Exhibit No.:	
Issue(s):	*Regulatory Lag Mitigation*
Witness:	*Keith Majors*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*GR-2024-0369*
Date Testimony Prepared:	*April 4, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

KEITH MAJORS

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. GR-2024-0369

Jefferson City, Missouri
April 2025

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REBUTTAL TESTIMONY

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UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. GR-2024-0369

Q. Please state your name and business address.

A. Keith Majors, Fletcher Daniels Office Building, 615 East 13th Street, Room 201, Kansas City, Missouri, 64106.

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

A. I am a Utility Regulatory Audit Unit Supervisor within the Auditing Department, within the Financial and Business Analysis Division of the Staff ("Staff") of the Missouri Public Service Commission ("Commission").

Q. What is your educational background and work experience?

A. I attended Truman State University in Kirksville, Missouri, where I earned a Bachelor of Science degree in Accounting in May 2007. I have been employed by the Staff of the Commission since June 2007 within the Auditing Department.

Q. Have you previously filed testimony before this Commission?

A. Yes. A listing of the cases in which I have previously testified, or authored a Staff recommendation or memorandum, and the issues which I addressed in those filings, is attached as Schedule KM-r1 to this rebuttal testimony.

Q. What knowledge, skills, experience, training and education do you have concerning the topics on which you are testifying here?

A. I have acquired knowledge of the ratemaking and regulatory process through my employment with the Commission and through my experience and analyses in numerous prior rate cases. I have assisted, conducted, and supervised audits and examinations of the books and records of public utility companies operating within the state of Missouri. I have participated in examinations of electric, industrial steam, natural gas, water, and sewer utilities. I have participated in in-house and outside training, and attended seminars on technical and general ratemaking matters while employed by the Commission.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of this rebuttal testimony is to respond to the direct testimony of Ameren Missouri witness Ann E. Bulkley concerning the regulatory environment in which Ameren Missouri operates. This testimony is also in response to the direct testimony of Ameren Missouri witness Steven M. Wills concerning regulatory lag.

EXECUTIVE SUMMARY

Q. Please provide a brief summary of your rebuttal testimony in this proceeding.

A. My rebuttal testimony will address portions of Ameren Missouri witness Ann E. Bulkley's direct testimony, found on pages 45 through 58, that describes Ms. Bulkley's expressed concerns regarding regulatory and business risk for Ameren Missouri and Steven M. Wills' testimony discussing regulatory lag as it relates to some of his recommendations found on pages 7-11 of his direct testimony. In response, I will provide a general discussion of regulatory lag and business risk from an accounting perspective. I will also provide a high-level overview of the protections that are provided to Ameren Missouri as a result of other currently authorized or legislatively enacted non-traditional ratemaking procedures.

Most recently, Ameren Missouri along with all Missouri utilities have benefited from the passage of Senate Bill 745 in 2022. This legislation enacted a property tax tracker, amongst other items. This tracker removes the risk of recovering this substantial expense and drastically reduces the regulatory lag of property tax recovery. Ameren Missouri also employs a Weather Normalization Adjustment Rider ("WNAR") which is a partial revenue decoupling mechanism. Additionally, Ameren Missouri has a Rider Infrastructure System Replacement Surcharge ("ISRS") tariff on file with the ISRS currently set to zero.

It is Staff's position that the implementation of WNAR and ISRS reduces Ameren Missouri's overall business risk. This risk reduction should be considered by the Commission in making its determination of a fair and appropriate rate of return for Ameren Missouri to have a reasonable opportunity to earn as part of establishing new permanent rates in this rate proceeding. Please refer to the direct testimony and rebuttal testimony of Staff witness Seoung Joun Won, PhD, of the Commission's Financial Analysis Department, for a complete discussion of Staff's recommendation for a reasonable and appropriate rate of return for Ameren Missouri's gas operations.

REGULATORY LAG

Q. On page 9 of his rebuttal testimony, Ameren Missouri witness Wills refers to regulatory lag as it applies to investments Ameren Missouri has made or will make. What is regulatory lag?

A. Regulatory lag refers to the time between when a utility experiences a change in expense or revenue levels and when that change is recognized in the rates that the Commission allows a utility to charge its customers. Regulatory lag can either increase or decrease a utility's actual earnings performance compared to its authorized rate of return in between rate cases.

