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Witness: Matthew R. Young
Sponsoring Party: MoPSC Staff
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Case No.: GR-2024-0369
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

MATTHEW R. YOUNG

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

CASE NO. GR-2024-0369

*Jefferson City, Missouri
April 2025*

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MATTHEW R. YOUNG**

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

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

7 Q. Please state your name and business address.

8 A. My name is Matthew R. Young. My business address is 615 E. 13th Street,
9 Kansas City, Missouri, 64106.

10 Q. Are you the same Matthew R. Young that filed direct testimony in this docket
11 on February 28, 2025?

12 A. Yes.

13 Q. What is the purpose of your rebuttal testimony?

14 A. I will explain why the Missouri Public Service Commission (“Commission”)
15 should decline to adopt the discrete adjustment proposed by Union Electric Company, d/b/a as
16 Ameren Missouri’s (“Ameren Missouri”) witness Steven M. Wills. The discrete adjustment
17 recommended by Ameren Missouri is not known and measurable and does not promote a proper
18 ratemaking relationship of investment, revenues, and expenses and so should not be included
19 in the current revenue requirement.

20 **DISCRETE ADJUSTMENT**

21 Q. What is a discrete adjustment?

22 A. For ratemaking purposes, a discrete adjustment is the recognition of an
23 out-of-period event in a utility’s revenue requirement. In this docket, the true-up date ordered

1 by the Commission is December 31, 2024, so adjustments for investments, costs, or revenues
2 related to events beyond that date are considered discrete adjustments. Adjustments of this
3 nature have also been referred to as “out-of-period” or “isolated” adjustments in other cases
4 before the Commission.

5 Q. What discrete adjustment does Ameren Missouri recommend?

6 A. As described in the direct testimony of Pamela Harrison, Ameren Missouri
7 expects to complete Phase 2 of its Northeast Territory Gas System Reliability Upgrade project
8 (“Phase 2”) in July 2025, at an estimated cost of \$50 million.¹ Mr. Wills’ direct testimony
9 provides Ameren Missouri’s argument as to why the cost of Phase 2 should be included in the
10 current cost of service although it will not be in use and useful until after the
11 December 31, 2024, true-up date ordered in this case.²

12 Q. Please summarize Ameren Missouri’s argument for including Phase 2 in the
13 revenue requirement.

14 A. Mr. Wills’ direct testimony explains:

- 15 ■ It is necessary to include Phase 2 in rate base in this case in order to have a
16 reasonable opportunity to recover its prudently incurred costs and earn a
17 reasonable return on its investment when rates take effect.³
- 18 ■ Phase 2 is material investment for the gas operations of Ameren Missouri.⁴

¹ Harrison direct, page 14 line 21 – page 15 line 2.

² Wills direct, pages 7 – 12.

³ Id at Page 8, lines 17 – 20.

⁴ Id at Page 8, line 21 – Page 9, line 2.

1 ▪ Due to the eleven-month rate case schedule, it is impossible to time rate cases to
2 the completion of each phase of the entire project in a way that reasonably
3 minimizes regulatory lag.⁵

4 ▪ Reaching forward to reflect Phase 2 in rates is a more efficient use of resources
5 of the Commission and all of the parties in the proceeding.⁶

6 Q. Has the Commission recently provided guidance on when a discrete adjustment
7 might be appropriate?

8 A. Yes. The Commission stated on pages 112 and 113 in the *Amended Report and*
9 *Order* for Case No. ER-2019-0374:

10 The criteria for determining whether an event outside the test year should
11 be included is whether the proposed adjustment: 1) is known and
12 measurable; 2) promotes the proper relationship of investment, revenues
13 and expenses; and; 3) is representative of the conditions anticipated
14 during the time the rates will be in effect.

15 Q. Does Ameren Missouri’s direct testimony address the Commission’s framework
16 for including a discrete adjustment?

17 A. No. Although Phase 2 is expected to be operational during the time rates will
18 be in effect, the in-service date is an estimate and not guaranteed to be operational when rates
19 become effective. In addition to the in-service date, the final total cost of the project is not
20 known and measurable and including Phase 2 does not promote a proper relationship of
21 investment, revenues, and expenses.

22 Q. When will the cost of Phase 2 be known and measurable?

⁵ Id at page 9, line 9 – page 10, line 6.

