

Exhibit No.:
Issue(s): *Injuries and Damages,
Customer Convenience
Fees*
Witness: *Nathan Bailey, CPA*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal/True-Up Direct
Testimony*
Case No.: *GR-2024-0369*
Date Testimony Prepared: *May 2, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL/TRUE-UP DIRECT TESTIMONY

OF

NATHAN BAILEY, CPA

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

CASE NO. GR-2024-0369

*Jefferson City, Missouri
May 2025*

1 **SURREBUTTAL/TRUE-UP DIRECT TESTIMONY**

2 **OF**

3 **NATHAN BAILEY, CPA**

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

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

7
8 Q. Please state your name and business address.

9 A. My name is Nathan Bailey. My business address is Fletcher Daniels State Office
10 Building, Room 201, 615 East 13th Street, Kansas City, MO 64106.

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

12 A. I am a Utility Regulatory Auditor with the Missouri Public Service
13 Commission (“Commission”).

14 Q Are you the same Nathan Bailey who filed Direct Testimony on
15 February 28, 2025, in this case?

16 A. Yes, I am.

17 Q. What is the purpose of your surrebuttal/true-up direct testimony?

18 A. The purpose of my surrebuttal/true-up direct testimony is to respond to the
19 rebuttal testimony of Ameren Missouri witness Benjamin Hasse regarding injuries and damages
20 expense as well as to provide an update in Staff’s position for both injuries and damages as well
21 as Customer Convenience Fees expense as part of Staff’s true-up audit.

1 **INJURIES AND DAMAGES**

2 Q. What is Staff's goal when reviewing costs such as injuries and damages?

3 A. Staff's goal in reviewing injuries and damages is to ensure that the cost of service
4 reflect, as closely as possible, known and measurable costs related to injuries and damages.

5 Q. How does Ameren Missouri's estimated injuries and damages expense differ
6 from known and measurable injuries and damages payments?

7 A. In order to satisfy the matching principal and record expenses in the same period
8 in which they occur, Ameren Missouri accrues and maintains an injury and damages reserve
9 amount on its books. This accrual is an estimated expense which is recorded each month for
10 injuries and damages, increasing this reserve. When litigation is settled, payments from
11 Ameren Missouri reduce the reserve. Note that actual payments do not determine expense
12 under this accounting method, estimated reserve accruals do. For ratemaking purposes, actual
13 payments are known and measurable and are reflected in the cost of service.

14 Q. Did Staff and Ameren Missouri use actual payments to calculate injuries and
15 damages expense?

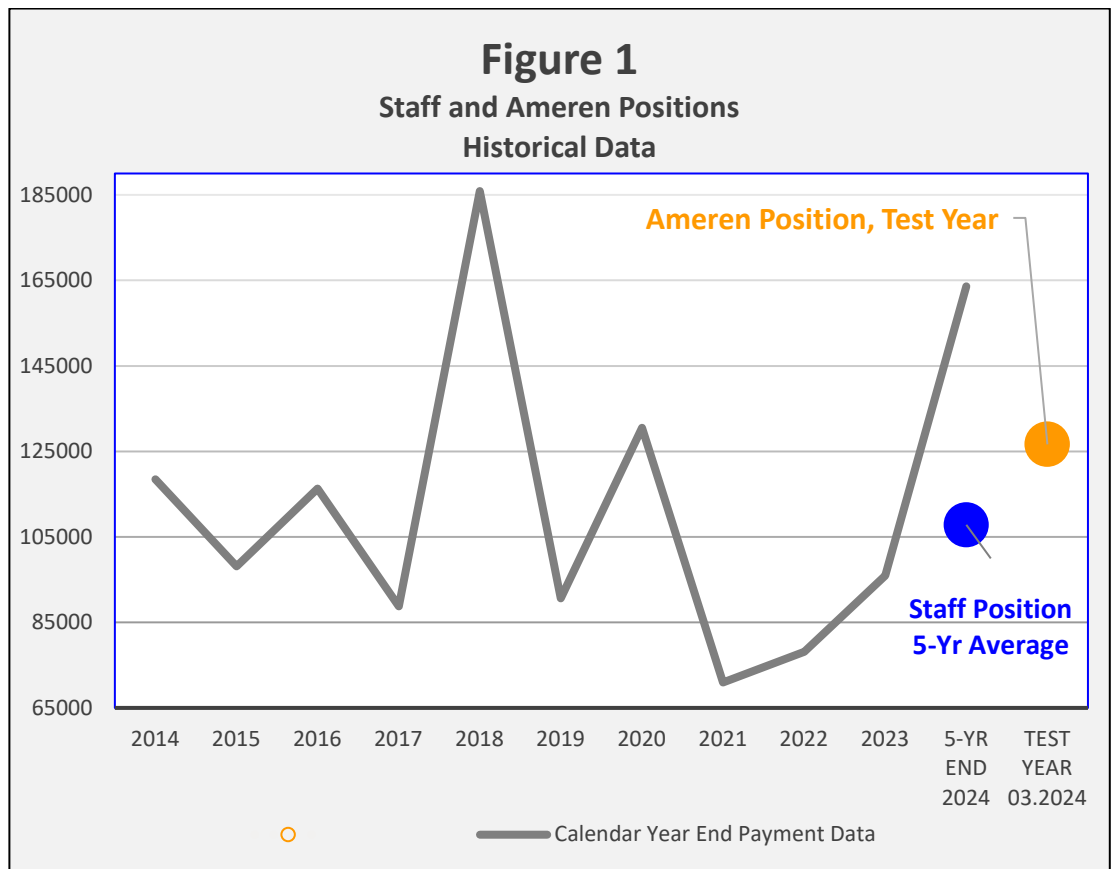
16 A. Yes. Both Staff and Ameren Missouri used known and measurable historical
17 payment data from settled litigation as a basis to calculate a normalized level of expense for
18 injuries and damages.

