Exhibit No.: Issue(s): Rate Design, Billed Revenue, Normalized Revenue, Tariff Changes Witness: Michael W. Harding Type of Exhibit: Rebuttal Testimony Sponsoring Party: Union Electric Company File No.: GR-2024-0369 Date Testimony Prepared: April 4, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2024-0369

REBUTTAL TESTIMONY

OF

MICHAEL W. HARDING

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri April 2025

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1		I. <u>INTRODUCTION</u>
2	Q.	Please state your name and business address.
3	А.	My name is Michael W. Harding. My business address is One Ameren
4	Plaza, 1901 C	Chouteau Ave., St. Louis, Missouri.
5	Q.	Are you the same Michael W. Harding that submitted direct testimony
6	in this case?	
7	А.	Yes, I am.
8	Q.	To what testimony or issues are you responding?
9	А.	I am responding to the direct testimony presented by Staff witness Kimberly
10	Tones concerr	ing proposed changes to imbalance charges and the Company's billing practices.
11	I am also addr	essing differences in workpapers used to calculate normal revenues.
12		II. <u>BILLED REVENUE</u>
13	Q.	Are you responding to the direct testimony of Kimberly Tones regarding
14	her proposal	to modify Ameren Missouri's billing schedule?
15	A. Yes	s, specifically her proposal to modify our existing billing schedule approach. After
16	careful review	v, I find her recommendations to be unnecessarily disruptive and lacking a
17	foundation in a	a comprehensive understanding of our billing systems' operational complexities.
18	Q.	What specific concerns do you have with the Staff's proposed changes?

1 Staff's recommendation appears deceptively simple on the surface but would A. 2 require a fundamental restructuring of our entire billing and financial reporting ecosystem. Ms. 3 Tones suggests setting the revenue month exactly equal to the meter read date, which sounds 4 straightforward, but would create substantial operational challenges. The existing spreadsheet 5 that determines revenue months is a critical planning tool that ensures consistent billing cycles 6 across customer classes, predictable billing dates for customers, and accurate financial 7 reporting. The proposed change would disrupt these carefully balanced systems without 8 providing any demonstrable benefit to customers or improving financial accuracy.

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Q. How would implementing the Staff's recommendation impact Ameren Missouri's operations?

A. A comprehensive analysis of the change has not been performed since this would also require a substantial amount of resources to determine the full extent of the changes required, however, past investigative discussions with the Company's digital and accounting teams on this topic have revealed the operational implications would likely be profound and farreaching. Implementing Ms. Tones' recommendation would require a comprehensive redesign of our billing infrastructure, involving, and not limited to:

17 **Complex System Reconfiguration**: Our current billing and financial systems are 18 intricately designed to work with our existing revenue month assignment methodology. A 19 change as proposed would necessitate extensive modifications to system logic, reporting 20 mechanisms, and internal accounting processes. This is not a simple adjustment but a 21 fundamental system redesign that would require significant time, resources, and potential 22 disruption to our billing cycle. It's very likely there are departments and reports leveraging the

revenue month data in its current form that we would not even be aware of the impacts until
 such a change or extensive study was performed.

3 **Resource Intensive Implementation**: The proposed changes would demand 4 substantial investment across multiple departments. Our IT teams would need to develop and 5 thoroughly test new system configurations, potentially requiring vendor involvement and 6 comprehensive staff retraining. The indirect costs of such a project would ultimately be borne 7 by our customers, without delivering any tangible benefit.

8 **Operational Disruption**: Our current meter reading and billing processes are optimized 9 to balance efficiency, accuracy, and customer service. The proposed method would introduce 10 unnecessary complexity into a system that currently operates smoothly and predictably. It would 11 require reimagining our entire approach to meter reading, billing cycle management, and 12 financial reporting.

Q. Ms. Tones suggests that Ameren Missouri is an outlier in its billing
practices. How do you respond?

A. Her assertion is both misleading and unsupported. Utility billing systems are inherently complex, and minor variations in methodologies to record revenue are common across the industry. What matters is not superficial uniformity, but the substantive effectiveness of our approach. Our current method fully complies with applicable accounting standards, provides consistent and predictable billing for customers, and maintains the integrity of our financial reporting. Staff's recommendation does not appropriately weigh operational considerations.