It can be beneficial to customers, as well as to utilities. When a utility's costs increase or its revenues decrease over a period of time, regulatory lag will tend to reduce the utility's profits, adverse to the utility, unless other circumstances either completely offset or mitigate the expense increases or revenue declines. This is also referred to as negative regulatory lag. When expenses are decreasing or revenues are increasing, regulatory lag will reward the utility with increased profits during the interval before the rates are changed by the Commission to address the decreased costs or increased revenues, which is a benefit to the utility. This is also referred to as positive regulatory lag. Regulatory lag provides the utility with either a penalty or a reward under traditional cost of service ratemaking where all costs are considered. This inherent penalty or reward system incentivizes a regulated utility to produce lower cost levels in between rate cases and to maximize efficiency.

Q. Does regulatory lag motivate a utility to act efficiently?

A. Yes. Regulators rely on regulatory lag as a vital tool to provide an incentive to a utility to act efficiently. Excessive use of tracking mechanisms and rate riders reduces the incentive for the utility to seek out cost reductions because the utility is insulated from changes in costs and thereby may be able to maintain the utility's profits even when its costs increase. The more that utilities are insulated from the impacts of increased costs through riders and surcharges, the more business risk is shifted to utility customers. For example, if a utility experiences an increase in expense that is being tracked as authorized by the Commission, its financial results will not be adversely impacted because the impacts are captured on the balance sheet for deferral treatment with likely certainty of cost recovery. In the meantime, there will not be an overall reduction in earnings related to the increased cost, because the deferred cost is being recorded on the balance sheet to capture the increased cost. In this

example, the utility has less incentive to attempt to minimize any such cost increase for the tracked item. If a utility experiences a reduction in an expense that is being tracked, the financial result will not increase earnings as a result of the decreased cost level. Once again, the utility will have less incentive to seek out ways to reduce costs. Utilities may even be disincentivized to reduce costs if the benefit of those lower costs are quickly flowed to customers through special regulatory mechanisms outside of general rate cases.

Furthermore, the authorized use of trackers and rider mechanisms are types of exceptions to the prohibition of "single-issue ratemaking," in that the mechanism ignores other aspects of the utilities' operations that may be experiencing concurrent cost reductions. Problems can result when too many trackers and special regulatory cost recovery approaches are allowed, as such approaches ignore the fundamental Missouri based ratemaking criteria of providing consideration and review of "all relevant factors" when setting rates. For example, a utility can recover certain increased costs through trackers and riders while also over-recovering other costs established in existing rates determined in the last rate case causing the utility to potentially earn above its authorized rate of return.

Examples of positive regulatory lag producing benefits for Missouri utilities have occurred with Spire Missouri, Inc., formerly Laclede Gas Company,[1] and Evergy Metro, Inc., formerly Kansas City Power & Light Company,[2] when both companies were involved in mergers.[3] Both of these utilities experienced significant cost savings through labor reductions

[1] Laclede Gas Company operating as Spire Missouri, Inc., d/b/a Spire.
[2] Kansas City Power & Light Company now operating as Evergy Metro, Inc., d/b/a Evergy Missouri Metro.
[3] Laclede Gas Company and Laclede Group, Inc. acquired Southern Union Company's operating division known as Missouri Gas Energy as part of Case No. GM-2013-0254. This Commission ordered a rate reduction for Spire Missouri – East in Case Nos. GR-2017-0215 and for Spire Missouri-West in Case No. GR-2017-0216. Great Plains Energy Incorporated, the holding company for Kansas City Power & Light acquired Westar, Inc. as part of Case No. EM-2017-0226. Kansas City Power & Light experienced a rate decrease in Case No. ER-2018-0145 and Kansas City Power & Light Greater Missouri Operations experienced a rate decrease in Case No. ER-2018-0146.

and other costs reductions as a result of consolidation. However, much of those savings were captured, or retained by the utility for a period of time because rates set in prior rate cases did not reflect the cost savings, also known as "synergies."

One clear example of positive regulatory lag producing benefits is demonstrated with the reduction in cost of debt that occurred in the prior two decades for all Missouri utilities that issue debt. Ameren Missouri's cost of issued debt[4] was 6.7% and 6% in 2008 during the 2008 financial crisis. Ameren Missouri's 2012 issuance was at 3.9%, a 2016 issuance was at 3.65%, and most recently a 2021 issuance was at 2.15%. During each of these issuances, Ameren Missouri was able to refinance by redemption, repurchases, or maturities of long-term debt at substantially lower rates. In a declining debt rate environment, Ameren Missouri was able to retain lower cost of debt savings compared to high cost of debt in customer rates in between rate cases.

Q. Have debt rates increased dramatically in the last few years, reversing those retained savings?

A. Not entirely. Yes, debt rates have increased dramatically. Ameren Missouri issued 30-year, $500 million bonds on March 13, 2023, at a coupon of 5.45%, or slightly over double the cost from just two and a half years prior.[5] When debt rates were in the decline, Ameren Missouri retained the savings between rate cases. Debt rates are but one aspect of a multitude of expenses and revenues that can and do vary once levels are set in the ratemaking process.

