

*Exhibit:*  
*Issue(s):* Discrete Adjustment, True-Up Adjustments  
*Witness:* Matthew R. Young  
*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 AND BUSINESS ANALYSIS DIVISION**

**AUDITING DEPARTMENT**

**SURREBUTTAL/TRUE-UP DIRECT TESTIMONY**

**OF**

**MATTHEW R. YOUNG**

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

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

*Jefferson City, Missouri  
May 2025*

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**MATTHEW R. YOUNG**  
**UNION ELECTRIC COMPANY,**  
**d/b/a Ameren Missouri**  
**CASE NO. GR-2024-0369**

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1                                   **SURREBUTTAL/TRUE-UP DIRECT 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 and my business address is 615 E. 13<sup>th</sup> Street,  
9                   Kansas City, MO 65106.

10                  Q.     Are you the same Matthew Young who previously provided testimony in  
11                  this case?

12                  A.     Yes. I provided direct testimony in this case on February 28, 2025, and I  
13                  provided rebuttal testimony on April 4, 2025.

14                   **EXECUTIVE SUMMARY**

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

16                  A.     The purpose of this filing is to respond to the rebuttal testimonies of Union  
17                  Electric Company, d/b/a as Ameren Missouri (“Ameren Missouri”) witnesses Pamela Harrison,  
18                  Stephen J. Hipkiss, and Steven M. Wills as well as the Office of the Public Counsel (“Public  
19                  Counsel”) witnesses John A. Robinett and John S. Riley regarding discrete adjustments. I will  
20                  also identify an income statement adjustment that I am sponsoring as part of the Staff of the  
21                  Missouri Public Service Commission’s (“Staff”) true-up filing.

**DISCRETE ADJUSTMENTS**

Q. What is a discrete adjustment?

A. For ratemaking purposes, a discrete adjustment is the recognition of an out-of-period event in a utility's revenue requirement. In this docket, the true-up date ordered by the Commission is December 31, 2024, so adjustments for investments, costs, or revenues related to events beyond that date are considered discrete adjustments. Adjustments of this nature have also been referred to as "out-of-period" or "isolated" adjustments in other cases before the Commission.

Q. Did Ameren Missouri request approval to include a discrete adjustment in the current cost of service?

A. Yes. Ameren Missouri's direct case, as modified in rebuttal testimony,<sup>1</sup> recommends increasing rate base by \$49,870,710 to include the cost of Phase 2 of its Northeast Territory Gas System Reliability Upgrade project ("Phase 2"). Including the cost of Phase 2 is a discrete adjustment because Phase 2 is not expected to be in-service until July 31, 2025, which is beyond the December 31, 2024, true-up date ordered in this case. Ameren Missouri will revise the amount it recommends to include in rate base in its true-up revenue requirement.

Q. Did Staff recommend including a discrete adjustment in Ameren Missouri's cost of service?

A. No. Staff does not recommend inclusion of any discrete adjustments in this case. However, my direct testimony presented an alternative recommendation to the Commission in the event that it decides to include Phase 2 in this case. Staff's alternative position recommends discrete adjustments for changes related to:

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<sup>1</sup> Hipkiss rebuttal page 24, lines 6 – 7.

- Investment in Phase 2 of the Northeast Territory Project
- Adjustment of the investment amount
- Additional accumulated depreciation of the Phase 2 investment
- Accumulated deferred income taxes from the Phase 2 investment
- Additional accumulated depreciation of Ameren Missouri's December 31, 2024, plant in service
- Decrease in depreciation expense from the retirement of December 31, 2024, plant
- Decrease in amortization expense from full amortization of December 31, 2024, intangible assets
- Increase in revenues from customer growth
- Decrease in Operations & Maintenance Expenses ("O&M") costs gained through continuous improvement programs.

Q. Has Public Counsel offered a position on discrete adjustments?

A. Yes. Public Counsel witness John S. Riley urges the Commission to not include Phase 2 in this rate case.<sup>2</sup> While Public Counsel witness John A. Robinett does not make a recommendation on the validity of discrete adjustments, he calculates what the value of net plant might be when Ameren Missouri's rates change on September 1, 2025.<sup>3</sup>

Q. Has the Commission provided guidance on the criteria for discrete adjustments?

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

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

When setting rates, the choice of method to adjust the test year for known and measurable changes is a factual determination within the Commission's expert discretion. The Commission is not required to recognize and incorporate all known and measurable events outside the test year so long as the results are rates that are just and reasonable.