⁶ Id at page 10, lines 10 – 20.

Rebuttal Testimony of
Matthew R. Young

1 A. The cost of Phase 2 cannot be considered known and measurable prior to the
2 date the project has met in-service criteria and is recorded in the plant-in-service account.
3 Ameren Missouri expects Phase 2's in-service date will be July 31, 2025.⁷

4 Q. Is the timing of Phase 2's completion known and measurable?

5 A. No. Ameren Missouri identified that this project was necessary in
6 October 2019,⁸ and has been managing the expected in-service date of Phase 2 as the project
7 developed. The latest revision to the in-service date happened on September 11, 2024, when
8 Ameren Missouri changed the expected in-service date of Phase 2 from September 2025 to
9 July 2025.⁹ However, even though the current expected in-service date of July 31, 2025, falls
10 before the change in rates, it is still an estimation and is not known and measurable.

11 Q. Does the latest change in Phase 2's estimated in-service date undermine
12 Ameren Missouri's direct testimony?

13 A. Yes. The timing of the most recent change in Phase 2's completion date shows
14 that Ameren Missouri did not have the intention of including Phase 2 in the current rate increase
15 request until 19 days before filing, which contradicts Mr. Wills' assertion that a reasonable
16 return on investment can only be obtained from this case if Phase 2 is charged to ratepayers.
17 Since the update to the expected in-service date happened just weeks before Ameren Missouri
18 filed this case (filed on September 30, 2024), and preparing a rate case requires considerable
19 manpower and a timeframe longer than 19 days, it clearly did not expect Phase 2 to be in-service
20 before the statutory September 1, 2025, operation of law date while it prepared for its
21 direct filing.

⁷ Staff Data Request No. 0242.

⁸ Staff Data Request No. 0252.

⁹ Staff Data Request No. 0254.

1 Q. Will the Staff of the Missouri Public Service Commission (“Staff”), or the
2 Commission itself, have an opportunity to challenge Phase 2 after it becomes known
3 and measurable?

4 A. No. The last day for discovery in this docket is May 30, 2025, which is two
5 months prior to the estimated in-service date. As such, the parties will have no opportunity to
6 submit discovery on the completed Phase 2, process Ameren Missouri’s responses, give the
7 Commission a recommendation, and respond to other parties’ recommendations. Additionally,
8 the anticipated in-service date of July 31, 2025, is subsequent to the scheduled reply/true-up
9 briefs filed by the parties in this case and any process to allow for the Commission’s evaluation
10 of recommendations for Phase 2 was not included in the procedural schedule Ameren Missouri
11 jointly recommended, nor is any such process included in the procedural schedule the
12 Commission has ordered. As such, the record in this case cannot hold any challenges to Phase 2
13 for the Commission to consider. Until the time Missouri regulators no longer rely on the
14 historical known and measurable standard or the matching principle, the timing of Phase 2 does
15 not allow for inclusion under the Commission’s discrete adjustment criteria.

16 Q. Does Ameren Missouri’s recommendation satisfy the Commission’s
17 requirement for a proper relationship of investment, revenues, and expenses?

18 A. No, it does not. The relationship between investment, revenues, and expenses
19 is often referred to as the “matching principle”.

20 Q. What is the matching principle?

21 A. The accounting profession recognizes that the fundamental reason companies
22 acquire assets, incur liabilities, and pay expenses is because doing so is necessary in the
23 production of revenue. The matching principle in accounting generally states that when a

1 business' revenues reported in a period are tied to the realized assets, liabilities, and expenses
2 related to that period's revenues, then the financial statements accurately portray the business'
3 economic position. For ratemaking purposes, the matching principle is used to adjust a utility's
4 rate base, expenses, and revenues to reflect a holistic calculation of its cost of service at a single
5 point in time. The matching principle is violated in ratemaking when investments, costs, or
6 revenues from one time period are recognized in another time period for ratemaking purposes.

7 Q. What time period was used in this case?

8 A. In Staff's direct filing, historical costs through June 30, 2024, were analyzed to
9 adjust Ameren Missouri's rate base, revenues, and expenses in order to reflect the investment
10 and net income expected when rates become effective. The parties intend to true-up the major
11 cost of service elements using actual costs through December 31, 2024. Since
12 Ameren Missouri's discrete adjustment reaches beyond the true-up date, it violates the
13 ratemaking matching principle.