Q. What are some other past examples of positive regulatory lag?

[4] Obtained from Ameren Corporation 10-K.
[5] Office of the Public Counsel witness David Murray Direct, page 14.

A. Prior to the last two decades of frequent rate filings, Ameren Missouri electric was able to maintain its rates without increases from 1986, with the completion of Callaway Energy Center, through 2007 in Case No. ER-2007-0002. In the interim, Staff filed a complaint proposing a $245 to $285 million rate cut.[6] Ameren Missouri was able to not request rate increases during this time period for several reasons including load and usage growth, the reduction of interest rates from the double-digit highs of the 1980s, and labor efficiencies from the adoption of computing and information technology. It is important to note that these savings were retained prior to any trackers or other regulatory lag mitigation mechanisms to reflect these savings in customers' rates.

Q. These are examples of positive regulatory lag for electric utilities. Do you have any examples of positive gas regulatory lag?

A. Yes. As Mr. Wills identified on page 5 lines 19-22, when rates take effect from this case in September 2025, it will have been three and a half years since the last time delivery service rates changed, and it will only have been the third delivery rate change in over a decade for Ameren Missouri's retail gas service, one of which implemented a rate decrease.

Q. Why would Ameren Missouri gas not file for rate relief during this time period?

A. It would imply that Ameren Missouri gas was earning at approximately its authorized rate of return. Otherwise it is incumbent upon the utility to file for a rate increase.

Q. On pages 7-11 of his rebuttal testimony, Mr. Wills identifies isolated discrete adjustments subsequent to the true-up date in this case. Does Staff support recognition of ratemaking items past the true-up date in this case?

[6] Case No. EC-2002-1.

A. No. Staff witness Matthew R. Young discusses in detail Staff's response to Ameren Missouri's proposal. Staff supports recognition of "all relevant factors" when determining the cost of service for a utility.

Q. Please explain the Missouri ratemaking criteria which requires a consideration of "all relevant factors."

A. The Missouri Supreme Court ruling in *State ex rel. United Consumers Council of Missouri v. Public Service Commission*, 585 S.W.2d 41 (Mo. 1979) ("UCCM") explained the "all relevant factors" requirement that must be applied in the context of any general rate case, whether it is a "file and suspend" rate increase request case made by the utility or an earnings complaint case requested by other parties. In order to meet the UCCM standard, a complete review and audit of the utility's books and records and an assessment of its operations that takes into account all revenues, expenses, investment and rate of return must be addressed when attempting to change rates. Anything less than this type of review that takes into consideration all relevant factors in the determination of permanent rates might represent a form of retroactive ratemaking or "single-issue" ratemaking that is prohibited barring specific legislation which permits special rate treatment of certain items. In other words, the inclusion of certain impacts on the revenue requirement to the exclusion of other impacts, results in a "mismatch" of the revenue requirement.

Q. How has the Commission addressed the need to include all relevant factors for purposes of setting permanent rates through use of a test year?

A. The Commission has addressed this matter on a number of occasions. Specifically, in its Report and Order in a 1983 general rate case involving Kansas City Power &

Light Company ("KCPL"), Case No. ER-83-49, the Commission stated the purpose of using a test year:

> The purpose of using a test year is to create or construct a reasonable expected level of earnings, expenses, and investments during the future period in which the rates, to be determined herein, will be in effect. All of the aspects of the test-year operations may be adjusted upward or downward to exclude unusual or unreasonable items, or include unusual items, by amortization or otherwise, in order to arrive at a proper allowable level of all of the elements of the company's operations. The commission has generally attempted to establish those levels at a time as close as possible to the period when the rates in question will be in effect.[7]

This concept of developing a revenue requirement calculation based on a consideration of all relevant factors has been a long-standing approach practiced by the Commission for purposes of determining permanent rates in Missouri.

BUSINESS RISK

Q. On page 39 of her direct testimony, Witness Bulkley refers to business risks for a regulated utility. Generally speaking, what is business risk for a regulated utility?

