Exhibit No.:	
Issue(s):	Revenue Requirement
Witness:	Benjamin Hasse
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Sponsoring Party:	Ameren Missouri
File No.:	GR-2024-0369
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2024-0369

REBUTTAL TESTIMONY

OF

BENJAMIN HASSE

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
April, 2025

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REBUTTAL TESTIMONY

OF

BENJAMIN HASSE

FILE NO. GR-2024-0369

I. INTRODUCTION

Q. Please state your name and business address.

A. Benjamin Hasse, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. Are you the same Benjamin Hasse who provided direct testimony in this case?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address various revenue requirement issues raised by Staff's or OPC's direct case.

Q. To what testimony or issues are you responding?

A. My rebuttal testimony responds to the following issues: (1) Rate Case Expense (Staff witness Blair Hardin and OPC witness John Robinett); (2) Severance (Staff witness Amanda McMellen); (3) Exceptional Performance Bonus (Staff witness Amanda McMellen); (4) Non-Qualified Pension (Staff witness Amanda McMellen); (5) Employee Benefits (Staff witness Amanda McMellen); (6) Payroll Lead (Staff witness Antonija Nieto); (7) Membership

Dues (Staff witness Blair Hardin); (8) Injuries and Damages (Staff witness Nathan Bailey); (9) Administrative and General Costs Allocated to Gas Operations (Staff witness Blair Hardin).

III. RATE CASE EXPENSE

Q. What is Staff recommending regarding rate case expense costs to be included in the revenue requirement of this case?

A. Both Company and Staff developed a normalized level of rate case expense by averaging the rate case expense for the Company's last three gas rate cases. That resulted in a normal level of rate case expense of $416,612 for each rate case. However, Staff recommends further annualizing this average over three years compared to the Company's recommendation of two years—in other words, Staff presumed the Company would file rate cases every three years compared to the Company's presumption of filing every two years. Staff then further diverged from the Company's approach in that it is recommending sharing of rate case expense 50/50 between customers and shareholders, in other words Staff is recommending that half the costs of a rate case are disallowed from the Company's revenue requirement.

Q. Is a three-year amortization of rate case expense appropriate in this case?

A. No, it is not. As stated in the Direct Testimony of Company witness Steven Wills, unless the Company's discrete adjustment for Phase 2 of the Northeast Territory Gas System Reliability Upgrade ("Phase 2") project is included in rate base in this case, the Company will have to quickly file a gas rate review case following the conclusion of the current one. Staff's direct testimony recommends the Commission deny the inclusion of

Phase 2, making its presumption of the Company filing a gas case in three years unreasonable.

Q. Is Staff's disallowance of 50% of rate case expense appropriate in this case?

A. No, it is not. In File No. ER-2021-0240, Staff noted that case specific facts should be considered and that a 50/50 sharing recommendation is not a matter of general policy.[1] Yet, Staff witness Hardin provided no case specific facts or analyses to support Staff's 50/50 sharing recommendation. Accordingly, there is no basis to justify Commission adoption of this recommendation.

Q. What is Staff recommending regarding depreciation study costs to be included in the revenue requirement of this case?

A. Staff is recommending including $3,629 of depreciation study costs in the revenue requirement in this case, which is based on the depreciation study expense incurred in the Company's most recent gas rate review, File No. GR-2021-0241, amortized over five years. In contrast, the Company developed a $12,306 normalized level of depreciation study costs by averaging the expense levels from its last three depreciation studies, performed in each of the Company's last three rate cases, and amortizing that amount over two years.

Q. Should the depreciation study costs included in the revenue requirement in this case be based solely on actual expenses incurred in the Company's most recent rate review?

