

*Exhibit No.:*

*Issue(s): Dues & Donations, Board  
of Directors' Expenses,  
Property Tax Expense,  
Tracker and Appeals, Rate  
Case Expense, Plant &  
Reserve, Advertising,  
Capitalized O&M  
Depreciation*

*Witness: Blair Hardin*

*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 DIVISION**

**AUDITING DEPARTMENT**

**DIRECT TESTIMONY**

**OF**

**BLAIR HARDIN**

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

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

*Jefferson City, Missouri  
February 2025*

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**BLAIR HARDIN**

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

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

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1 **DIRECT TESTIMONY**

2 **OF**

3 **BLAIR HARDIN**

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. Blair Hardin, 111 North 7<sup>th</sup> Street, Suite 105, St. Louis, MO 63101.

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

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

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

13 A. Yes. Please see Schedule BH-d1 attached to this testimony.

14 Q. Please describe your educational background.

15 A. I graduated from Southeast Missouri State University with a Bachelor of Science  
16 degree in Business Administration and a minor in Business Law.

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

18 A. The purpose of this testimony is to discuss Staff’s position on the following  
19 issues: dues & donations, board of directors’ expenses, property taxes, property tax tracker,  
20 property tax appeals tracker, rate case expense including the depreciation study, plant in service,  
21 depreciation reserve, advertising, and capitalized operations and maintenance  
22 (“O&M”) depreciation.

1 **DUES AND DONATIONS**

2 Q. Did Ameren Missouri incur expenses for dues and donations during the  
3 test year?

4 A. Yes. While there were not many expenses for dues and donations, Staff found  
5 that Ameren Missouri has a membership to the American Gas Association (“AGA”), and other  
6 business and professional memberships such as the Association for Materials Protection and  
7 Performance (“AMPP”), as well as registrational fees for the Principals and Practice of  
8 Engineering (“PE”) exam. However, there appeared to be more than one year’s dues associated  
9 with AMPP and registrational fees for the PE exam recorded in the test year, so Staff has  
10 proposed an adjustment to reflect one year of expenses. Staff also proposes to remove the  
11 membership for the Monarch Butterfly Conservation.

12 Q. Did Staff exclude any additional costs related to dues?

13 A. No. Ameren Missouri booked most of their memberships below the line, as they  
14 were not necessary for the provision of safe and reliable service to their ratepayers.

15 Q. Does the AGA participate in lobbying activity?

16 A. Yes, however in the analysis of Ameren Missouri dues, Staff determined that  
17 Ameren Missouri recorded 3.66% of this membership below the line in the Federal Energy  
18 Regulatory Commission (“FERC”) account 426. Since the lobbying costs were recorded below  
19 line, no adjustment was necessary.

20 Q. Why is Staff allowing the AGA membership if the organization participates  
21 in lobbying?

1           A.     The AGA membership is beneficial to Ameren Missouri gas operations and  
2 advocates safety and growth for the gas industry and as such, Staff allowed the  
3 AGA membership.

4     **BOARD OF DIRECTORS' EXPENSE**

5           Q.     Did Ameren Missouri propose an adjustment to Board of Directors' expense?

6           A.     Yes, Ameren Missouri proposed to remove all charter flight and additional  
7 expenses for the gas operations.

8           Q.     What is Staff's position on Board of Directors' expense?

9           A.     Staff agrees with Ameren Missouri to remove all charter flight expenses;  
10 however, Staff is also removing the gas allocated portion of Board of Directors' expense for  
11 items also proposed for removal from electric operations. The types of expenses that Staff is  
12 removing are expensive dinners, luxury hotels, and car valet tips.

13     **REAL PROPERTY TAX EXPENSE**

14          Q.     Please explain real property tax expense.

15          A.     Real property tax expense relates to taxes paid on real property owned by  
16 individuals or businesses. Ameren Missouri's property taxes are paid in December of each year.

17          Q.     Does Staff have any recommendations for real property tax expense?

18          A.     For its direct filing, Staff recommends that the annualized amount of property  
19 taxes included in the cost of service be based on Ameren Missouri's actual property taxes paid  
20 in 2023. This is the last known actual property tax expense prior to the update period of  
21 June 30, 2024.

22          Q.     Does Staff plan to true-up property tax expense?

1           A.     Yes. Staff plans to include actual property taxes paid as of December 31, 2024,  
2 because those taxes will be known and measurable at the time of Staffs true-up audit.