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<sup>2</sup> Riley direct page 5, lines 16 – 17.

<sup>3</sup> Robinett direct page 6, lines 17 – 23.

1 Q. Regarding the first of the Commission's criteria, are any of the proposed discrete  
2 adjustments in this case known and measurable?

3 A. No. The foundation of almost every discrete adjustment calculated by  
4 Ameren Missouri, Public Counsel, and Staff uses an estimate, projection, or expectation as a  
5 foundation to the adjustment. It is not possible to state with certainty when Phase 2 will be  
6 in-service or what the final cost will be for the project when rates from this case take effect.  
7 Likewise, it is impossible to precisely predict the net value of Ameren Missouri's rate base at  
8 August 31, 2025, or know the exact amount of revenues or expenses that will be realized.

9 Q. Regarding the second of the Commission's criteria, do any of the proposed  
10 discrete adjustments in this case promote the proper relationship of investment, revenues  
11 and expenses?

12 A. No, they do not. Ameren Missouri's discrete adjustment, as it is proposed in its  
13 direct testimony, does not include any consideration for known changes to the revenue  
14 requirement beyond the ratemaking effect of a single issue when there are known offsets to the  
15 increase in the cost of service. Ameren Missouri's initial recommendation in this case  
16 essentially includes Phase 2 in rate base on the day it is recognized as in-service by the utility  
17 and the value of the plant addition is at its maximum. Only in rebuttal testimony did  
18 Ameren Missouri concede to a net rate base value by recognizing accrued reserve and  
19 Accumulated Deferred Income Taxes ("ADIT"). Staff's adjustments identified offsetting  
20 changes to investments, revenues, and expenses but as Ameren Missouri points out in rebuttal  
21 testimony, does not reflect each and every change to Ameren Missouri's cost of service through  
22 the operation of law date. Public Counsel's rate base calculations are limited to plant in service  
23 and accumulated reserve but do not account for other rate base items, revenue, or expenses.

1           Q.     Is Staff aware of any additional ongoing cost reductions that alleviate the need  
2 for approving Ameren Missouri's discrete adjustment beyond the items you identified in your  
3 direct testimony?

4           A.     None other than those I have previously provided in testimony. However, there  
5 is an inherent information asymmetry in regulation that prevents the Commission from  
6 identifying every trend in ongoing costs. Essentially, Ameren Missouri owns the file cabinets  
7 and controls its budgets and operations so asking a non-utility party to predict cost trends,  
8 even in the few short months beyond the true-up date, cannot lead to a fully informed  
9 Staff recommendation.

10          Q.     What was Ameren Missouri's opinion of the downward trend in costs Staff  
11 identified in direct testimony?

12          A.     Ameren Missouri agreed to recognize offsets for Phase 2 depreciation reserve  
13 and ADIT, but it states that some of Staff's discrete adjustments are a one-sided view of  
14 two-sided issues.<sup>4</sup> If the Commission concurs with this assessment and finds that Staff's  
15 recommendation does not consider the big picture, then the Commission must view  
16 Ameren Missouri's request through the same lens and find that including Phase 2 is a one-sided  
17 request as it recognizes one-side of an increase to the revenue requirement and does not consider  
18 additional offsets.

19          Q.     When does Ameren Missouri feel that the Commission should find a discrete  
20 adjustment promotes a proper relationship of cost of service elements and approval of the  
21 adjustment would lead to just and reasonable rates?

22          A.     As stated in Mr. Wills' rebuttal testimony:

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<sup>4</sup> Wills rebuttal page 9, lines 3 - 6

1 When the adjustment relates to an investment, cost, or revenue that is so  
2 significant that it is impossible to even pretend like just and reasonable  
3 rates that provide the utility an opportunity to recover its prudently  
4 incurred costs and earn a reasonable return on its investment can be  
5 established without its inclusion in rate base and/or the revenue  
6 requirement. Said another way, a discrete adjustment may promote the  
7 proper relationship of investment, revenue, and expense items when that  
8 discrete adjustment is obviously disproportionate to any “normal course  
9 of business” cost or revenue increases or decreases that might be  
10 occurring contemporaneously.<sup>5</sup>

11 Q. Does Staff agree with this assessment?

12 A. Generally, yes. Staff adds that discrete adjustments should be evaluated  
13 case-by-case with consistent criteria and every case will contain a unique set of large and small  
14 relevant factors, but Mr. Wills’ fairly characterizes when a discrete adjustment may lead to just  
15 and reasonable rates.