[1] File No. ER-2021-0240, Mark L. Oligschlaeger Surrebuttal Testimony, p. 1 ll. 21-23 and p. 2 ll. 1-3

A. No. As I discussed above, the Company has a history of performing a depreciation study in each of the Company's last three gas rate reviews and therefore the appropriate normalization period should be the same period as Staff and Company utilized for rate case expense. Additionally, the extent to which depreciation is contested in a case is directly correlated with the additional expenses the Company will incur related to the participation of external expert witnesses. Staff's recommendation is flawed as it presumes the level of depreciation disputes in GR-2021-0241 is the only reasonable level for setting rates.

Q. Is a five-year amortization of depreciation study expense appropriate in this case?

A. No. The five-year amortization period proposed by Staff and OPC is based on the Missouri statutory requirement for gas utilities to submit a depreciation study no less often than every five years.[2] However, nothing in the statue, or in any Commission rules and regulations, would suggest that gas utilities are in any way discouraged from performing an updated depreciation study more often than every five years if conditions warrant. As I stated earlier, in each of Ameren Missouri's last three rate cases the Company has performed a depreciation study. There is no scenario where the Company will not file a gas rate case prior to the five-year statutory deadline, given the remaining needed investments in the Northeast Territory Gas System Reliability Upgrade projects. Accordingly, Staff's proposal is clearly unreasonable and would not provide the Company with an opportunity to fully recover its prudently incurred costs.

[2] 20 CSR 4240-40.090(1)(B).

IV. SEVERANCE

Q. Staff has proposed to disallow all severance expenses. Does the Company agree with this adjustment?

A. No. Staff witness McMellen adopts a limited perspective on severance expenses by asserting that these costs are nonrecurring and claims that the Company recognizes costs savings through regulatory lag on reduced payroll expenses.[3] It is not appropriate to apply a rate making consideration to a single issue like severance expense without considering the relevant context. Severance expense is simply a part of payroll, as it is a form of compensation to employees. Payroll costs are typically established in a rate case using only filled positions at a point in time. From the first day an open position is filled subsequent to the true-up date in a rate case, negative regulatory lag begins to occur until the newly filled position is included in rates via a future rate case. The reverse is true as well, the Company can experience positive regulatory lag when filled positions included in the revenue requirement used to determine base rates become vacant. However, in total, Staff's direct case reflects a significant *increase* in the Company's payroll expenses compared to amounts currently being recovered in rates. Staff attempts to justify a cost disallowance of actual severance expense incurred based on its recognition of a related cost savings that is only a subset of the total regulatory lag that the Company experiences with respect to its payroll – a subset that does lower its cost of service relative to its last rate review. But at the same time, Staff ignores the totality of the regulatory lag that clearly reflects increasing total payroll expense since that rate review. As a practical matter, it

[3] If the Company was in totality experiencing positive regulatory lag, the Company and Staff would not both be recommending an increase in annual revenues in this case of tens of millions of dollars.

should be clear that the Company's total payroll expense did not decline at all since rates were last set, let alone enough to offset the severance expense it clearly did incur.

Staff also asserts that severance payments are not a reoccurring cost; however, this statement is incorrect. Some level of ongoing severance cost will exist and is normal for the Company to incur in the normal course of business, as shown by the figure 1 below.

FIGURE 1 – SEVERANCE COSTS BY YEAR

	Test Year	2023	2022	2021
Severance Costs	$16,698	$ 23,561	$ 3,072	$ 6,346

V. EXCEPTIONAL PERFORMANCE BONUS

Q. Staff has proposed to normalize Exceptional Performance Bonus ("EPB") payouts based on a historical three-year average. Does the Company agree with Staff's approach?

A. No. Despite Staff's lead auditor on this case testifying that normalization is required when the test year contains an abnormal event,[4] Staff witness McMellen provided no testimony describing whether the test year EPB payouts contain an abnormal event. No such abnormal event exists. As shown in figure 2 below, test year levels of EPB payouts of $45,730 are consistent with prior periods, making a normalization adjustment inappropriate.

