

Exhibit No. 852

Missouri School Board Association – Exhibit 852
David Vognsen
Surrebuttal Testimony (Gas)
File Nos. ER-2021-0240 & GR-2021-0241

Exhibit No.: _____
Issue: In the Matter of Union Electric Company d/b/a Ameren Missouri's
Tariffs to Adjust Its Revenues for Natural Gas Service
Witness: David Vognsen
Exhibit Type: Surrebuttal
Sponsoring Party: Missouri School Boards' Association
Case No.: GR-2021-0241
Date: November 5, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE No. GR-2021-0241

SURREBUTTAL TESTIMONY

OF

DAVID VOGNSEN

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

**Jefferson City, Missouri
November 5, 2021**

1 **Q. Please state your name and business address.**

2 A. My name is David Vognsen. My business address is 150 First Avenue NE, Suite 300 Cedar
3 Rapids, IA 52401.

4 **Q. On whose behalf is your testimony presented?**

5 A. I am testifying on behalf of the Missouri School Boards' Association (hereinafter
6 "MSBA").

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

8 A. I am energy advisor with the firm of Latham, Ervin, Vognsen, and Associates ("LEV"). I
9 am the Vice President of Rates and Regulatory for the firm.

10 **Q. Will you briefly describe Latham, Ervin, Vognsen & Associates?**

11 A. LEV is an independent energy adviser, primarily to Midwestern purchasers of natural gas,
12 electricity and steam. Our clients include K-12 education institutions, colleges,
13 universities, grain handling and feed industry companies, hospitals, cities, large industrial
14 companies, smaller municipal electric utilities and trade associations. LEV is not affiliated
15 with any utility, energy marketer, broker or pipeline. Our primary activities are negotiation
16 of short-term and long-term electric supply and natural gas supply agreements, aggregation
17 of clients into larger purchasing pools, oversight of the administration of energy supply
18 contracts, preparation of Class Cost of Service and rate design studies, provide expert
19 witness testimony in state and federal jurisdictions, advice on strategic energy investments
20 in electric generation, negotiation of the purchase and sale of energy production and
21 aggregation businesses, and advice on market participation in Regional Transmission
22 Organizations. Our firm has advised clients on the establishment and operations of

1 statewide school natural gas programs in Missouri, Illinois, Iowa, Wisconsin, Nebraska
2 and Kansas.

3 **Q. Please state your relevant education and background business experience.**

4 A. I received a Bachelor of Arts degree from the University of Northern Iowa and a Master of
5 Business Administration degree from the University of Iowa. I joined LEV in January 2020
6 advising clients on natural gas and electric regulatory matters including retail rate design,
7 aggregate purchasing, development and negotiation of contracts, tariff applications and
8 economic feasibility analyses, Midcontinent Independent System Operator (“MISO”),
9 Southwestern Power Pool (“SPP”) and PJM Independent System Operator (“ISO”) rates
10 and regulations.

11 **Q. Have you testified as an expert witness before courts, legislatures, and regulatory
12 bodies?**

13 A. I have over 33 years of experience in the utility industry with over 27 years of experience
14 specific to retail rate regulation which included electric and natural gas rate design, electric
15 and natural gas retail tariff filings, development of pricing policies, and development of
16 energy contracts. I have testified before the Iowa Utilities Board, the Minnesota Public
17 Utilities Commission, and the Illinois Commerce Commission.

18 **Q. On whose behalf are you testifying?**

19 A. I am testifying on behalf of MSBA, a 501(c)(6) not-for-profit corporation representing 387
20 schools and school districts in the State of Missouri as a trade association with
21 approximately 2,000 individual school locations, several of which have multiple natural
22 gas meters or accounts.

23 **Q. What is the purpose of your testimony?**

1 A. My testimony is responsive to the rebuttal testimony of Commission staff witness Keenan
2 Patterson and is focused on his claims that revising the balancing provisions for the school
3 aggregation program by adjusting the following month's nominations shifts costs to other
4 customers and that the imbalances should be cashed out monthly (Patterson Rebuttal, 2:19-
5 20, 9:20-10:14).

6 **Q. Do you agree that cashing out MSBA imbalances monthly based upon a Purchased
7 Gas Adjustment ("PGA") ensures all parties are made whole?**

8 A. No. LEV has been directly involved with oversight of natural gas transportation
9 purchasing pools on behalf of public schools throughout the upper Midwest including
10 Illinois, Iowa, Nebraska, in addition to Missouri. The gas transportation tariffs of the
11 utilities in these states are typically do not utilize a PGA monthly cash-outs.

12 **Q. Why are PGA clauses not appropriate for determining the value for a cash out for
13 the MSBA program?**

14 A. A PGA not only includes the commodity cost for the natural gas but also includes the
15 fixed demand-related charges including interstate pipeline transmission costs to deliver
16 the gas commodity to the utility's natural gas distribution system¹. Ameren's PGA tariff
17 includes these pipeline demand charges which is typical of a PGA clause. Ameren's
18 demand-related costs, in addition to fixed pipeline transmission costs, include fixed
19 seasonal and peaking storage costs, fixed gas supply charges, fixed purchase storage, and
20 other Federal Energy Regulatory Commission ("FERC") authorized fixed charges.
21 Ameren's PGA tariff annualizes an estimate of gas costs and the annualized costs are
22 unrelated to the incremental gas costs for any particular month in which an imbalance is

¹ See Ameren Rider A, Purchase Gas Adjustment, Sheet No. 24

1 cashed out. In addition, and of particular concern, the PGA includes an annual ACA
2 reconciliation component to recover or refund over or under collections of gas costs during
3 the prior PGA year such as Polar Vortex Uri costs. The ACA would not be related to the
4 incremental costs for any particular month in which an imbalance is cashed out.