14 Q. Why is the matching principle important for ratemaking purposes?

15 A. The anticipated outcome of a rate case is customer rates that recover the total
16 ongoing cost of service approved by the Commission, when contemplating all relevant factors.
17 However, each stakeholder involved in the rate proceeding has an incentive to offer
18 recommendations on cost recovery that tilts the ongoing cost of service to their advantage.
19 Utilities have an incentive to maximize rates (within reason) to boost shareholder earnings
20 while consumer advocates work to minimize rates (within reason) to protect ratepayers. One of
21 the means of achieving a party's end is for a witness to "shop" past and future financial
22 experience to find a time period that is most supportive of its party's objective, and at the same
23 time ignore time periods that are detrimental to its party's interests. In other words, different

1 time periods can provide levers a party can use to move the revenue requirement in a desired
2 direction. A utility is more likely to inform the Commission of increases to its cost of service
3 than it is to communicate decreases and the opposite can be true for other parties providing the
4 Commission with recommendations. The matching principle is important for ratemaking
5 because honoring the matching principle is a reasonable and fair way for the Commission to
6 eliminate biased recommendations from the record it considers.

7 Q. Are rate cases in Missouri organized around the recognition of the
8 matching principle?

9 A. Yes. In the early portion of a large rate case, the Commission establishes a test
10 year period and update period in which to recognize changes in test year costs, as well as a
11 true-up date (if necessary) in which to recognize any major events that impact a utility's cost of
12 service. The Commission orders these items to allow for the proper recognition of ongoing rate
13 base, costs, and revenues in a utility's cost of service.

14 Q. Should the Commission routinely allow discrete adjustments that would
15 otherwise not be considered as part of the test year, update period, or true-up?

16 A. No. While some circumstances may justify exceptions, the Commission should
17 approve discrete adjustments sparingly. Each case is already organized in a best effort to fairly
18 capture a utility's cost of service, and discrete adjustments present an opportunity for bias in
19 the revenue requirement. As the Commission recognized in a complaint against the
20 Southwestern Bell Telephone Company:

21 Ordinarily, a[n out-of-period] change which occurs in the normal course
22 of business does not allow for accurate matching. Examining other items
23 does not provide an answer, both because of the time constraints on Staff
24 in auditing the company and preparing its case, and because the effect is

1 to create a new test year. At some point a line must be drawn and heeded;
2 otherwise, the concept of a test year becomes eviscerated.¹⁰

3 Q. Is Ameren Missouri familiar with the Commission's historical approach to
4 establishing just and reasonable rates?

5 A. Yes. Ameren Missouri has been before the Commission countless times to
6 establish just and reasonable rates.

7 Q. Can Ameren Missouri influence the timing and scheduling of its rate request?

8 A. Absolutely. Ameren Missouri is aware of the current eleven-month rate case
9 process in Missouri and can use its experience and knowledge of its financial position to
10 identify the need and timing of a rate case proceeding as well as support a test period, update
11 period, and true-up date that is desirable from its perspective. In fact, Ameren Missouri is the
12 only party in this proceeding that can proactively, as opposed to reactively, consider a test year,
13 update, and true-up date for its revenue requirement.

14 Q. Does Ameren Missouri's decision to time this rate case the way it has indicate
15 that it would be financially disadvantaged if the Commission declined to include the cost of
16 Phase 2?

17 A. No. Although Mr. Wills opines that including Phase 2 in the revenue
18 requirement is the way to provide Ameren Missouri with a reasonable opportunity to earn a
19 return of and a return on a sizeable investment¹¹, Ameren Missouri made the decision to ask
20 the Commission to give it an exception from the historical approach to ratemaking it is familiar
21 with, instead of timing the case differently. If Ameren Missouri's filing were delayed until

¹⁰ Case Nos. TC-93-224 & TC-93-192.

¹¹ Wills direct page 10, lines 10-14.

1 Phase 2 could be included inside of a true-up date, the in use and useful, known and measurable,
2 and matching principles would not have been an issue.

3 Q. Does Mr. Wills' direct testimony describe the regulatory lag consequences of
4 delaying this case to accommodate Phase 2?