A. Business risk refers to the uncertainty linked to the operating cash flows of the utility. Business risk is multi-faceted and includes factors affecting revenues, expenses, and investment costs that could reduce a utility's profit level. In general, a utility with a certificated service area that has the ability to request changes in rates to cover changes in costs and to provide an opportunity to earn a fair return on investment has far less risk than a business or industry that has no such safeguards. For example, local and regionally owned grocery stores must compete with other nearby nationwide discount retailers for a customer's purchase of groceries. Most price sensitive consumers will shop at the store that has the same products but

[7] *In the Matter of Kansas City Power & Light Company,* 26 Mo.P.S.C. (N.S.) 104, 109 (1983).

at lower prices. Likewise, if two nearby gas stations have different pricing for gasoline, most price sensitive consumers who need to purchase gasoline will opt to fill their vehicles at the filling station with the lowest price. On the other hand, a regulated utility's customers are captive customers that have, for the most part, no practical choice other than to accept utility service and utility rates in the area in which they live or do business.

STAFF RESPONSE TO AMEREN MISSOURI ASSESSMENT OF BUSINESS RISK AND OTHER CONSIDERATIONS

Q. Please summarize Ms. Bulkley's direct testimony section that addresses business risk and other considerations.

A. Ms. Bulkley provides a brief summary of the key regulatory lag mitigation mechanisms that were previously established by the Missouri Legislature. Generally, Ms. Bulkley highlights her perceived limitations of these mechanisms and therefore asserts that Ameren Missouri's business risk has not been reduced by the implementation of the WNAR or ISRS in comparison to a proxy group of six gas utilities that she selected.[8] Ms. Bulkley postulates that Ameren Missouri's implementation of the WNAR and ISRS does not make Ameren Missouri less risky than its peers. Instead, Ms. Bulkley argues that despite the implementation of WNAR and ISRS, Ameren Missouri has greater risk relative to her proxy group in terms of regulatory treatment because, in part, Ameren Missouri is unable to include Construction Work in Progress ("CWIP") in rate base, among other alleged shortcomings, as some other jurisdictions allow. Ms. Bulkley's other concerns about WNAR and ISRS center on her perceived failure of these mechanisms to entirely eliminate all regulatory lag or to provide immediate cash flow for new construction related costs. Finally, Ms. Bulkley

[8] For a listing of the proxy group, see Ms. Bulkley's direct testimony at page 22.

concludes that since Ameren Missouri is not able to take advantage of other regulatory lag reducing mechanisms such as CWIP in rate base, forecasted test years, use of comprehensive revenue decoupling mechanisms that completely mitigate volumetric risk, or formula rates, that it appears to her that Ameren Missouri faces somewhat higher regulatory risk than her selected proxy group.

Q. Does Staff agree with Ameren Missouri's position outlined in Ms. Bulkley's direct testimony regarding business risk?

A. No. It is Staff's position that because Ameren Missouri has implemented the WNAR and ISRS recovery mechanisms, Ameren Missouri's business risk has certainly been reduced in absolute terms, and in addition Ameren Missouri's business risk can reasonably be assumed to now be lower in relative terms compared to its utility peers compared to prior to these mechanisms being enacted.

I have not assessed other aspects of Ameren Missouri's business risk nor have I conducted any comparison of Ameren Missouri with any of its peers and therefore would refer any questions regarding those matters to Staff witness Dr. Won. My rebuttal testimony will address Ms. Bulkley's statements only from an accounting perspective and my rebuttal testimony focuses on my review of the WNAR and ISRS. I will also provide high level discussion of various other trackers and riders that are available to Ameren Missouri.

Ameren Missouri's business risk has been reduced because of the implementation of both WNAR and ISRS. These recovery mechanisms have certainly reduced the impact of regulatory lag that exists by enabling Ameren Missouri the ability to recover investments of eligible ISRS investment as well as providing for recovery of eligible fixed costs collected through the implementation of WNAR.

Q. Should this Commission take this reduced business risk into consideration in the determination of a reasonable and appropriate rate of return for Ameren Missouri?

A. Yes, but not in the form of a reduction in rate of return. Conversely, the Commission should not increase rate of return on account of the alleged deficiencies in Missouri ratemaking compared to the regulatory paradigm experienced by the proxy companies. However, Staff is not aware of any policy or statutory impediment to the Commission increasing or decreasing the rate of return in relation to the impact of the recent incorporation of the WNAR and ISRS mechanisms into Ameren Missouri's ratemaking, as well as the establishment of the property tax tracker.

Q. Ms. Bulkley states at page 54 of her direct testimony that Missouri utility rates are determined using a "historic test year with limited 'number of known and measurable' changes through a true-up period" and states that other jurisdictions use forecasted test years, and that the Missouri approach contributes to regulatory lag. Do you think this is a good reason to enact forecasted test years?