5 **Q. Does a cash-out for MSBA participants based on a PGA, which includes fixed demand**
6 **costs, result in just and reasonable rates?**

7 A. No, a PGA used in pricing the cash outs for MSBA participants results in unjust and
8 unreasonable rates. It results in system-supplied customers being subsidized by MSBA
9 participants. It is inconsistent with the well-established ratemaking principle that rates are
10 based upon the costs to provide service. The PGA is not the marginal cost Ameren incurs
11 to provide gas for monthly imbalances. The fixed demand charges that are part of
12 Ameren's PGA are not related to the current monthly cost of purchasing any incremental
13 gas supply for MSBA schools related to their cash outs. MSBA participants currently pay
14 for their fixed demand costs via their billings from their natural gas supplier which
15 includes their fixed costs, such as pipeline transmission capacity, that are secured on
16 behalf of pool participants (or Ameren has released the capacity to the pool participants
17 pursuant to the school transportation tariff). In either case, the pool participants are
18 already paying for their fixed demand costs including pipeline transmission capacity.
19 Specifically, Section 393.310 RSM provides for Ameren to release any pipeline capacity
20 at cost and MSBA pipeline costs are being passed directly on to MSBA participants². The
21 statute does not provide for Ameren to charge MSBA based on a PGA.

² Section RSMo 393.310 subsection 4 (2) - Provide for the resale of such natural gas supplies, including related transportation service costs, to the eligible school entities at the gas corporation's cost of purchasing of such gas supplies and transportation, plus all applicable distribution costs, plus an aggregation and balancing fee to be determined by the commission, not to exceed four-tenths of one cent per therm delivered during the first year;

1 **Q. Have the results of the MSBA pilot indicated that Ameren was required to purchase**
2 **additional pipeline capacity or any other fixed demand costs that impacted Ameren’s**
3 **PGA in support of the pilot?**

4 A. No. There has been no evidence that Ameren has been required to purchase additional
5 pipeline capacity or any other PGA fixed demand costs to support the pilot.

6 **Q. Would MSBA be required to subsidize other customers through the PGA mechanism**
7 **that includes polar vortex costs and resulting in MSBA being charged unjust and**
8 **unreasonable rates if the PGA is used as a basis for the monthly cash-out?**

9 A. Yes. In Docket No. GR-2021-0291 Ameren filed to collect Polar Vortex Uri costs related
10 to securing natural gas for system-supplied customers. Ameren proposes to recover these
11 extraordinary costs over a 36-month period through the Actual Cost Adjustment factor
12 (“ACA”). Since the ACA is included as component of the PGA, MSBA customers would
13 also be subjected to paying for these polar vortex costs if the PGA is used for cash outs.
14 MSBA customers were not the cost causer for polar vortex costs proposed for recovery in
15 ACA and have already paid the polar vortex costs they incurred. They should not be
16 subjected to paying for the polar vortex costs of system-supplied customers collected
17 through the PGA mechanism. Therefore, the PGA would again result in an unjust and
18 unreasonable rate to use as a basis for cash-outs

19 **Q. In your experience, have regulated gas distribution companies typically based costs**
20 **for cash-outs of school transportation tariffs on a PGA?**

21 A. No. For example, Ameren-Illinois had their proposal to include the PGA in their cash-out
22 rejected by the Illinois Commerce Commission twice³.

³ See testimony of Louie R. Ervin Sr. in Missouri Commission case GR-2019-0077, ICC Orders in Docket Nos. 11-0282 and 15-0439.

1 **Q. In your experience developing cash-out provisions for customers with load**
2 **characteristics similar to schools was the cash-out based upon a PGA?**

3 A. No. During my prior employment in developing the natural gas tariffs for Alliant Energy's
4 Iowa subsidiary, Interstate Power and Light ("IPL"), imbalance cash-outs were tied to the
5 market value of the natural gas using indexes such as the Chicago City Gate or the NNG
6 Ventura, not the PGA. Similar to the Ameren pilot, under the IPL transportation tariff
7 school pools throughout IPL's Iowa service territory are balanced on a monthly basis and
8 do not have telemetering. The monthly cash-out is based upon the index prices described
9 above⁴. Throughout my experience associated with this tariff I never encountered natural
10 gas suppliers attempting to "game" the system through this type of imbalance cash-out.

11 **Q. What should be the basis compensation for the over or under delivery of gas supply**
12 **(imbalances) be for MSBA to avoid subsidies between MSBA and system-supplied**
13 **customers?**

14 A. It should be at Ameren's current monthly market-price of gas (without penalties that have
15 no cost-basis). This is consistent with Section 393.310 RSM requiring charges for the
16 schools be at the Company's cost of providing services. MSBA's proposal for cash-outs
17 as provided in the testimony of MSBA witness Louie R. Ervin II supports a such a cash-
18 out methodology.

19 **Q. Does this conclude your surrebuttal testimony?**

20 A. Yes, it does.

⁴ See IPL's Natural Gas Tariff, Transportation of Customer-owned Gas, Small Volume Balancing, tariff sheet no. 55