16 Q. Is Ameren Missouri’s investment in Phase 2 so significant that the Commission  
17 cannot set just and reasonable rates or allow Ameren Missouri to have an opportunity to earn a  
18 reasonable return without Phase 2’s inclusion in rate base?

19 A. No. Ameren Missouri’s investment in Phase 2 is not as material as it might  
20 seem. In the last rate case, Staff’s amount for gross plant in its true-up accounting schedules  
21 was \$615,377,661, which reflected plant at September 30, 2021.<sup>6</sup> Ameren Missouri’s  
22 current direct case expects gross plant at December 31, 2024, to be \$850,773,977. After adding  
23 back \$12,930,734 of plant retired since the last case,<sup>7</sup> Staff calculates that Ameren Missouri  
24 invested \$248,327,050 in its gas operations subsequent to October 2021 which is  
25 over \$76 million per year on average. According to Ameren Missouri’s rebuttal, it now  
26 forecasts Phase 2’s final cost to be \$47.6 million; a fraction of what it has spent since it’s prior

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<sup>5</sup> Wills rebuttal page 5, line 21 – page 6, line 5.

<sup>6</sup> Case No. GR-2021-0241, EFIS item No. 110.

<sup>7</sup> Staff Data Request No. 0244.



1 rate review and only a portion of its annual capital spending. If the amount of  
2 Ameren Missouri's \$50 million investment in Phase 2 is so material that the Commission  
3 cannot order just and reasonable rates without its inclusion, it seems that Ameren Missouri  
4 would have had to initiate a rate cases back-to-back to mitigate the effects of regulatory lag  
5 associated with \$76 million of annual plant additions since rates were set in GR-2021-0241.

6 Q. Has Ameren Missouri budgeted for this amount of capital spending?

7 A. \*\*

8 [REDACTED]  
9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED] \*\*

13 Regardless of whether the cost of Phase 2 is compared to Ameren Missouri's  
14 total budget or it is compared to the actual historical investment in its gas operations,  
15 Ameren Missouri's \$50 million Phase 2 investment is more appropriately viewed as an item  
16 occurring over the "normal course of business" than an event that will cause unjust and  
17 unreasonable rates if excluded.

18 Q. Regarding the third of the Commission's criteria above, are any of the proposed  
19 discrete adjustments in this case representative of the conditions anticipated during the time the  
20 rates will be in effect?

21 A. Yes. All of the discrete adjustments in this case are based on anticipated  
22 conditions when rates become effective as determined by Ameren Missouri, Staff, or  
23 Public Council.

1 Q. Should the Commission accept proposals that only meet one-third of the criteria  
2 set forth in a prior Commission order?

3 A. No. The Commission should reject the discrete adjustments proposed in this  
4 case because they are not known and measurable and they do not promote a proper relationship  
5 of investment, revenues and expenses.

6 Q. What does Ameren Missouri's discrete adjustment promote?

7 A. Ameren Missouri testified that:

8 [t]he Company proposed to make a discrete adjustment to the rate base  
9 in this case, recognizing the importance of reflecting this investment in  
10 this case as a critical component of ensuring that rates from this case give  
11 the Company an opportunity to recover its prudently incurred costs and  
12 earn a reasonable return on the investments that will be providing service  
13 to customers when rates from this case take effect.<sup>8</sup>

14 In other words, Ameren Missouri is asking the Commission to promote its opportunity to collect  
15 shareholder earnings related to Phase 2 rate base.

16 Q. Do discrete adjustments included to increase shareholder earnings serve the  
17 public and lead to a fair and reasonable return?

18 A. No. As I described in my rebuttal testimony discrete adjustments can be  
19 inherently biased and, by nature, upset the matching principle that is relied upon in ratemaking.

20 Q. Did Ameren Missouri have observations in its rebuttal regarding your use of the  
21 matching principle in your evaluation of including a discrete adjustment for Phase 2?

22 A. Yes. While rebutting my direct testimony on discrete adjustments,  
23 Ameren Missouri notes that, "[b]y its very nature, a discrete adjustment *always* violates a strict  
24 adherence to the matching principle if there is a hard and fast cutoff date imposed – and

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<sup>8</sup> Wills rebuttal page 2, lines 5 – 9.

