

Exhibit No. 850

Missouri School Board Association – Exhibit 850
Louie R. Ervin II
Direct 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: Louie R. Ervin II
Exhibit Type: Direct
Sponsoring Party: Missouri School Boards' Association
Case No.: GR-2021-0241
Date: September 17, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE No. GR-2021-0241

DIRECT TESTIMONY

OF

LOUIE R. ERVIN II

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

**Jefferson City, Missouri
September 17, 2021**

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

2 A. My name is Louie R. Ervin II. My business address is 150 First Avenue NE, Suite 300
3 Cedar 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 employed by Latham, Ervin, Vognsen, and Associates, Inc. ("LEV") as President and
9 Chief Operating Officer 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 hold a Bachelor of Science degree in Electrical Engineering from Iowa State University
5 and am a licensed Professional Engineer in the State of Iowa. I joined LEV in August 2017
6 advising clients on natural gas and electric regulatory matters including Midcontinent
7 Independent System Operator (“MISO”), Southwestern Power Pool (“SPP”) and PJM
8 Independent System Operator (“ISO”) rates and regulations, retail rate design, aggregate
9 purchasing, development and negotiation of contracts, tariff applications and economic
10 feasibility analyses.

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

13 A. I recently provided testimony before the Missouri Public Utility Commission in Case No.
14 GR-2021-0108. In addition, I have testified before the Iowa Utilities Board, Illinois
15 Commerce Commission, represented a utility at FERC, managed a utility planning and
16 engineering department and oversaw utility integration during the start of the Midcontinent
17 Independent System Operator energy markets.

18 **Q. Will you briefly describe MSBA and the School Transportation Program (STP)?**

19 A. MSBA is a 501(c)(6) not-for-profit corporation representing 387 schools and school
20 districts in the State of Missouri as a trade association with approximately 2,000 individual
21 school locations, several of which have multiple natural gas meters or accounts. MSBA
22 sponsors a statewide aggregate natural gas purchasing program which enables schools to
23 take services under STP tariffs with all Missouri gas corporations in accordance with a

1 special school statute Section 393.310 RSMo. (See Appendix 1). MSBA’s purchasing
2 organization is referred to as Missouri Purchasing Resource Center (“MOPRC”). MSBA’s
3 natural gas purchasing organization under MOPRC is commonly known as the MSBA
4 Natural Gas Consortium (Consortium).

5 **Q. How many of those natural gas accounts are served by Ameren Missouri?**

6 A. MSBA is the authorized purchasing agent for over 2,300 Missouri school natural gas
7 accounts of which approximately 200 STP accounts are in the Ameren service areas. The
8 Consortium purchases natural gas on the open market and arranges for gas supply, pipeline
9 delivery, and local utility transportation to Missouri school meters. The total annual
10 Consortium consumption is approximately 35,000,000 therms. About 80% of STP
11 volumes are on the Spire system. Ameren’s service area includes the next most volumes at
12 about 9% and the remaining 11% of volumes is spread over the other three utilities with
13 Missouri jurisdictions, namely Empire, Liberty and Summit.

14 **Q. What is the fundamental difference between schools receiving natural gas under the
15 special school statute Section 393.310 RSMo. and purchasing natural gas under local
16 distribution utilities “sales service” rate schedules?**

17 A. For sales service, utilities normally provide the entire natural gas service including the gas
18 supply. They purchase wholesale natural gas supply, arrange for delivery to its distribution
19 system from interstate pipelines and deliver the supply to end user meters. Schools can
20 arrange to purchase their own natural gas supply in lieu of the utility purchasing on their
21 behalf as provided by Missouri state law § 393.310 RSMo. Section 393.310 RSMo
22 requires special STP tariffs be made available to schools with annual use of up to 100,000
23 therms and provides that schools can aggregate purchases under contracts negotiated by a

1 not-for-profit school association, such as MSBA. Aggregate school purchasing allows
2 schools to directly purchase their own natural gas supply in the open market and manage
3 the delivery process from the interstate pipeline to the utility distribution system for
4 delivery to school meters. STP service allows schools to transport natural gas on the utility
5 delivery system in a manner similar to that of large commercial and industrial
6 transportation customers.