A. No.[9] The Commission has used historic test years to determine utility rates for decades. Historic test years represent twelve months of "known and measurable" data that reflects actual, audited financial information. The Commission has upheld this known and measurable approach that actual, audited results represents the most accurate form of ratemaking. In Missouri, the Staff routinely performs annualization, normalization, and proposed disallowance adjustments to correct abnormalities that may exist in test year results. In addition, the Commission uses a variety of methods and procedures to ensure the very latest

[9] Of course, Staff is aware of the pending legislation of Senate Bill 4 enabling a future test year for some Missouri utilities.

revenue and cost information is used to determine utility rates including updating the test year and completing a true-up audit. Throughout the process of adjusting the test year, performing an update and true-up, the appropriate relationship between revenues, expenses, and rate base must be maintained, often referred to as the "matching principle." Essentially, this means the revenue requirement must be developed by ensuring that all known and measurable changes influencing revenues, expenses, and investment are reflected at a specific point in time. The test year, any update period, and true-up audit cutoff is consistently determined early in the process by this Commission through a Procedural Order in every case. During the true-up process various annualization and normalization adjustments are made to the test year results, all with the intent to reflect the best and most recent information available to the Commission to determine rates as close to the time as possible when those rates will be in effect. In fact, the result of this lengthy and time-consuming auditing process through the end of the true-up period is to reduce the impacts of regulatory lag. Also, a variety of riders and mechanisms can be implemented by the Commission to set rates which significantly reduce regulatory lag. True-ups are frequently used to address changes to revenues, expenses and investment to minimize the impact of regulatory lag. Once the cost of service analysis is completed updating the test year results, the majority of the revenue, expense, and investment cost impacts are examined and updated to current levels. All of this provides the Commission with the ability to set rates based on an adjusted historic test year that provides an appropriate forward-looking focus as it has done for many years.

Q. Ms. Bulkley noted there are "limited" known and measurable changes. How do you respond to this criticism?

A. Utilities are the gatekeepers of their financial records and are the first party to develop their own revenue requirements. Staff and other parties rely first on the utility itself to identify the changes in costs and revenues. If the number of adjustments is "limited" as is alleged, then either the test year is representative of ongoing revenues or expenses, or the utility is deficient in identifying the cost drivers in the rate case process.

Q. On page 54 of her rebuttal testimony, Ms. Bulkley notes that "Ameren Missouri does not have a capital tracking mechanism to recover capital investment costs between rate reviews". Is this accurate?

A. No. Ameren Missouri has the ability to file for revised ISRS tariffs. Ameren Missouri currently has a Rider ISRS tariff on file, which has been set to zero. At the time of the 2021 rate case, it was Ameren Missouri's intent to reactivate its ISRS following the conclusion of that case.[10] To date, Ameren Missouri has not done so.

Q. Why would Ameren Missouri choose not to file for interim recovery of qualifying plant investment through the ISRS?

A. Either Ameren Missouri did not have enough qualifying ISRS plant to generate the minimum revenues to establish an ISRS,[11] or Ameren Missouri was earning sufficient returns. Otherwise, Ameren Missouri would deny itself revenues to which it would be entitled. On the contrary, for example, Spire Missouri has "maximized" its ISRS revenues by regularly filing ISRS cases.

[10] Direct testimony of Michael W. Harding, Case No. GR-2021-0241, page 10.
[11] Missouri Revised Statute, Section 393.1012.

CURRENT AMEREN MISSOURI REGULATORY MECHANISMS

Q. Does Ameren Missouri have the ability to request special deferral accounting treatment?

A. Yes. Occasionally, utilities such as Ameren Missouri request from the Commission what is referred to as deferral cost recovery either through an Accounting Authority Order ("AAO") in a separate case, or during a pending rate case. Circumstances can warrant that costs which would ordinarily be treated as expenses are allowed to be deferred. The Commission may authorize Ameren Missouri to defer certain costs with an opportunity to request rate recovery in the future.

Q. What kinds of costs does the Commission typically allow for deferral treatment?

A. There are situations that may occur during the normal operations of the utility where events happen causing costs to rise above normal levels, and above those in current rates. An ice storm is an example where the utility is required to immediately repair damage to the transmission and distribution infrastructure, restoring power as soon as is capable. Reasonable and prudent costs to repair damage from storms, damage to equipment, and facilities to restore service are allowed this special accounting treatment, with opportunity for cost recovery in future rate requests.

Q. Does Ameren Missouri have deferred costs for which the Commission has authorized the use of deferred cost recovery?

A. Yes. Ameren Missouri has many such deferrals currently in existing rates. Ameren Missouri has regulatory mechanisms and special accounting treatment that the Commission currently authorizes to mitigate the impacts of regulatory lag.