1 therefore no discrete adjustment would ever qualify for implementation under such  
2 a criterion.”<sup>9</sup>

3 Q. Is it your testimony that the matching principle should never be overruled?

4 A. No. My rebuttal testimony explains why the matching principle is important for  
5 a fair and robust approach to ratemaking but I do concede that all relevant factors sometimes  
6 justify exceptions to the principle. For example, rates set by the Commission violate the  
7 matching principle each time the cost of service reflects a tracker (*e.g.*, pensions, other  
8 post-employment benefits, property taxes), expenses deferred into a regulatory asset or liability  
9 (*e.g.*, plant-in-service accounting, investment tax credits), or each time the Commission  
10 implements a cost recovery rider (*e.g.*, the fuel adjustment clause, renewable energy standard  
11 rate adjustment mechanism, infrastructure system replacement surcharge). In these instances,  
12 the Commission finds that charging or crediting ratepayers for changes related to a single-issue,  
13 as opposed to all investment, revenue, and expense items, serves the public interest and  
14 oftentimes reflects legislative action.

15 Q. Does Ameren Missouri’s investment in Phase 2 serve the public interest to the  
16 point that it deserves single-issue ratemaking?

17 A. No. For all of the reasons I describe in this testimony and my rebuttal testimony,  
18 Ameren Missouri’s recommendation does not fit the Commission’s criteria for discrete  
19 adjustments and in denying the request, rates set by the Commission will not be unjust  
20 and unreasonable.

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<sup>9</sup> Wills rebuttal page 4, lines 6 – 8.

1 Q. Did Ameren Missouri respond to your alternative recommendation for  
2 additional discrete adjustments in the event that the Commission finds in Ameren Missouri's  
3 favor on this issue?

4 A. Yes. In the response to Staff's alternative position supporting additional discrete  
5 adjustments, Ameren Missouri witness Stephen J. Hipkiss provides rebuttal testimony that  
6 critiques each adjustment. In my direct testimony, I propose nine alternative discrete  
7 adjustments for:

- 8 - Investment in Phase 2 of the Northeast Territory Project
- 9 - Adjustment of the investment amount
- 10 - Additional accumulated depreciation of the Phase 2 investment
- 11 - Accumulated deferred income taxes from the Phase 2 investment
- 12 - Additional accumulated depreciation of Ameren Missouri's
- 13 December 31, 2024, plant in service
- 14 - Decrease in depreciation expense from the retirement of December 31, 2024,
- 15 plant
- 16 - Decrease in amortization expense from full amortization of December 31, 2024,
- 17 intangible assets
- 18 - Increase in revenues from customer growth
- 19 - Decrease in O&M costs gained through continuous improvement programs.

20 Q. What was Ameren Missouri's response to your first discrete adjustment,  
21 the investment in Phase 2?

22 A. Because this adjustment is a mirror of Ameren Missouri's adjustment that I used  
23 as a starting point, Mr. Hipkiss did not include a response to this adjustment. However,  
24 Ameren Missouri witness Pamela Harrison describes how approximately \$2.5 million of  
25 unused contingencies have been released from the project's budget and reduced  
26 Ameren Missouri's projected cost.<sup>10</sup>

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<sup>10</sup> Harrison rebuttal page 2, lines 8 – 10.

1 Q. What was Ameren Missouri's response to your second discrete adjustment,  
2 the adjustment to the investment amount?

3 A. Ms. Harrison determined that using the known-and-measurable budget-to-actual  
4 variance of Phase 1 of the project to adjust the estimated cost of Phase 2 is an invalid and  
5 arbitrary assumption.<sup>11</sup>

6 Q. Is Ameren Missouri's expectations for the cost of Phase 2 also arbitrary?

7 A. Yes, Ameren Missouri's projected cost contains arbitrary assumptions.  
8 As Ms. Harrison testifies, as of rebuttal filing, Ameren Missouri still has \$7.5 million of  
9 contingencies built into Phase 2's budget. By nature, a contingency budget is an arbitrary  
10 allowance for unexpected events.

11 Q. Does Staff, or Ameren Missouri, have an opportunity to give the Commission a  
12 rate base value that is not arbitrary in some way?

13 A. No. There is not an opportunity for a party to do anything but conjecture a rate  
14 base value for Phase 2. Including Phase 2 in rates creates a risk that ratepayers will pay rates in  
15 excess of Ameren Missouri's actual cost to provide service.