7 **Q. Who benefits from the STP?**

8 A. Students and taxpayers benefit from group purchasing of natural gas under STP. MSBA's
9 natural gas program ultimately supports classroom needs. Absent these STP savings on gas
10 supply costs, schools would have fewer dollars for teachers, computers and other classroom
11 learning tools.

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

13 A. MSBA joins Ameren in requesting the Commission extend the MSBA-Pilot for an
14 additional year, the winter season of November 2021 through April 2022. We also request
15 that the Commission issue an Order that sets a date following the Pilot extension for
16 Ameren, Staff and MSBA to collaborate on proposed revisions to Ameren's STP tariff to
17 implement a longer-term solution to the concerns about STP imbalances consistent with
18 the purpose of the STP Pilot program.

19 **Q. Please explain the Pilot program history?**

20 A. The pilot originated from joint stipulation between Ameren and MSBA in Ameren's last
21 rate case, Case No. GR-2019-0077. The stipulation approved by the Commission provided,
22 among other things, that Ameren and MSBA meet after each winter to analyze the
23 imbalances between nominations and deliveries, collect cost data, and work to develop

1 forecasting improvements for the nomination process. The signatories to the Stipulation
2 recognized that extreme circumstances such as major pipeline force majeure events,
3 curtailments or extreme weather events could render the information gained by the pilot
4 insufficient upon which to recommend a permanent solution in the Company's next natural
5 gas rate case and thus contemplated potentially needing an extension of the pilot.

6 **Q. What is the primary purpose of the MSBA-Pilot?**

7 A. The purpose of the MSBA-Pilot is to collect data pertaining to the STP daily nominations
8 of gas to be delivered and actual delivery usage, calculate monthly cash-out costs for
9 imbalances between deliveries and usage, and to analyze the data upon completion of the
10 Pilot to improve forecasting for nominations and to determine if there is any pattern of
11 price manipulation related to the daily deliveries which are netted in determining monthly
12 imbalance cash-outs. We support the pilot extension for basically the same reasons
13 recommended by Ameren Witness Timothy Eggers for a one-year Pilot extension to obtain
14 data during the upcoming winter that hopefully is not distorted by an extreme Polar Vortex,
15 inordinate number of days of school dismissal and remote learning due to Covid-19 and
16 the Polar Vortex.

17 **Q. Does MSBA agree with Ameren witness Eggers that the pilot program should be**
18 **extended?**

19 A. Yes, we completely agree with Mr. Eggers that the two winters covered by the pilot so far
20 were materially impacted by the extreme circumstances of the COVID-19 pandemic
21 adjusting MSBA school usage and the February 2021 polar vortex causing difficulties for
22 the supplier to appropriately manage gas deliveries. Therefore, we agree that the Pilot

1 should be extended through the 2021-2022 winter season with a termination date of May
2 1, 2022.

3 **Q. Please explain what you mean by “materially impacted”.**

4 A. When basing decisions on historical data, typically we would like to have the test year be
5 a typical or average year. For this Pilot, we would have preferred to see normal or average
6 usage data on which we can perform the necessary analysis to reach a solution. Both
7 winters covered by this Pilot so far have been anomalies. Covid-19 caused many schools
8 to go to remote learning; with no or reduced in-school learning, natural gas usage was
9 reduced for heating but also for other uses such as hot water and cooking. In February
10 2021, the extreme cold weather of the Polar Vortex Uri drove heating usage much higher
11 than typical but also dampened usage for severe weather dismissals. For these reasons we
12 view the data as not representative and thus request an additional year in hopes of having
13 better data upon which to base a solution.

14 **Q. What does MSBA recommend after the conclusion of the Pilot program?**

15 A. We recommend that within a reasonable amount of time the Commission require a
16 resolution to the balancing concern that the Pilot program is intended to address as part of
17 this rate case or in a subsequent proceeding. We suggest four months after the proposed
18 Pilot extension, (September 1, 2022), the Company, Staff and MSBA collaborate to
19 develop tools and processes and file tariff language to resolve the parties’ issues for
20 implementation before the winter season of 2022-2023.

21 **Q. Do you have a recommended solution?**

22 A. Yes, MSBA agrees to work closely with the Company and Staff to evaluate the data and
23 consider other solutions before drawing any conclusions, but we believe a solution similar

1 to the processes under an uncontested Stipulation, approved by the Commission in the
2 Spire rate case (Case No. GR-2021-0108), would be a win-win-win for all parties.