Ameren Missouri is currently using a number of differing approaches that reduce business risk with regard to cost recovery for a variety of different categories of revenue, expense, and investment related costs. Some of these approaches address changes in revenue, expense, and investment related costs that occur in between rate cases through a deferral that is recorded on the balance sheet. Subsequently, the Commission has authorized the recovery of the deferrals from customers through an amortization, sometimes with rate base treatment, as part of establishing permanent rates in a general rate case. Ameren Missouri may also use riders to simply pass certain costs on to the customers outside of a rate case under established rules approved by the Commission.

Q. You mentioned that Staff is opposed to Ameren Missouri's discrete adjustments in this rate case. Is there an alternative mechanism to address the regulatory lag associated with the major plant additions identified by Ameren Missouri?

A. Yes. As described by Ameren Missouri witnesses Wills and Harrison, Phase 1 and Phase 2 of the reliability projects are major plant additions that are not eligible for the ISRS. Phase 3 of the project is expected to be completed after rates are in effect and is not contemplated for rate base treatment in this case. One alternative solution would be the use of construction accounting, or more accurately, continuation of construction accounting for these specific projects.

Staff and the Commission have generally been supportive of reducing regulatory lag inherent in construction of large generating assets or large construction projects. The obvious example is the accounting treatment afforded to Ameren Missouri electric's forthcoming Castle Bluff Facility. This $900 million simple cycle combustion turbine generator facility will

receive a version of construction accounting pursuant to the *Unanimous Stipulation and Agreement* filed in File No. EA-2024-0237 and approved by the Commission.

For Castle Bluff, the construction accounting is modified as follows: 1) WACC[12] is used versus the AFUDC[13] rate, 2) the ROE in the AFUDC rate is reduced by 250 basis points (2.5%), and 3) the deferrals are not included in rate base in future rate cases and the amortization is over 4 years, as opposed to the life of the asset.

Q. How does construction accounting for Castle Bluff compare with prior examples of the utilization of construction accounting?

A. In prior examples, the last known AFUDC rate prior to the in-service date is used as the accrual rate. Generally speaking, the AFUDC rate will be lower than WACC due to the inclusion of short-term debt and other miscellaneous short-term sources of capital. The AFUDC draws on short- and long-term debt first before the cost of equity based on the balance of CWIP. The deferrals have generally received rate base treatment over the remaining life of the assets in question. The only other example to my knowledge of a reduced ROE in calculation of the deferral is the construction of Iatan 2.[14]

Q. What completed major construction projects have received construction accounting?

A. Although I cannot recall construction accounting being utilized for a gas utility, there are numerous examples of electric utilities that have been authorized to use construction accounting. I have attached a schedule of the construction projects of which I am aware that have received construction accounting as Schedule KM-r2. Comparing the $900 million

[12] Weighted Average Cost of Capital.
[13] Allowance for Funds Used During Construction.
[14] As established in Case No. EO-2005-0329.

estimate for Castle Bluff as noted in Case No. EA-2024-0237 to the net rate base in the recent Ameren Missouri electric rate case of $13.7 billion results in an addition to rate base of 6.58% and will be a smaller portion of rate base at the time of the in-service date of Castle Bluff in 2027. Compared to the other projects on the attached schedule, Castle Bluff is the smallest addition to rate base that received construction accounting. In this Castle Bluff case, Staff and the Commission supported a form of construction accounting for a relatively small addition to rate base, with appropriate offsets that recognize the reduced regulatory lag.

In this Ameren Missouri gas case, the Phase 1 and Phase 2 gross investments of $39.6 million and $50.1 million respectively individually represent 7.5% and 9.4% of the requested rate base in the current rate case.

Q. On page 10 of his rebuttal testimony, Mr. Wills suggests that discrete adjustments for these projects would obviate the need for another immediate rate case. In your opinion, does this assertion justify the inclusion of these discrete adjustments?

A. No. This is not the first case, nor the last, that major rate base additions have been added.

Q. Does Ms. Bulkley consider Missouri's policies regarding deferral of costs and its benefits to Ameren Missouri in her evaluation of Missouri cost recovery policies?

A. Not that she mentioned. For those not specifically defined by statue, these deferrals are authorized on a case by case basis.

CONCLUSION

Q. Please summarize Staff's recommendation with regard to business risk.

A. Ameren Missouri enjoys various and considerable protections against the impacts of regulatory lag, and the number of those protections have increased over time. It is

important to note that the Commission establishes rates with the intended goal of providing Ameren Missouri with a reasonable opportunity, not a guarantee, to earn a fair rate of return. The recent implementation of WNAR, ISRS, and the property tax tracker have provided additional opportunities to Ameren Missouri to reduce business risk and mitigate regulatory lag in its gas operations.