16 Q. Does Ameren Missouri propose a solution to this risk to ratepayers?

17 A. Yes. In rebuttal testimony, Ameren Missouri proposes a one-way tracker of  
18 Phase 2's depreciation expense and return charged to ratepayers to alleviate this concern.<sup>12</sup>

19 Q. Is a tracker appropriate in this situation?

20 A. No. Ameren Missouri's solution is essentially to violate the matching principle  
21 with a tracker in order to make it acceptable to violate the matching principle with a discrete

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<sup>11</sup> Harrison rebuttal at page 2, lines 13 – 15.

<sup>12</sup> Hipkiss rebuttal page 17, lines 2 – 10.

1 adjustment. A tracker is a violation of the matching principle and as I explained in my rebuttal  
2 testimony, honoring the matching principle is a foundation of ratemaking. Staff again reminds  
3 the Commission that honoring the matching principle is a reasonable and fair way to set fair  
4 and balanced rates when good cause does not exist. Staff finds that since this tracker is only  
5 necessary because Ameren Missouri's discrete adjustment does not serve the public interest,  
6 this tracker does not serve the public interest either.

7 Q. What was Ameren Missouri's response to your third discrete adjustment,  
8 additional accumulated depreciation of the Phase 2 investment?

9 A. Ameren Missouri accepted this adjustment and will incorporate it into its true-up  
10 discrete adjustment.<sup>13</sup>

11 Q. What was Ameren Missouri's response to your fourth discrete adjustment,  
12 accumulated deferred income taxes from the Phase 2 investment?

13 A. Ameren Missouri had a two-part response to this adjustment. While it does not  
14 object in principle to recognizing ADIT on phase 2, it disagrees with two components of Staff's  
15 calculations. The first disagreement relates to Staff's recognition of a full year of the Internal  
16 Revenue Service's ("IRS") Modified Accelerated Cost Recovery System ("MACRS") tax  
17 depreciation. Ameren Missouri's second critique is that Staff did not offset MACRS  
18 depreciation with book depreciation to calculate ADIT. Staff agrees that these were oversights.

19 Q. What was Ameren Missouri's response to your fifth discrete adjustment,  
20 additional accumulated depreciation of Ameren Missouri's December 31, 2024, plant  
21 in service?

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<sup>13</sup> Hipkiss rebuttal at page 17, lines 11 – 20.

1           A.     Ameren Missouri does not agree with this adjustment at all. Mr. Hipkiss  
2 describes this discrete adjustment as accounting for only one side of future changes to rate base  
3 because it ignores the ongoing investments in infrastructure that will grow rate base over the  
4 same time period. Ameren Missouri finds that Staff's adjustment does not promote the proper  
5 relationship of investment, revenues, and expense and does not reflect conditions anticipated  
6 during the time rates will be in effect.<sup>14</sup>

7           In addition, in his rebuttal testimony, Public Counsel witness John A. Robinett attempts  
8 to incorporate expected plant additions through September 1, 2025, to estimate a different rate  
9 base value when tariffs become effective.<sup>15</sup>

10          Q.     Are Ameren Missouri's and Public Counsel's discrete adjustments for  
11 September 1, 2025, plant and accumulated reserve in any way known and measurable?

12          A.     No. While Staff's adjustment lies on a foundation of what will be a  
13 known-and-measurable amount, namely actual December 31, 2024, plant-in-service,  
14 Ameren Missouri and Public Counsel simply cannot know or measure what plant and  
15 accumulated reserve will be on September 1, 2025, and both must rely on Ameren Missouri's  
16 projections and expectations for asset additions and retirements. In addition, Public Counsel's  
17 discrete adjustment does not attempt to calculate an ADIT rate base offset for the projected  
18 plant additions it has accounted for.

19          Q.     What was Ameren Missouri's response to your sixth discrete adjustment,  
20 decrease in depreciation expense from the retirement of December 31, 2024, plant, and your

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<sup>14</sup> Hipkiss rebuttal at page 19, lines 3 – 21.

<sup>15</sup> Robinett rebuttal page 5, line 19 – page 6, line 1.

seventh discrete adjustment, decrease in amortization expense from full amortization of December 31, 2024, intangible assets?