3     **PROPERTY TAX TRACKER**

4           Q.     What is a property tax tracker?

5           A.     A property tax tracker is a tracking mechanism set in place to monitor how much  
6 the utility companies spend on property taxes per year.

7           Q.     Does Ameren Missouri currently have a property tax tracker?

8           A.     Yes. However, this tracking mechanism is different than the mechanism that  
9 was statutorily approved by the Missouri legislature in 2022.<sup>1</sup> Ameren Missouri’s tracker was  
10 established in Case No. GR-2019-0077 and continued through Case No. GR-2021-0241, which  
11 I will discuss this further later in this testimony.

12          Q.     Has Ameren Missouri proposed as part of this rate case to establish a property  
13 tax tracking mechanism that was statutorily approved?

14          A.     Yes. Ameren Missouri began to record a regulatory asset for the property tax  
15 tracking mechanism on its books as of September 1, 2022. Ameren Missouri proposes to  
16 include the tracked balance since September 1, 2022, in rate base and also include an  
17 amortization of this balance over three years in the cost of service.

18          Q.     Does Staff agree with Ameren Missouri’s proposed inclusion of the balance  
19 within rate base as well as the amortization period proposed?

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<sup>1</sup> Section 393.400, RSMo.

1 A. No, Staff has included the actual deferral balance at June 30, 2024, which is  
2 Staff's update period. Ameren Missouri has included an estimated December 31, 2024 balance.  
3 Staff will update the actual balance as of December 31, 2024, in its true-up revenue requirement.

4 **PROPERTY TAX APPEALS TRACKER**

5 Q. Has Ameren Missouri contested or appealed any real property taxes or  
6 tax assessment?

7 A. Yes.

8 Q. Why is Ameren Missouri appealing its property taxes?

9 A. Ameren Missouri has appealed and/or is appealing its property taxes for certain  
10 counties because it does not agree with the depreciation assessment.

11 Q. Has Ameren Missouri been successful on any of the appeals?

12 A. Yes. \*\* [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED] \*\*. <sup>2</sup>

19 Q. Is Ameren Missouri still appealing or could Ameren Missouri still appeal?

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<sup>2</sup> Data Request 0149, Case No. GR-2019-0077.

1 A. \*\* [REDACTED]

2 [REDACTED]

3 [REDACTED] \*\*. .

4 Q. Previously you mentioned that a tracking mechanism had already been  
5 established for Ameren Missouri, please explain further regarding this topic.

6 A. Under the 2019 Stipulation and Agreement in GR-2019-0077, Ameren Missouri  
7 is required to track and defer all property tax refunds associated with tax years 2009 through  
8 the true-up date of Ameren Missouri's next gas rate case and offset by attorneys/consultant fees  
9 associated with the aforementioned refunds from 2009 until the true-up date of its next rate  
10 case.<sup>3</sup> In the following gas rate case, GR-2021-2041, Staff agreed to continue tracking and  
11 deferring by offsetting the attorneys/consultant fees associated with refunds, since the appeals  
12 would not have been finished at the true-up cut off.

13 Q. Has Ameren Missouri continued to track its property tax appeals?

14 A. Yes. Ameren Missouri has been using a one-way tracker and has not recorded  
15 a regulatory liability regarding the property tax appeals on its general ledgers, as it has not  
16 received all refunds for all tax years appealed and there is no amount to return back until the  
17 refunds received have exceeded the legal and consultant costs and the increase in the  
18 property taxes.

19 Q. Should Ameren Missouri continue to track and defer their property tax appeals?

20 A. Yes. Ameren Missouri should continue to track and defer the property tax  
21 appeals as well as the costs incurred by attorneys/consultants until all appeals are complete.

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<sup>3</sup> 2019 Stipulation and Agreement Pg.2.



1 Q. Has Ameren Missouri had any recovery over their attorneys/consultants' fees  
2 for the appeals?

3 A. Staff is still examining if Ameren Missouri has had previous recovery of attorney  
4 and consultant fees. If those amounts have already been recovered, those amounts will be  
5 removed from the tracker so Ameren Missouri can start recording the appeals in a liability  
6 account to give back to the ratepayers.

7 **RATE CASE EXPENSE**

8 Q. Please explain rate case expense.

9 A. Rate case expense consists of costs that a utility will incur for the preparation,  
10 filing, and completion of a rate case to propose changes to its customer rates.