Q. Does this conclude your rebuttal 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 Natural Gas Service	)))	Case No. GR-2024-0369

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Keith Majors*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Keith Majors
KEITH MAJORS

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 2nd day of April 2025.

B L S
Notary Public

B. L. STIGGER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES JANUARY 2, 2028
JACKSON COUNTY
COMMISSION #24332661

Keith Majors
Case Participation

Cases to which I have been assigned and have filed testimony, Staff report, or memorandum are shown in the following table:

Utility	Case Number	Issues	Exhibits
Spire Missouri	GR-2025-0206	ISRS	Staff Memorandum
Spire Missouri	GR-2025-0026	ISRS	Staff Memorandum
Ameren Missouri	ER-2024-0319	Rush Island, Storm Costs	Direct, Rebuttal, Surrebuttal Testimony
Evergy West	ER-2024-0189	Transmission Expense, Plant Investment	Direct, Rebuttal, Surrebuttal Testimony
Spire Missouri	GA-2024-0257	CCN	Staff Memorandum
Ameren Missouri	EF-2024-0021	Policy, Retired Plant Securitization	Rebuttal, Surrebuttal Testimony
Confluence Rivers	WR-2023-0006 & SR-2023-0007	Policy, Revenue Requirement	Direct, Rebuttal, and Surrebuttal Testimony
Ameren Missouri - Electric	ER-2022-0337	Revenues, Allocations, Bad Debt, Rush Island	Direct, Rebuttal, and Surrebuttal Testimony
Spire Missouri	GO-2022-0171	ISRS	Staff Memorandum
Evergy Metro and Evergy West	ER-2022-0129 & ER-2022-0130	Revenues, Jurisdictional Allocations, Bad Debt, Sibley Retirement	Direct, Rebuttal, Surrebuttal Testimony
Ameren Missouri	ER-2021-0240 & GR-2021-0241	Facilities Transactions	Surrebuttal Testimony
Spire Missouri	GR-2021-0108	Corporate Allocations, Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
MAWC	SA-2021-0074	CCN	Staff Memorandum
Evergy Metro and Evergy West	EO-2021-0032	Various	Staff Report
Spire Missouri	GO-2021-0030 & GO-2021-0031	ISRS	Staff Memorandum
Raytown Water	WR-2020-0264	Various	Staff Memorandum
Summit Natural Gas	GA-2020-0251	CCN	Staff Memorandum
Liberty Utilities	WM-2020-0174	CCN	Staff Memorandum
Missouri American Water Company (MAWC)	WA-2019-0366	CCN	Staff Memorandum
Ameren Missouri	ER-2019-0335	Allocations, Affiliation Transactions	Staff Report
MAWC CCN	SA-2019-0367	CCN	Staff Memorandum
United Services	SA-2019-0161	CCN	Staff Memorandum
KCP&L & KCP&L GMO	ER-2018-0145 & ER-2018-0146	Synergy and Transition Costs Analysis, Transmission Revenue and Expense	Staff Report

Utility	Case Number	Issues	Exhibits
Laclede Gas and Missouri Gas Energy	GR-2017-0215 & GR-2017-0216	Synergy and Transition Costs Analysis, Corporate Allocations	Staff Report, Rebuttal, Surrebuttal
KCP&L & KCP&L GMO	ER-2016-0156 & ER-2016-0285	Income Taxes, Pension & OPEB	Staff Report, Rebuttal, Surrebuttal
KCP&L & KCP&L GMO	EO-2016-0124	Pensions, Rate Comparison	Staff Report
KCP&L & KCP&L GMO	EC-2015-0309	Affiliate Transactions, Allocations	Surrebuttal Testimony
KCP&L	ER-2014-0370	Income Taxes, Pension & OPEB, Revenues	Staff Report, Rebuttal, Surrebuttal
KCP&L	EU-2015-0094	DOE Nuclear Waste Fund Fees	Direct Testimony
KCP&L	EU-2014-0255	Construction Accounting	Rebuttal Testimony
Veolia Kansas City	HR-2014-0066	Income Taxes, Revenues, Corporate Allocations	Staff Report
Missouri Gas Energy	GR-2014-0007	Corporate Allocations, Pension & OPEB, Incentive Compensation, Income Taxes	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2013-0391	ISRS	Staff Memorandum
KCP&L & KCP&L GMO	ER-2012-0174 & ER-2012-0175	Acquisition Transition Costs, Fuel, Legal and Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2011-0269	ISRS	Staff Memorandum
Noel Water Sale Case	WO-2011-0328	Sale Case Evaluation	Staff Recommendation
KCP&L & KCP&L GMO	ER-2010-0355 & ER-2010-0356	Acquisition Transition Costs, Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
KCP&L Construction Audit & Prudence Review	EO-2010-0259	AFUDC, Property Taxes	Staff Report
KCP&L, KCP&L GMO, & KCP&L GMO – Steam	ER-2009-0089, ER-2009-0090, & HR-2009-0092	Payroll, Employee Benefits, Incentive Compensation	Staff Report, Rebuttal, Surrebuttal
Trigen Kansas City	HR-2008-0300	Fuel Inventories, Rate Base Items, Rate Case Expense, Maintenance	Staff Report
Spokane Highlands Water Company	WR-2008-0314	Plant, CIAC	Staff Recommendation
Missouri Gas Energy ISRS	GO-2008-0113	ISRS	Staff Memorandum