3 **Q. Please describe the Spire rate case Stipulation.**

4 A. The Spire STP tariff revision approved by the Stipulation between Spire, Staff and MSBA,
5 among other provisions, eliminates the possibility of suppliers manipulating daily
6 nominations which could allow them to nominate higher volumes for MSBA on low gas
7 price days and nominate lower volumes on high gas price days but still enable the supplier
8 to minimize the imbalance at the end of the month.

9 **Q. Has the Commission approved the Spire Stipulation?**

10 A. Yes, by Order dated September 25, 2021.

11 **Q. What is the mechanism under the Ameren STP tariff intended to address potential
12 manipulation?**

13 A. Ameren's STP tariff currently uses cash-out with varying tiers of punitive penalties
14 depending on the percentage of imbalance. This mechanism encourages suppliers to
15 manage the imbalances but in reality charges the schools those cash-out costs which are
16 passed through from the suppliers.

17 **Q. Has MSBA discussed this potential solution with Ameren?**

18 A. We have only recently introduced this possibility to the Company. MSBA has worked well
19 with the Company on the Pilot and completely understands that it isn't reasonable to expect
20 a change to the Ameren STP tariff's current cash-out mechanism in a short timeframe this
21 case can afford due to the priority of other rate case issues Ameren staff has pending.
22 However, Ameren has verbally agreed to enter good faith discussions with MSBA
23 following the rate case to consider our proposal.

1 **Q. Please provide a little detail about the method for the solution MSBA is**
2 **recommending.**

3 A. The Commission-approved tariffs establish STP weather-based nomination procedures
4 which ensure the schools' supplier minimizes winter imbalances, the difference between
5 schools' gas supply delivered from the pipeline to the distribution company system and the
6 schools' metered use, adjusted for losses. MSBA's proposed solution enables the Company
7 to determine daily nominations or at least have the authority to override STP supplier
8 nominations. This alone would prevent suppliers from potentially gaming the system.
9 Currently, the Company is not set up to calculate appropriate STP nominations based on
10 weather forecast algorithms, school account additions or removals, or school closures, for
11 example. In addition, this method would require a change from a monthly cash-out to a
12 monthly carry-over by which any negative or positive monthly imbalance is reconciled the
13 following month. This is the current process under the Spire STP tariff. Given the amount
14 of change that would be needed, MSBA recommends the Commission allow the parties
15 adequate time to implement this solution or develop an alternative solution at the
16 conclusion of the pilot program.

17 **Q. Is this potential solution consistent with the Section 393.310 RSMo?**

18 A. Yes, it still adheres to the statute by allowing monthly balancing, capacity release from the
19 utility at cost, as well as all other provisions.

20 **Q. What is MSBA's ultimate goal with regard to the STP tariffs among the five Missouri**
21 **utilities?**

22 A. Each utility has significantly different STP tariffs and MSBA would like to ultimately have
23 more uniformity to STP tariffs across the state. MSBA believes the uncontested Spire-

1 MSBA STP tariff approved by the Commission in Case No. GR-2021-0108 is a good
2 model. It provides the utility authority to control nominations based on a weather algorithm
3 and eliminates potential daily price manipulations and establishes utility release of firm
4 summer and winter seasonal pipeline capacity based on 110% of maximum STP summer
5 and winter highest daily use over a recent rolling seven-year rolling period.

6 **Q. For utilities like Ameren that currently have the STP supplier initiate nominations, is**
7 **there an alternative to the utility developing nominations for STP?**

8 A. The key concern is that utilities have authority to reject nominations and require a revision
9 if it is apparent that a STP supplier is attempting to manipulate daily prices.

10 **Q. Specifically, what are you requesting from the Commission?**

11 A. MSBA requests the Commission order Staff, Ameren and MSBA to develop and submit
12 STP tariff changes within four months following the proposed Pilot extension that
13 addresses the concerns for which then Pilot was initiated. Preferably, the parties will submit
14 a single consensus tariff revision after reviewing the Pilot data.