11 Q. What types of costs may a utility incur in preparing, filing, and completing a  
12 rate case?

13 A. Utilities will incur costs such as outside consultants' fees, outside legal fees,  
14 travel costs, office supplies, mailing costs, and depreciation study expenses.

15 Q. Did Ameren Missouri propose a position on the depreciation study?

16 A. Yes. Ameren Missouri proposed a three-case average over a recovery period of  
17 two years.

18 Q. What does Staff recommend to include in the cost of service for the depreciation  
19 study expense in this rate case?

1           A.     The Commission requires a depreciation study to be completed at least every  
2 five years.<sup>4</sup> Ameren Missouri preformed a depreciation study for this current rate case and  
3 Staff has proposed to amortize those costs over a five-year period.

4           Q.     What does Staff recommend including in the cost of service for rate case expense  
5 other than the depreciation study?

6           A.     Staffs recommends including the average costs of the three most recent rate  
7 cases (GR-2010-0363, GR-2019-0077, and GR-2021-0241) after applying the 50/50 sharing  
8 mechanism. Staff proposes to normalize this amount over three years.

9           Q.     Why does Staff apply the 50/50 sharing mechanism?

10          A.     Staff applies the 50/50 sharing mechanism for the following reasons:

- 11           • Rate cases can benefit both the ratepayers and shareholders by providing  
12 adequate service at just and reasonable rates to the ratepayers while also  
13 allowing the shareholders to earn a return on their investment.
- 14           • The 50/50 sharing mechanism also encourages Ameren Missouri to control the  
15 rate case expenses that it will incur during a rate case.
- 16           • 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  
18 are not included in the sharing mechanism, therefore it is fair and equitable to  
19 allocate a portion of the rate case expenses to the shareholders.
- 20           • It is highly probable that some of the recommendations advocated by Ameren  
21 Missouri through the rate case process may eventually be decided by the  
22 Commission to not be in the best interest of the ratepayers.

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<sup>4</sup> 20 CSR 4240-40.090(1)(B).

1 Q. What has the Commission decided regarding the 50/50 sharing mechanism for  
2 rate case expense in prior rate cases?

3 A. The Commission has previously ordered utilities to use the 50/50 sharing  
4 mechanism for rate case expense. For example, this 50/50 sharing mechanism is included in  
5 the Commission's decision concerning rate case expense in Spire Missouri Case  
6 Nos. GR-2017-0215 and GR-2017-0216. The Missouri Supreme Court upheld the  
7 Commission's decision in 2021.<sup>5</sup> Also, in Empire District Electric Company's Case  
8 No. ER-2019-0374, the Commission determined that a 50/50 sharing mechanism  
9 was appropriate.

10 **PLANT IN SERVICE AND ACCUMULATED DEPRECIATION RESERVE**

11 Q. What is plant in service and accumulated depreciation reserve?

12 A. This issue reflects, by account, the value of Ameren Missouri's plant and  
13 accumulated reserve for test year ending March 31, 2024, with updates through  
14 December 31, 2024.

15 Q. What balances for plant in service and accumulated depreciation reserve has  
16 Staff included in the cost of service?

17 A. The plant in service and reserve balances reflect the direct and allocated plant  
18 additions and retirements as well as a reclass adjustment as of March 31, 2024, with estimated  
19 adjustments to reflect the balances of plant and reserve through the true-up cutoff at  
20 December 31, 2024. This includes adjustments for allocated portions of general plant that is  
21 used in Ameren Missouri's natural gas operations. While Staff has not accepted the adjustments

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<sup>5</sup> *Spire Missouri, Inc. v. Pub. Serv. Comm'n*, 618 S.W.3d 225 (Mo. 2021).

1 through December 31, 2024, for purposes of direct testimony, Staff will verify and include the  
2 actual balances at December 31, 2024, as part of its true-up audit.

3 Q. Please explain what the reclass adjustments to test year relate to?

4 A. The reclass adjustments to test year that Staff has included represent adjustments  
5 to assets that were inadvertently booked into the wrong FERC account when unitized. This  
6 adjustment moves these asset balances to the correct account. Ameren Missouri has indicated  
7 to Staff<sup>6</sup> that these assets will all be reflected in the correct FERC account balances at  
8 December 31, 2024, thus eliminating the need for this adjustment at true-up.

9 **AMI AND OTHER MAJOR INVESTMENT PROJECTS**

10 Q. Please describe some of the capital investment that has been placed in service  
11 since Ameren Missouri's last gas rate proceeding.