5 A. Yes. Mr. Wills points out that delaying this case to include Phase 2 would only
6 increase the regulatory lag Ameren Missouri would experience from the delay of recovering
7 the return on and return of its investment in Phase 1 of the same project.¹²

8 Q. Do you agree with the regulatory lag Mr. Wills describes?

9 A. I agree in theory that when Phase 1 was placed into service, Ameren Missouri
10 started incurring depreciation expense that is not reflected in its current retail rates. However,
11 referring to the matching principle again, Mr. Wills' testimony does not provide a description
12 of other changes to income Ameren Missouri experienced while rates stayed the same.
13 In theory, cost increases such as Phase 1's depreciation expense can be offset by other cost
14 decreases and/or increases to a utility's revenue.

15 Q. Has Ameren Missouri enjoyed positive regulatory lag since rates were last set?

16 A. Yes. Ameren Missouri's witness Pamela Harrison describes how revenues have
17 increased from customer growth over the last five years. She specifically addresses the increase
18 in revenue in the portion of her direct testimony describing the need for the upgrade
19 to infrastructure:

20 The Wentzville area has an average annual customer growth of 2.97%
21 over the last 5 years and the current system is projected to lose the ability
22 to support the area's growth by winter of 2025.¹³

¹² Id at page 9, line 9 – page 10, line 6.

¹³ Harrison direct testimony, page 13 lines 5 – 7.

1 The year after year growth in the Wentzville area increased Ameren Missouri's revenue
2 and decreased its cost of service while rates did not change. Also, see the rebuttal testimony of
3 Staff witness Keith Majors filed concurrently with this testimony for a discussion of
4 regulatory lag.

5 Q. Are rate cases the only tool a Missouri utility has to address cost recovery?

6 A. No. If cost increases cannot be absorbed by a utility there are other options
7 available to it for relief, especially regarding plant investments. A common method of relief
8 for a spike in depreciation expense is for a utility to request an Accounting Authority Order
9 ("AAO") that would allow it to defer the increase in costs for consideration in a future rate case.

10 Q. Did Ameren Missouri request an AAO for the effects of Phase 1 going
11 into service?

12 A. No, it did not. The lack of requested relief indicates that Ameren Missouri's
13 rates are likely sufficient even with the increase in depreciation expense due to offsetting
14 positive regulatory lag.

15 Q. Mr. Wills indicated that allowing the recovery of Phase 2 in the current case will
16 allow Ameren Missouri to defer its next rate case by up to a couple of years.¹⁴ Should this
17 perspective influence the Commission?

18 A. No. The need for Ameren Missouri's next rate case is purely speculative and
19 Mr. Wills' assertion is an empty promise. Future changes to Ameren Missouri's cost of service
20 are not known and a rate case can be triggered or deferred by any number of events. The
21 annual 2.97% customer growth in the Wentzville area, or any other customer growth, could

¹⁴ Wills direct, page 10 lines 17 – 20.

1 continue to suppress the need for a rate review. Likewise, an unexpected cost increase could
2 hasten Ameren Missouri's next rate case.

3 Q. Would a delay in Ameren Missouri's next rate case alleviate the Commission's
4 future budget requirements?

5 A. No. Generally speaking the cost of the Commission, and Staff, does not increase
6 or decrease with additional case load. The Commission and Staff exist to respond to utility
7 requests no matter how frequent. Most efficiencies gained by deferring a rate case into the
8 future would be realized by Ameren Missouri, which incurs costs on a per-case basis. However,
9 Ameren Missouri's employees and consultants are compensated for the work they perform and
10 the compensation is fairly reflected in rates so the Commission should not be persuaded to
11 increase rates to ease a utility's workload.

12 Q. Would it be easier for the Commission and Staff to evaluate less cases instead
13 of more cases?

14 A. Possibly, but steering a decision towards the path of least resistance would be
15 unethical. Staff asserts that it would not be appropriate for the Commission to increase the
16 amount Ameren Missouri's ratepayers are charged for utility service in order to make the
17 Commission's own duties, or that of its Staff or any other party, easier in the future.

18 Q. Does this conclude your rebuttal testimony?

19 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

Case No. GR-2024-0369

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
)
COUNTY OF Jackson) ss.

COMES NOW MATTHEW R. YOUNG and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Matthew R. Young*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



MATTHEW R. YOUNG

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.



Notary Public