15 **Q. Are there other benefits from the Spire Stipulation that MSBA believes would also be**
16 **beneficial under the Ameren STP tariff?**

17 A. Yes, consistent with the uncontested Stipulation between Spire, Staff and MSBA, MSBA
18 believes the provisions would:

19 (1) improve accuracy of nominations by using a weather-based algorithm and other
20 pertinent data,

21 (2) eliminate potential for price manipulation by providing authority to Ameren to either
22 provide the STP nominations to the school suppliers based on a weather algorithm and

1 other pertinent data or gives Ameren the authority to require revised nominations if it is
2 apparent that the school supplier has not submitted a reasonable daily nomination, and
3 (3) establish Ameren's release of firm summer and winter seasonal pipeline capacity based
4 on a 110% STP accounts' highest daily use during the most recent rolling seven (7) year
5 period.

6 **Q. Does this conclude your direct testimony?**

7 A. Yes, it does.

Appendix 1
Issue: In the Matter of Union Electric Company d/b/a Ameren Missouri's
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MISSOURI PUBLIC SERVICE COMMISSION

CASE No. GR-2021-0241

APPENDIX 1

SECTION 393.310 RSMo.

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

**Jefferson City, Missouri
September 17, 2021**

► ☰ Revisor of Missouri



Words ▾

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2nd search term

**Title XXV INCORPORATION AND REGULATION OF CERTAIN UTILITIES AND CARRIERS****Chapter 393****Effective - 28 Aug 2006**

393.310. Certain gas corporations to file set of experimental tariffs with PSC, minimum requirements — extension of tariffs. — 1. This section shall only apply to gas corporations as defined in section [386.020](#). This section shall not affect any existing laws and shall only apply to the program established pursuant to this section.

2. As used in this section, the following terms mean:

(1) "**Aggregate**", the combination of natural gas supply and transportation services, including storage, requirements of eligible school entities served through a Missouri gas corporation's delivery system;

(2) "**Commission**", the Missouri public service commission; and

(3) "**Eligible school entity**" shall include any seven-director, urban or metropolitan school district as defined pursuant to section [160.011](#), and shall also include, one year after July 11, 2002, and thereafter, any school for elementary or secondary education situated in this state, whether a charter, private, or parochial school or school district.

3. Each Missouri gas corporation shall file with the commission, by August 1, 2002, a set of experimental tariffs applicable the first year to public school districts and applicable to all school districts, whether charter, private, public, or parochial, thereafter.

4. The tariffs required pursuant to subsection 3 of this section shall, at a minimum:

(1) Provide for the aggregate purchasing of natural gas supplies and pipeline transportation services on behalf of eligible school entities in accordance with aggregate purchasing contracts negotiated by and through a not-for-profit school association;

(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; and

(3) Not require telemetry or special metering, except for individual school meters over one hundred thousand therms annually.

5. The commission may suspend the tariff as required pursuant to subsection 3 of this section for a period ending no later than November 1, 2002, and shall approve such tariffs upon finding that implementation of the aggregation program set forth in such tariffs will

not have any negative financial impact on the gas corporation, its other customers or local taxing authorities, and that the aggregation charge is sufficient to generate revenue at least equal to all incremental costs caused by the experimental aggregation program. Except as may be mutually agreed by the gas corporation and eligible school entities and approved by the commission, such tariffs shall not require eligible school entities to be responsible for pipeline capacity charges for longer than is required by the gas corporation's tariff for large industrial or commercial basic transportation customers.

6. The commission shall treat the gas corporation's pipeline capacity costs for associated eligible school entities in the same manner as for large industrial or commercial basic transportation customers, which shall not be considered a negative financial impact on the gas corporation, its other customers, or local taxing authorities, and the commission may adopt by order such other procedures not inconsistent with this section which the commission determines are reasonable or necessary to administer the experimental program.

7. Tariffs in effect as of August 28, 2005, shall be extended until terminated by the commission.

(L. 2002 H.B. 1402, A.L. 2003 H.B. 208 merged with S.B. 686, A.L. 2004 S.B. 878 merged with S.B. 968 and S.B. 969, A.L. 2006 S.B. 558)

---- end of effective **28 Aug 2006** ----
[use this link to bookmark section 393.310](#)

Click here for the [Reorganization Act of 1974 - or - Concurrent Resolutions Having Force & Effect of Law](#)

In accordance with Section [3.090](#), the language of statutory sections enacted during a legislative session are updated and available on this website on the effective date of such enacted statutory section.



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