FIGURE 2 – EPB COSTS PER BY YEAR

	Test Year	2023	2022	2021
EPB Expense	$ 45,730	$ 47,859	$ 38,682	$ 44,658

[4] File No. GR-2024-0369, Lisa Ferguson Direct Testimony, p. 7, ll. 4-5

VI. NON-QUALIFIED PENSION EXPENSE

Q. Please describe Staff's adjustment for non-qualified pension expense.

A. In this case, Staff is proposing to utilize a three-year average for both annuity and lump sum payments as the normalized level of costs to include in the Company's revenue requirement.

Q. Did Staff include all annuity and lump sum payments in their revenue requirement?

A. No. Staff omitted a lump sum payment without providing any testimony as to why it was appropriate to do so. By omitting this payment, Staff would guarantee this prudently incurred cost is never recovered. Had Staff appropriately included this payment and all other payments under the plan, Staff's revenue requirement would increase $40,270.

Q. Has Staff's position on the ratemaking treatment of non-qualified pension expense been consistent over time?

A. No. As summarized in the table below, Staff has bounced back-and-forth between different methods for determining the normalized level of non-qualified pension costs to include in the Company's revenue requirement over the past several rate cases.

File No.	Staff's proposed Ratemaking Treatment for Non-Qualified Pension
GR-2024-0369	Three-year average for both annuity and lump sum payments.
GR-2021-0241	Test year levels for annuity payments and a five-year average of lump sum payments.
GR-2019-0077	Five-year average for payments related to five- and ten-year annuities and a three-year average for payments related to fifteen-year annuities, lifetime annuities, and lump sum payments.

Q. Why is it difficult to determine the appropriate cost level to include in rates for these non-qualified pensions?

A. The annuity and lump sum payments under the plan are dependent on the retirement dates of participating employees. Also, it is the participating employee's decision as to whether they receive annuity payments (5-year, 10-year, 15-year, or lifetime options) or a single lump sum payment. In other words, the cost levels of the plan are dependent on factors outside the control of the Company.

Q. Please describe the Company's method and why it is the appropriate method to use to set rates in this case.

A. The Company uses Willis Towers Watson to value the net benefits and determine the amount to accrue monthly to meet the obligations of the pension plan. Willis Towers Watson are subject matter experts and actuaries that review the plan experience to determine the appropriate level of expense. They apply the same consistent actuarial methods year after year to determine the appropriate level of non-qualified pension costs as they use to determine qualified pension costs, given that qualified and non-qualified costs are merely two components of a single pension plan. Staff does not take issue with the use of actuarial methods to determine the appropriate level of qualified pension costs, despite the benefits at question under the qualified portion of the plan being the exact same benefits as those of the non-qualified portion of the plan.

Considering the entirety of the plan life, cash payouts from the plan will equal the expense levels per the Company's proposal. In the interim, any disparity between the date the expense is incurred and the date the payment is made is compensated for in the Company's cash working capital study and results in an adjustment to rate base. In contrast, Staff's approach offers no relationship between recovery of costs through customer rates and future payouts of the plan because; 1) Staff's method changes every case, and 2) prior payouts over arbitrary time periods have no bearing on future payouts of the plan (particularly for lump-sum payments). Because of the complexity and volatility of non-qualified pension costs, it is most appropriate to use the Company's consistently applied, actuarial method to determine the appropriate level of non-qualified pension costs to include in its revenue requirement.

VII. EMPLOYEE BENEFITS

Q. Please describe Staff's adjustment for employee benefits.

A. Staff is proposing annualization of the Company's employee benefit expenses apart from the Company's Tuition Assistance Program, for which Staff is proposing to disallow cost recovery.

Q. Does the Company agree with Staff's adjustment?

A. No. This is another example of Staff excluding a portion of the Company's prudently incurred costs from its revenue requirement without justifying why such costs should supposedly be disallowed. Ameren's Tuition Assistance Program provides financial support to employees who successfully complete educational courses designed to support their continued professional development, expanding the knowledge, skills, and abilities of the Company's workforce. Providing training and development opportunities to the Company's employees not only ensures the Company has a qualified workforce but also serves to attract and retain a motivated workforce. Because this cost clearly benefits our customers, it should be included in the revenue requirement.