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Q. What potential risks do you see in implementing the proposed changes?

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Q.

1	A. The risks are substantial and multifaceted. Beyond the immediate operational
2	challenges, we could potentially experience financial reporting instability, customer impacts,
3	and lost opportunity cost. Our current method which has been in place for decades, provides a
4	consistent, reliable approach that stakeholders have come to rely upon. Changes to billing cycles
5	could lead to billing inconsistencies, reduced billing predictability, and potential increased
6	administrative costs. Additionally, the resources required to implement these changes would
7	divert critical IT and financial personnel from more strategic initiatives that could directly
8	benefit our customers and improve our service delivery.

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What is your recommendation to the Commission?

A. I respectfully recommend that the Commission reject the Staff's proposal to modify our revenue month recognition method and make changes to the definition of billed revenues, recognize the current billing schedule as an efficient, consistent approach to revenue recognition, and acknowledge that the proposed changes would create unnecessary complexity and cost without demonstrable benefit to customers or improved financial accuracy.

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III. <u>IMBALANCES</u>

Q. What has Staff recommended concerning the Company's proposed
updates to the daily imbalance charges?

A. Staff supports the Company's recommendation to update the calculation method for daily negative imbalances greater than 5%, however, Staff goes a step further and also recommends a similar adjustment to positive imbalances greater than 5%. In addition to the 90% of Gas Daily Averages ("GDA") that the Company already charges for Positive Imbalance Charges greater than 5%, Staff has recommended we also include the lesser of Purchased Gas Adjustment ("PGA") or GDA for positive imbalances less

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than 5% and the lesser of 90% PGA or 90% GDA for positive imbalances greater than
5%.

3 Q. Does the Company support an adjustment to the positive daily 4 imbalances?

5 A. Not at this time. While more punitive positive imbalance charges may in 6 fact result in some Transportation customers and marketers scheduling usage closer to 7 their actuals, the Winter Storms that Ms. Tones references in her direct testimony are the 8 exact reason the Company has a less punitive positive imbalance charge. If a customer is 9 uncertain of what their load forecast will be for a very cold winter day, this asymmetrical 10 imbalance calculation is intended to incent them to overschedule gas, opposed to under 11 schedule. If the negative and positive imbalance provisions are equal, it could result in 12 indifference to under or over scheduling, or worse, customers may actually prefer to 13 under schedule on the coldest days in hopes that Intraday prices might moderate from 14 previous Day Ahead highs, providing them less disincentive and risk than 15 overscheduling. Even though a change to positive imbalances is not recommended at this 16 time, we do support the continued monitoring of these imbalances and would consider 17 modifications in the future if the overscheduling of gas ever became an issue or there was 18 evidence of gaming due to the current imbalance structure. 19 IV. **NORMALIZED REVENUES** 20 Q. Do you have any concerns with the calculations presented by Staff to 21 develop their version of normalized revenue? 22 Yes, in Staff's "Growth and Seasonality Workpaper Accurate Normalization A.

23 Usage" workpaper used to develop normalized revenues, some errors were discovered in

- 1 the Standard Transportation class resulting in normalized revenues \$2,148,130 higher than
- 2 presented by the Company. Staff has recognized the errors and has committed to updating
- 3 the work paper. The Company will review the revisions, and if necessary, comment in
- 4 Surrebuttal.
- 5 Q. Does this conclude your rebuttal testimony?
- 6 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust Its Revenues for Natural Gas Service.

File No.: GR-2024-0369

AFFIDAVIT OF MICHAEL W. HARDING

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

Michael W. Harding, being first duly sworn on his oath, states:

My name is Michael W. Harding, and hereby declare on oath that I am of sound mind and

lawful age; that I have prepared the foregoing *Rebuttal Testimony*; and further, under the penalty

of perjury, that the same is true and correct to the best of my knowledge and belief.

<u>/s/ Michael W. Harding</u> Michael W. Harding

Sworn to me this 4th day of April 2025.