from March 2023 to June 2024 on a month
3 by month basis.

4 Staff included a 13-month average ending June 30, 2024, to include in rate base for all
5 prepayments required for Ameren Missouri to provide gas utility service to their customers.

6 Staff does not agree that all items proposed by Ameren Missouri are required to be prepaid and
7 thus removed membership dues from prepayments.

8 **MATERIALS AND SUPPLIES EXCLUDING FUEL INVENTORY**

9 Q. Please explain Ameren Missouri's materials and supplies.

10 A. Materials and supplies include the cost of materials that are purchased as
11 inventory for use in meeting the needs of utility operations on a day-to-day basis for
12 construction, operations, and maintenance, such as general hardware and other spare parts.

13 Q. How did Staff evaluate Ameren Missouri's materials and supplies?

14 A. Staff examined Ameren Missouri's monthly reports along with the detailed costs
15 within each Federal Energy Regulatory Commission ("FERC") account to determine if there
16 were any trends or outliers within the data. Staff recommends including a 13-month average
17 ending June 30, 2024, for the on-going investment into materials and supplies.

18 Q. Does this conclude your direct testimony?

19 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 SYDNEY FERGUSON

STATE OF MISSOURI)
)
COUNTY OF Jackson) ss.

COMES NOW SYDNEY FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Sydney Ferguson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

[Signature]

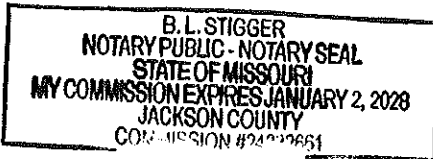
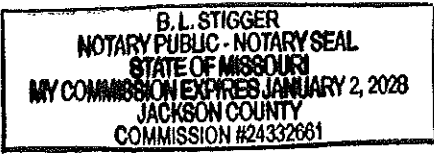
SYDNEY FERGUSON

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 25th day of February 2025.

[Signature]

Notary Public



Sydney Ferguson

Educational and Employment Background and Credentials

I am currently employed as a Utility Regulatory Auditor for the Missouri Public Service Commission (PSC). I earned a Bachelor's of Arts in Business Administration with a focus in Management from Truman State University in May 2023. I have been employed by the PSC since June 2023.

As a Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings for consideration by the Commission. I also review data related to assigned issues, develop adjustments, and issue positions that are supported by work papers and testimony. I am also responsible for preparing Staff Recommendations Memorandums.

Cases in which I have participated and the scope of my contributions are listed below:

Case/Tracking Number	Company Name-Type of Case: Issues
GO-2023-0432	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)
WA-2023-0450	Confluence Rivers Utility Operating Company Inc. Application for Certificate
SA-2023-0451	Confluence Rivers Utility Operating Company Inc. Application for Certificate
SM-2024-0130	Confluence Rivers Utility Operating Company Inc. Acquisition

Case/Tracking Number	Company Name-Type of Case: Issues
GO-2024-0214	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)
ER-2024-0189	Evergy Missouri West Customer advances, customer deposits, Economic Relief Pilot Program, lease expense, payroll and payroll taxes, payroll benefits, prepayments, and dues and donations.
GR-2025-0026	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)
GR-2024-0369	Ameren Missouri Gas Materials and Supplies excluding fuel inventory, prepayments, customer deposits, and customer advances.
ER-2024-0261	Empire Electric Advertising expense, credit card fees, lease expense, low income pilot program, and critical medical needs program.
GR-2025-0107	Spire Gas PSC assessment, non-labor distribution maintenance, rate case expense, and property taxes/Kansas property taxes.