VIII. PAYROLL LEAD

Q. Please describe Staff's position regarding the payroll lead.

A. Staff adjusted the payroll payment lead time for management employees (a component of the broader payroll lead) to zero. The result was an increase in the overall payroll lead from 10.90 (Company) to 12.01 (Staff). Staff's rationale for the change is that "Staff reset the lead time for management payroll to zero in the 2021 case. Staff learned through Ameren Missouri's response to Data Request No. 614 in the current electric case that there was no change to management payroll lag meaning that Ameren continues to prepay its management employees."[5]

Q. What was Staff's recommendation in File No. ER-2022-0337 regarding this very same lead lag study?

A. After various discussions with Staff witness Jared Giacone and the discovery performed supporting that case, Staff concluded the following in figure 3:[6]

[5] File No. GR-2024-0368, Antonija Nieto Direct Testimony p. 3, ll. 10-13.
[6] File No. ER-2022-0337, Jared Giacone Direct Testimony, p. 4, ll. 1-7.

FIGURE 3 – STAFF'S 2022 CASH WORKING CAPITAL RECOMMENDATION

> Direct Testimony of
> Jared Giacone
>
> Q. Did Staff disagree with any CWC lead/lag study items in the ER-2021-0240 case?
>
> A. Yes, there were some minor differences noted by Staff in the ER-2021-0240 case. For example, Staff proposed an updated collection lag that the Company agreed with and incorporated in their CWC proposal for the present case. Aside from the collection lag, there are no material differences between the Company's proposed CWC schedule in the present case compared to Staff's true-up CWC schedule.

One of the "minor" differences Mr. Giacone concluded was no longer worth proposing a different position for in that case was the payroll expense lead. The following excerpt (figure 4) from Staff's accounting schedules reflect that in that prior case Staff used a 10.90 payroll and withholdings expense lead – see column D line 2.

FIGURE 4 – STAFF'S 2022 CASH WORKING CAPITAL SCHEDULE

Ameren Missouri
Case No. ER-2022-0337
Staff Direct Accounting Schedules
Updated through June 30, 2022
Cash Working Capital

Line Number	A Description	B Test Year Adj. Expenses	C Revenue Lag	D Expense Lag	E Net Lag C - D	F Factor (Col E / 365)	G CWC Req B x F
1	OPERATION AND MAINT. EXPENSE						
2	Payroll and Withholdings	$324,184,773	37.02	10.90	26.12	0.071562	$23,199,311
3	Other Employee Benefits	$46,437,434	37.02	17.65	19.37	0.053068	$2,464,342
4	Pensions and OPEBs	-$49,059,298	37.02	15.70	21.32	0.058411	-$2,865,603
5	Fuel - Nuclear	$61,253,898	37.02	15.21	21.81	0.059753	$3,660,104
6	Fuel - Coal	$450,258,602	37.02	14.43	22.59	0.061890	$27,866,505
7	Fuel - Gas	$57,083,923	37.02	40.72	-3.70	-0.010137	-$578,660
8	Fuel - Oil	$3,961,478	37.02	14.69	22.33	0.061178	$242,355
9	Purchased Power	$52,268,942	37.02	18.10	18.92	0.051836	$2,709,413
10	Incentive Compensation	$26,297,754	37.02	250.80	-213.78	-0.585699	-$15,402,568
11	Uncollectibles Expense	$8,174,196	37.02	37.02	0.00	0.000000	$0
12	Cash Vouchers	$853,347,992	37.02	42.25	-5.23	-0.014329	-$12,227,623
13	TOTAL OPERATION AND MAINT. EXPENSE	$1,834,209,694					$29,067,576

To summarize, Staff recommended an adjustment to the Company's position in File No. GR-2021-0241, did further discovery on the same exact study in File No. ER-2022-0337, noted minor differences existed prior, consciously agreed with the Company's recommendation in File No. ER-2022-0337 (which is the same recommendation as in this case), and now has reverted back to its position in GR-2021-0241 while completely ignoring its more recent recommendation from File No. ER-2022-0337 (all related to the same exactly study performed in 2021).