12 A. Ameren Missouri started replacing its Automated Meter Reading ("AMR")  
13 modules with Automated Meter Infrastructure ("AMI") technology starting in October 2023.  
14 Ameren Missouri plans to have the AMI technology installed to all its meters by April 2025.  
15 Additional capital investments that have been placed in service since Ameren Missouri's last  
16 gas rate proceeding are described in the Direct Testimony of Ameren Missouri witness  
17 Pamela Harrison.<sup>7</sup>

18 Q. Please explain what AMI modules are.

19 A. AMI technology are modules that enable two-way communication between the  
20 utility and their customers. AMI also allows the utilities to track usage through an advanced  
21 data management system.

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<sup>6</sup> Response to Staff Data Request 0182.

<sup>7</sup> Harrison Direct Testimony pg. 7 (Ll. 7-27)- 8 (Ll. 1-6).

Direct Testimony of  
Blair Hardin

1 Q. What is the difference between AMR and AMI?

2 A. AMR is a communication technology that automatically collects customer  
3 usage, diagnostics, and status data from gas metering devices. This meter technology allows  
4 for collection of data electronically via a walk-by or drive by of the customer's premises. Once  
5 the data is collected, it is transferred to a database where Ameren Missouri can monitor and  
6 analyze usage, troubleshoot issues, and use the data for customer billing. However, with AMI  
7 modules attached to these meters, they are equipped with a two-way communication ability  
8 which allows the utility to send commands directly to the meters and provides the utility with  
9 real time data which allows for faster problem detection compared to AMR. The two-way  
10 communication factor enhances customer service, improves resource management, and can  
11 save Ameren Missouri money.

12 Q. Is Staff recommending any adjustments at this time?

13 A. No. Staff is explaining what was included into the plant and reserve balances  
14 for the test year ending March 31, 2024.

15 **ADVERTISING**

16 Q. Please explain advertising expense as it relates to Ameren Missouri.

17 A. Ameren Missouri utilizes numerous methods to advertise, such as social media,  
18 promotional items, billboards, and television advertisements.

19 Q. Please explain how Staff analyzes Ameren Missouri's advertising and  
20 related costs.

21 A. Staff reviews and analyzes the advertising, on an ad-by-ad basis, for each ad that  
22 incurred costs during the test year ending March 31, 2024. First, Staff determines the primary

1 message of each ad, then upon determination of the primary message, Staff aligns the ads into  
2 one of the five categories defined within Case No. EO-85-185. These categories include:

- 3 • Institutional – these types of advertisements are intended to promote the name  
4 of the utility and foster a positive image of the company to the public.
- 5 • Promotional – these types of advertisements encourage the customers to use  
6 more of the utility’s product or purchase new or additional services offered by  
7 the utility. In order for staff to allow any promotional advertising there must be  
8 a cost benefit analysis performed.
- 9 • Safety – these types of advertisements encourage the safe use of the  
10 utility’s product.
- 11 • General – these types of advertisements provide information to the general  
12 public, such as the addresses and hours of company offices.
- 13 • Political – these types of advertisements are associated with political issues.

14 After these ads are categorized by primary message, Staff determines if the costs will be allowed  
15 or disallowed from the advertising expense based upon that ad categorization.

16 Q. Did the Commission determine in the EO-85-185 case if any of the categories  
17 above are not necessary for safe and adequate service?

18 A. Yes. From the Report and Order, the Commission stated that institutional  
19 advertising is not required for safe and adequate service. However, the Commission also  
20 believed that promotional advertising can be beneficial to rate payers, but in order to receive  
21 recovery for those costs, every benefit must be cost-justified.

22 Q. Does Staff have other methods of analyzing advertising?

1 A. Yes. Staff also reviews advertising on a campaign basis. In Case  
2 No. ER-2008-0318 the Commission suggested:<sup>8</sup>

3 If on balance a campaign is acceptable then the cost of individual  
4 advertisements within that campaign should be recoverable in rates.  
5 If the campaign as a whole is unacceptable under the Commission's  
6 standards, then the cost of all advertisements within that larger campaign  
7 should be disallowed.

8 While Staff uses both methods to analyze advertising expenses, Staff's position is that the  
9 ad-by-ad basis review and analysis is the most effective way to ensure proper advertising costs  
10 are included in the cost of service.