A. Ameren Missouri also characterizes this as accounting for one side of a future change and ignoring the additions to tangible and intangible plant that will grow depreciation and amortization of rate base. As such, Staff's adjustments do not promote the proper relationship of investment, revenues, and expense and does not reflect conditions anticipated during the time rates will be in effect.<sup>16</sup>

Q. Does Staff's adjustment ignore changes to depreciation and amortization caused by general investments made after the true-up date?

A. Yes. Staff did not attempt to include plant investments that are not known and/or measurable in these adjustments. Instead, Staff recognized that some portion of the known-and-measurable December 31, 2024, plant that is included in rate base will be retired or fully amortized prior to the time rates from this case will be in effect. The most significant change in these adjustments relate to the full amortization of intangible (software) assets prior to September 1, 2025.

Because Staff's recommended revenue requirement does not adjust for changes subsequent to the true-up date, rates will include over \$1.3 million of amortization expense Ameren Missouri is no longer incurring if the Commission approves Staff's primary recommendation (no discrete adjustments). However, if the Commission finds in favor of the discrete adjustment for Phase 2 it would be just and reasonable to recognize cost decreases, including depreciation and amortization of known and measurable December 31, 2024, rate base.

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<sup>16</sup> Hipkiss rebuttal page 19, lines 3 – 13.



1 Q. What was Ameren Missouri's response to your eighth discrete adjustment,  
2 increase in revenue from customer growth?

3 A. Ameren Missouri does not support recognition of additional customer growth  
4 because Phase 2 will not produce any additional revenues, so recognition does not promote the  
5 proper relationship of investment, revenues, and expenses. Mr. Hipkiss also states that Staff's  
6 customer growth discrete adjustment is projecting normal changes in revenue and is not  
7 significant enough to warrant consideration as a discrete adjustment.<sup>17</sup>

8 Q. Why did Ameren Missouri propose a discrete adjustment?

9 A. In part, Ameren Missouri proposed a discrete adjustment in order to reflect  
10 conditions at the time rates take effect. If the Commission's intent is to reflect conditions on  
11 September 1, 2025, recognizing an increase in revenue from customer growth is appropriate.  
12 Ameren Missouri's direct testimony clearly indicates that the northeast gas system is  
13 "experiencing rapid customer growth"<sup>18</sup> and Phase 2 will "... provide additional capacity to  
14 support the area's growth..."<sup>19</sup> Clearly, revenue will increase by September 1, 2025, from the  
15 growth of customers on the northeast gas system as well as the overall gas system.

16 Q. What was Ameren Missouri's response to your last discrete adjustment, decrease  
17 in O&M costs gained through continuous improvement programs?

18 A. Ameren Missouri includes several criticisms of this adjustment in its rebuttal  
19 testimony. The first criticism Mr. Hipkiss presents is how this adjustment is another one-sided  
20 view of a two-sided issue in that O&M savings from internal initiatives is offset by inflationary  
21 pressures. Ameren Missouri's rebuttal goes on to identify several flaws in Staff's calculation

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<sup>17</sup> Hipkiss rebuttal at page 20, line 14 – page 21, line 12.

<sup>18</sup> Harrison direct page 12, lines 19 – 20.

<sup>19</sup> Harrison direct at page 21, lines 9 – 11.

1 of ongoing O&M reductions related to gas operations and states that if Staff's work was  
2 corrected, O&M savings through September 1, 2025, would only amount to \$126,877.

3 Q. Does Ameren Missouri's rebuttal raise other issues with its continuous  
4 improvement program?

5 A. Yes. Ameren Missouri's continuous improvement initiatives are  
6 conceptualized, designed, and executed by a department within Ameren Services. The payroll  
7 and payroll-related cost of these employees are charged to the business unit that benefits from  
8 the initiatives conducted in the same period. Staff's Data Request No. 0060.1 shows that the  
9 all-in cost of these employees, not including employees that spend time assisting the continuous  
10 improvement department, substantially exceeds the O&M savings Mr. Hipkiss' rebuttal  
11 calculates for gas operations.

12 Staff recommends that if the Commission finds including Phase 2 in rate base is  
13 appropriate, and it rejects Staff's discrete adjustment for O&M savings from continuous  
14 improvement programs, then it should issue an order excluding the all-in cost of the continuous  
15 improvement department from rates due to imprudence. To be precise, the Commission should  
16 exclude from rates the payroll, payroll taxes, payroll benefits, incentive compensation, pension  
17 cost, other post-retirement benefit cost, supplemental executive retirement plan, 401k and  
18 deferred compensation plans, and exceptional performance bonuses that are related to  
19 employees in the continuous improvement department if the realized reduction to gas operations  
20 O&M is merely \$190,316 per year.