Q. Do you agree with Staff's recommendation in this case?

A. No. I do not agree with Staff's rationale and the recommendation is at odds with longstanding practice. Historically, the Company has calculated the payment lead time based on the period from the end of the service period date to the payment date. If a payment is made prior to when services are fully rendered, then the payment lead time is calculated as a negative payment lead time. In the past, this methodology has been accepted in calculating the payment lead times because it accurately reflects the cash needs as compared to expense recognition.

Q. You say that the Commission has accepted a negative payment lead time in the past for the calculation of the payroll and payroll taxes. Please explain.

A. From time to time, the Company has used a negative payment lead time for management employees in rate cases that have been approved by the Commission. For example, when a management payroll period fell on a weekend or holiday, the payment date was the preceding business day, which resulted in the calculation of a negative payroll lead time. This methodology has not changed with the adjustment in management pay dates; it is simply being used on a larger scale. Furthermore, a negative payment lead time can occur in other categories of payments to meet contractual obligations, such as pre-payment of services. Negative lead times are typically accepted in these other circumstances. Therefore, they should be accepted in addressing the payroll payment lead time.

IX. MEMBERSHIP DUES

Q. Please summarize Staff's position on the Company's membership dues expenses in this case.

A. Staff witness Hardin states that the Company did not have many membership dues expenses in the test year, but she did find a membership to the American Gas Association ("AGA") and other business and professional memberships such as the Association for Materials Protection and Performance ("AMPP") and registration fees for the Principals and Practice of Engineering ("PE") exam. She states that "there appeared to be more than one year's dues associated with AMPP and registrational fees for the PE exam recorded in the test year, so Staff has proposed an adjustment to reflect one year of expenses." Consequently, Ms. Hardin disallowed 50% of 3 such invoices for 2-year fees. She additionally mentioned that Staff removed membership dues for the Monarch Butterfly Candidate Conservation Agreement. Witness Hardin then went on to explain that Staff removed no additional membership dues expenses, as the Company had booked most of their memberships below the line and did not include them in the revenue requirement. Finally, witness Hardin explained that Staff allowed the AGA membership because the Company had properly recorded the correct amount of AGA dues related to lobbying below the line and that AGA membership is beneficial because it advocates safety and growth for the gas industry.

Q. Do you agree with witness Hardin's position on the Company's membership dues expenses?

A. No. The only reason witness Hardin provides for any membership disallowance is that there "appeared to be more than one year's dues" associated with the AMPP and PE exam registration fees. Staff provides no evidence of any audit or study indicating that the test year included an abnormal level of such fees and that an adjustment is necessary. Furthermore, Staff provided no justification for disallowance of any other membership dues expense. Absent appropriate justification for a disallowance, these prudently incurred expenses should be included in the Company's revenue requirement.

Q. Are there any other aspects of membership dues you'd like to address?

A. Yes. Staff witness Ferguson states that Staff disagrees that membership dues are required to be prepaid and removed all membership dues from the Company's rate base.

Q. Do you agree with Ms. Ferguson?

A. No. The Company has a number of membership dues that are required to be prepaid by the member organization. AGA membership, which witness Hardin agrees is beneficial to the Company and its customers, is one such example. AGA dues are billed at the beginning of the membership period, are prepaid for the year and the cost is amortized over the period much like insurance. The Company includes the 13-month average prepaid balance in its rate base like all other prepaid assets. Staff has no basis to remove these prepayments from rate base in the Company's revenue requirement.