Comparative Construction Analysis									
Prepared by Keith Majors, Case No. ER-2024-0319									
Company	Construction Accounting Case No.	Construction Project	Total Company Share Constructed Plant in Service	Source	Missouri Jurisdictional Constructed Plant in Service	Source	Missouri Jurisdictional Net Rate Base Excluding Construction Project	Source	Construction Project % of Net Rate Base
Union Electric	EO-85-17 & ER-85-160	Callaway	2,978,248,000	Commission Reports, Volume 27, p.189	2,442,300,000	Commission Reports, Volume 27, p.189	4,055,088,934	Commission Reports, Volume 27, p. 270	60.23%
Ameren Missouri	ER-2010-0036	Sioux Environmental	574,098,132	Gary Weiss True-Up Direct, ER-2011-0028	574,098,132	Gary Weiss True-Up Direct, ER-2011-0028	6,135,560,194	Gary Weiss True-Up Direct, ER-2011-0028	9.36%
KCPL	EO-85-185 & ER-85-128	Wolf Creek	1,366,496,000	Commission Reports, Volume 28, p. 279	924,812,000	Commission Reports, Volume 28, p. 279	1,126,914,700	Commission Reports, Volume 28, p. 415	82.07%
KCPL	ER-2009-0089	Iatan 1 & Common Environmental	496,841,343	DR 193, Case No. ER-2012-0174	267,648,432	DR 193, Case No. ER-2012-0174	1,269,458,884	Staff Direct Accounting Schedules, ER-2009-0089	21.08%
KCPL GMO - L&P	ER-2009-0090	Iatan 1 & Common Environmental	94,684,505	DR 141, Case No. ER-2012-0175	94,684,505	DR 141, Case No. ER-2012-0175	190,475,404	Staff Direct Accounting Schedules, ER-2009-0090	49.71%
KCPL	EO-2005-0329	Iatan 2 & Common	982,476,091	DR 193, Case No. ER-2012-0174	525,673,764	DR 193, Case No. ER-2012-0174	1,524,610,061	Staff Revised True-Up Accounting Schedules, ER-2010-0355	34.48%
KCPL GMO - MPS	EU-2011-0034	Iatan 2 & Common	206,289,001	DR 141, Case No. ER-2012-0175	205,257,556	DR 141, Case No. ER-2012-0175	1,108,183,457	Staff Revised True-Up Accounting Schedules, ER-2010-0356	18.52%
KCPL GMO - L&P	EU-2011-0034	Iatan 2 & Common	109,333,171	DR 141, Case No. ER-2012-0175	109,333,171	DR 141, Case No. ER-2012-0175	300,554,763	Staff Revised True-Up Accounting Schedules, ER-2010-0356	36.38%
Empire	EO-2005-0263	Iatan 1 & Common Environmental	62,209,942	Mertens Direct, ER-2011-0004	51,835,750	Mertens Direct, ER-2011-0004	717,938,940	Staff Direct Accounting Schedules, ER-2010-0130	7.22%
Empire	EO-2005-0263	Iatan 2 & Common	269,059,140	Mertens Direct, ER-2011-0004	224,190,569	Mertens Direct, ER-2011-0004	641,697,501	Staff Direct Accounting Schedules, ER-2011-0004	34.94%
Empire	EO-2010-0262	Plum Point	105,097,322	Mertens Direct, ER-2011-0004	87,571,187	Mertens Direct, ER-2011-0004	641,697,501	Staff Direct Accounting Schedules, ER-2011-0004	13.65%
Ameren Missouri	EA-2024-0237	Castle Bluff	900,000,000	Projected Plant, Wills Direct, EA-2024-0237	900,000,000	Projected Plant, Wills Direct, EA-2024-0237	13,668,534,043	Staff Direct Accounting Schedules, ER-2024-0319	6.58%

Schedule KM-r2
Case No. ER-2024-0319