21 Q. If the Commission were to order the exclusion of the continuous improvement  
22 department employees, what would the revenue requirement impact be?

1           A.     Unfortunately, Staff does not have the answer. Ameren Missouri is unable to  
2 isolate the salary for the director of the department in the gas operations' cost of service so Staff  
3 cannot begin to calculate an adjustment for the all-in cost of labor related to the  
4 department employees.

5           Q.     Do you believe that Ameren Missouri should not seek to improve its operations?

6           A.     No. I believe that utilities have a fiduciary duty to control its costs through  
7 efficient operations. This benefits customers, while minimizing costs also provides the utility  
8 with a greater opportunity to earn its authorized return; benefitting both parties. I also firmly  
9 believe that regulatory lag is the strongest ratemaking attribute that encourages cost control.  
10 It is not uncommon for a utility to initiate cost-reduction measures such as employee  
11 downsizing, debt refinancing, or influencing favorable legislation subsequent to completing a  
12 rate case. In addition to intentional cost reductions, positive regulatory lag can occur naturally  
13 over time with declining rate base, increased revenues, or decreases in other costs. I posit that  
14 the discrete adjustments I present in my alternative recommendation illustrate naturally  
15 occurring positive regulatory lag.

16          Q.     What should the Commission conclude after receiving all parties' testimony  
17 surrounding discrete adjustments?

18          A.     The Commission should realize that while discrete adjustments are just and  
19 reasonable in a limited number of situations, there are reasons why these types of adjustments  
20 are rarely used. The parties have an incentive to use discrete adjustments to move the revenue  
21 requirement in a certain direction and debating discrete adjustments often introduces a  
22 Pandora's Box of bias into the record. In this case, Ameren Missouri has framed its discrete  
23 adjustment as the only correct way to give shareholders a reasonable opportunity to earn a return

1 on their investment. Staff's testimony explains why Ameren Missouri's shareholder's will not  
2 be impaired if Phase 2 is excluded and identifies cost decreases that offset the need to raise rates  
3 for Phase 2. Public Counsel's rebuttal testimony inserts another rate base valuation approach  
4 to consider in discrete adjustments into the case record.

5 The Commission should conclude that in Case No. ER-2019-0374, it set a modern  
6 framework for rationally and consistently evaluating the need for discrete adjustments and the  
7 parties' recommendations do not meet the precedential criteria. It should also conclude that  
8 including Ameren Missouri's investment in Phase 2 through a discrete adjustment does not  
9 serve the public interest and Phase 2's completion is not an event of such a degree that it needs  
10 an abandonment of the matching principle to set just and reasonable rates.

11 **TRUE-UP DIRECT**

12 Q. Please list the adjustments you are sponsoring as part of Staff's true-up audit.

13 A. I am sponsoring a true-up adjustment for ongoing AMI meter reading  
14 costs. Staff's annualized amount for true-up is annualized based on the actual  
15 December 31, 2024, expense.

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

17 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

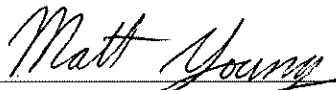
**AFFIDAVIT OF MATTHEW R. YOUNG**

STATE OF MISSOURI                                )  
  )  
COUNTY OF Jackson                            )

ss.

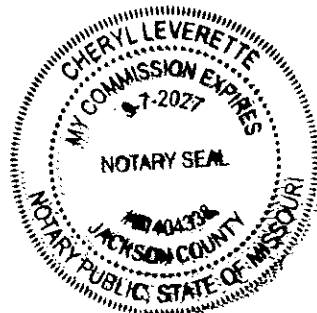
COMES NOW MATTHEW R. YOUNG and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Matthew R. Young*; and that the same is true and correct according to his best knowledge and belief.

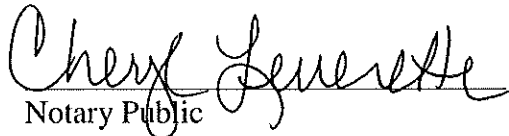
Further the Affiant sayeth not.

  
\_\_\_\_\_  
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 30<sup>th</sup> day of April 2025.



  
\_\_\_\_\_  
Notary Public