X. INJURIES AND DAMAGES

Q. Please summarize Staff's position on the Company's injuries and damages in this case.

A. In this case, Staff is proposing to normalize the Company's injuries and damages costs based on a five-year average of actual cash payments made by the Company.

Q. Do you agree with Staff's adjustment?

A. No, Staff's methodology of a five-year average ignores the fact that these costs have been rising over the past three years, as shown in figure 5 below.

<u>FIGURE 5 – CASH PAYMENTS FOR INJURIES AND DAMAGES</u>

2024	2023	2022
$163,620	$95,940	$78,102

In a rising cost environment, it is not appropriate to normalize costs via averaging.

Q. What is the Company's position regarding injuries and damages costs?

A. The Company did not propose an adjustment to the test year in this case related to injuries and damages. One reason being that the test year does not contain an abnormal event. However, if the Commission determines an adjustment is appropriate, the most appropriate method would be to rely upon the most recent actual cash payments made by the Company for the twelve months preceding the true-up date for the purposes of setting rates in this case. This would result in a reduction of $271,380, as compared to test year levels.

XI. ADMINISTRATIVE AND GENERAL COSTS ALLOCATED TO GAS OPERATIONS

Q. How do you respond to Staff witness Hardin's recommendation to the Commission regarding record keeping of allocated costs between gas and electric operations?

A. Since direct testimony was filed in this case, the Company met with Staff to discuss their concerns. The Company's subject matter experts provided a detailed walkthrough of its allocation process and provided supporting files to Staff. While the data Staff seeks may not be available in the format of Staff's recommendation in direct testimony, supporting data is available and the Company has provided it. The Company believes that progress is being made with Staff on this issue and the Company will continue to prioritize providing the data Staff seeks in a usable format.

XII. OTHER ITEMS

Q. The Company and Staff have the same methods for certain adjustments, but the adjustment amounts differ because the Company's adjustments are based on projections through true up, while Staff relies on actual results through June 30, 2024. How does the Company respond to these differences?

A. The Company intends to true up adjustments utilizing actual results through December 31, 2024, and believes it is Staff's position to do the same. As a result, the Company and Staff should have no differences in these areas upon filing true-up direct testimony. If Staff does in fact true up the following adjustments, no differences are expected to remain related to the following adjustments: (1) payroll expense (McMellen); (2) MPSC assessment (Amenthor); (3) Bad debt expense (Burton); (4) PAYS amortization;

(5) Interest on customer deposits (S. Ferguson); (6) Pension and OPEB amortization; (7) Intangible amortization (Amenthor); (8) Excess deferred income tax amortization (L. Ferguson); (9) Amortization of rate base and non-rate base expired and expiring regulatory amortization (Amenthor); (10) Property tax tracker amortization (Hardin); (11) Property taxes (Hardin); (12) Customer advances (S. Ferguson); (13) Customer deposits (S. Ferguson); (14) Pension and OPEB costs and deferrals (McMellen); (15) Property tax tracker deferral balance (Hardin); (16) PAYS deferral balance (Amenthor); (17) Accumulated deferred income taxes (L. Ferguson); (18) Income taxes (L. Ferguson); (19) PAYS revenues; and (20) Materials and supplies.

Q. Has the Company identified any errors or miscalculation in its or Staff's revenue requirement or supporting workpapers?

A. Yes. The company has conferred with Staff and Staff acknowledged errors and miscalculations that they intend to correct in rebuttal testimony.

XIII. CONCLUSION

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	)	File No.: GR-2024-0369
Revenues for Natural Gas Service.	)	

AFFIDAVIT OF BENJAMIN HASSE

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

Benjamin Hasse, being first duly sworn on his oath, states:

My name is Benjamin Hasse, 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.

/s/ Benjamin Hasse
Benjamin Hasse

Sworn to me this 1st day of April, 2025.