11 Q. What is Staff's position on advertising costs?

12 A. For social media ads, Staff was directed to DR 0004 in the electric case. Staff  
13 then solely focused on the gas specific advertisements. Staff follows the previously-mentioned  
14 guidelines set out in Case No. EO-85-185. Staff disallowed all political advertising,  
15 institutional advertising and promotional items from the cost of service. Please see  
16 Schedule BH-d2, attached to this testimony for copies of advertisements and categorization of  
17 advertisements for which Staff proposes disallowance. Staff has included the costs associated  
18 with general and safety advertisements for Ameren Missouri to recover.

19 **CAPITALIZED OPERATIONS & MAINTENCE ("O&M") DEPRECIATION**

20 Q. What is capitalized O&M depreciation, and why must an adjustment be  
21 proposed to account for it?

22 A. Certain assets are utilized for both capital projects and maintenance expense  
23 projects. When depreciation expense is calculated a portion of depreciation expense related to

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<sup>8</sup> Report and Order at page 118, EFIS Item No. 589.

1 capital projects should also be capitalized. The capital portion of annualized depreciation  
2 expense must be removed for these accounts in order to prevent double recovery in rates.

3 Q. What is Staff's recommendation regarding capitalized O&M depreciation?

4 A. Staff has proposed to remove the capital portion of the annualized depreciation  
5 expense, as that portion is attributed to capital and is capitalized within rate base. Staff has  
6 included an adjustment for capitalized O&M depreciation utilizing the estimated plant balances  
7 as of December 31, 2024. Staff will update this adjustment when it includes actual plant and  
8 accumulated reserve balances at December 31, 2024, as part of its true-up audit.

9 **RECOMMENDATIONS TO COMMISSION**

10 Q. Does Staff have any additional recommendations to the Commission?

11 A. Yes, Staff also recommends that the Commission order Ameren Missouri to  
12 provide more detail in its general ledgers behind its gas operations, including more detail behind  
13 its mass allocation costs. These mass allocation costs are coming from the electric operations  
14 to the gas side, without details as to what types of costs they are or to what they pertain.

15 Q. Why does Staff make this recommendation?

16 A. Staff ran into multiple issues in clarifying the transactions during the audit of  
17 this case, and Staff makes this recommendation to reduce the potential for discovery issues and  
18 delay in receiving the information relating to Ameren Missouri's gas operations.

19 Q. Does this conclude your direct testimony?

20 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 BLAIR HARDIN**

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

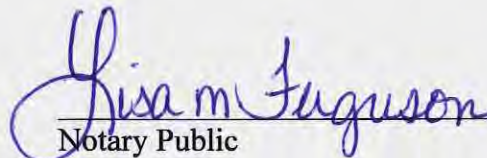
**COMES NOW BLAIR HARDIN** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Blair Hardin*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**BLAIR HARDIN**

**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 26<sup>th</sup> day of February 2025.

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

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

### **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. I am responsible, in part, for assisting with the audit and examination of the books and records of utilities that operate within the State of Missouri. I also sponsor testimony and recommendations as an expert witness in Commission proceedings.

### **Educational Credentials and Work Experience:**

I received a Bachelor of Science degree in business administration with a minor in business law from Southeast Missouri State University in December of 2023. I have been employed by the Missouri Public Service Commission since December 2023.

Prior to my present position I worked part-time as an intern for the Commission's St. Louis office from September 2023-December 2023. My tasks as an intern included reviewing testimony, workpapers, as well as learning regulatory terminology and ratemaking methodology.

### **Past Case Proceedings:**

<b>Company Name</b>	<b>Case No.</b>	<b>Issue(s)</b>
Ameren Electric	ER-2024-0319	Insurance Expense, Board of Directors, Miscellaneous Expense, Dues and Donations, Corporate Franchise Taxes, Removal of Certain Test Year Electric

		Revenue, FAC Test Year Costs, and Test Year Customer Survey Costs, Gross Receipts Taxes, Miscellaneous Revenue, and Uncollectibles
Liberty Gas (MNG)	GR-2024-0106	Miscellaneous Expenses, PSC Assessment, Plant & Reserve, Other Rate Base Items, and Insurance Expense

**MISSOURI PUBLIC SERVICE COMMISSION**

**SCHEDULE BH-d2**

**Advertising**

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

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

*Jefferson City, Missouri  
February 2025*

# ATTENTION

This filing includes voluminous electronic documents that could not be submitted through EFIS.

To obtain a copy of this information, please send a written request to the Data Center.

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Please call the Data Center at 573-751-7496 if you have any questions.