19 Q. What does Staff recommend for a normalized level of injuries and
20 damages expense?

21 A. Staff recommends a five-year average of actual payments ending
22 December 31, 2024, to be the most appropriate normalized level of expense. Staff reviewed
23 multiple years of historical actual payments for injuries and damages for this recommendation.

1 Q. Does Ameren Missouri agree with Staff’s position?

2 A. No. Ameren Missouri supports using the test year payments rather than the
3 average of payments over the five-year period ending December 31, 2024, which is the most
4 recent data in this case. In rebuttal testimony, Ameren Missouri’s witness Benjamin Hasse
5 asserted that, “Staff’s methodology of a five-year average ignores the fact that these costs
6 [payments] have been rising over the past three years.”¹ Simply put, Mr. Hasse asserts that
7 three years of increasing payments justify using the test year, which is more than 10% higher
8 than any 5-year average for data reaching back to 2014. Please see Figure 1 below for Staff’s
9 and Ameren Missouri’s positions and calendar year payment totals.



¹ Page 15, lines 7-8, of Benjamin Hasse Rebuttal Testimony, April, 2025, GR-2024-0369

1 Q. How would you dispute Mr. Hasse's assertion?

2 A. It is a fact that the referenced three years of rising payments followed a 10-year
3 record low for the year ending December 31, 2021. Furthermore, the following year, 2022,
4 holds the second lowest payments for the same period. The highest and lowest annual payment
5 totals in that same 10-year period are only three years apart. This highlights the risks of using
6 a single year or even three years of payments to calculate normalized expenses that ratepayers
7 are expected to pay for multiple years between rate cases. Using a single year might select a
8 high or low year which could overcharge ratepayers, or provide insufficient reimbursement to
9 Ameren Missouri.

10 Furthermore, the assertion that payments are trending upwards is undercut by
11 Ameren Missouri's own expense accruals. In January 2024, Ameren Missouri reduced its
12 injuries and damages accrual by 37% after 10 years of steady accrual. This reduction occurred
13 after two of the three years of rising costs referenced in Mr. Hasse's rebuttal testimony.² While
14 only Mr. Hasse can explain why Ameren would reduce accruals if costs are trending upward or
15 merely fluctuating, it is clear that a single year is not appropriate for normalization, given the
16 fluctuation of costs.

17 Q. What changes has Staff made to injuries and damages expense since filing its
18 direct testimony?

19 A. Staff's adjustment reflects actual expense levels that are known and measurable
20 by adjusting to the five-year average of actual payments through the true-up period ending
21 December 31, 2024.

² Page 15, lines 7-8, of Benjamin Hasse Rebuttal Testimony, April, 2025, GR-2024-0369

1 **CUSTOMER CONVENIENCE FEES**

2 Q. Does Staff recommend any changes to customer convenience fees?

3 A. Yes.

4 Q. What changes does Staff recommend based on its true-up audit regarding
5 customer convenience fees?

6 A. Staff recommends updating customer convenience fees to reflect an increase in
7 fees paid due to an increase in the number of transactions through the true-up date,
8 December 31, 2024.

9 Q. How does Staff and Ameren Missouri differ and why?

10 A. Staff uses the latest 12 months of data to determine an annual level of expense
11 while Ameren Missouri uses a 13-month average multiplied by 12 to determine an annual level
12 of expense. In a past rate case, Staff incorrectly used a 13-month average to calculate
13 convenience fees. Ameren Missouri appears to be following this methodology from Case
14 No. GR-2021-0241. A 13-month average is typically used for determining an appropriate
15 amount to include in the cost of service for rate base items. This is because a rate base item
16 typically includes a beginning and ending balance that is held on the balance sheet of the utility.
17 That balance is then amortized to expense over an annual period. This methodology is incorrect
18 for annualizing expenses as there is no balance held on the balance sheet, but rather the cost is
19 expensed as incurred in the income statement. Staff is attempting to include a year's worth of
20 the expense in the cost of service.

21 Q. Does this conclude your surrebuttal/true-up direct testimony?

22 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)	Case No. GR-2024-0369
Its Revenues for Natural Gas Service)	

AFFIDAVIT OF NATHAN BAILEY, CPA

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW NATHAN BAILEY, CPA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Nathan Bailey, CPA*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



NATHAN BAILEY, CPA

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 28th day of April 2025.



Notary Public

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