Exhibit No. 48

Ameren Missouri – Exhibit 48
Mitchell Lansford
Direct Testimony (Gas)
File Nos. ER-2021-0240 & GR-2021-0241

Exhibit No.:	048
Issue(s):	Revenue Requirement
Witness:	Mitchell Lansford
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Union Electric Company
File No.:	GR-2021-0241
Date Testimony Prepared:	March 31, 2021

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2021-0241

DIRECT TESTIMONY

OF

MITCHELL LANSFORD

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
March, 2021

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DIRECT TESTIMONY

OF

MITCHELL LANSFORD

FILE NO. GR-2021-0241

I. INTRODUCTION

Q. Please state your name and business address.

My name is Mitchell Lansford. My business address is One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri.

Q. By whom are you employed and what is your position?

A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") as Director, Regulatory Accounting.

Q. Please describe your educational background and employment experience.

A. I received a Bachelor of Science degree and a Master's degree in Accountancy from the University of Missouri at Columbia in 2008. I am a licensed Certified Public Accountant in the State of Missouri and a member of the American Institute of Certified Public Accountants. From 2008 to 2017, I worked for PricewaterhouseCoopers LLP, most recently as a Senior Manager in its assurance practice. In that capacity, I provided auditing and accounting services to clients, primarily in the utility industry. From 2017 to 2019, I worked for Ameren Services Company as the Manager of Accounting Research, Policy, and Internal Controls. My primary duties and responsibilities included accounting analysis for non-standard transactions, overseeing the implementation of new accounting guidance, implementation of new accounting policies,

and assessments of the internal control environment. From 2019 to present, I have been working for Ameren Missouri in multiple regulatory accounting roles, including my current role as Director, Regulatory Accounting effective in April 2020.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to develop the revenue requirement (cost of service) for the gas operations of Ameren Missouri. The revenue requirement determines the level of gas revenues required to pay operating expenses, to provide for depreciation and taxes, and to give investors an opportunity to earn a fair and reasonable return on the Company's investment. Ameren Missouri witness Kelsey Klein uses this data as the starting point for her class cost of service study. Also, I will discuss the lead/lag study prepared for Ameren Missouri's gas business that I used to develop cash working capital ("CWC") factors. The CWC factors were used to calculate the Company's cash working capital requirements included in the revenue requirement.

Q. Are you sponsoring any schedules?

A. Yes. I am sponsoring Schedules MJL-D1 through MJL-D18.

Q. What is the subject matter of these schedules?

A. Schedules MJL-D1 through MJL-D16 develop the various elements of the revenue requirement to be considered in arriving at the proper level of rates for the Company's gas service based on the test year of the twelve months ended December 31, 2020, with pro forma adjustments and updates for known and measurable changes to be trued-up through September 30, 2021. Schedule MJL-D18 reflects the results of the cash working capital lead/lag study prepared as of the twelve months ended December 31, 2020.

Q. Will you please briefly summarize the information provided on each of the schedules you are presenting?

A. Each schedule provides the following information:

- Schedule MJL-D1 – Original Cost of Gas Plant by functional classification at December 31, 2020, per book and pro forma.
- Schedule MJL-D2 – Gas Plant Reserves for Depreciation and Amortization by functional classification at December 31, 2020, per book and pro forma.
- Schedule MJL-D3 – Average Fuel Inventories and Average Materials and Supplies Inventories at December 31, 2020, per book and pro forma applicable to gas operations.
- Schedule MJL-D4 – Average Pre-payments at December 31, 2020, per book and pro forma applicable to gas operations.
- Schedule MJL-D5 – Total Gas Cash Working Capital (per the Company's lead/lag study) for the twelve months ended December 31, 2020, applicable to gas operations.
- Schedule MJL-D6 – Federal and State Income Tax Cash Requirement, City of St. Louis Earnings Tax Cash Requirement and Interest Expense Cash Requirement applicable to gas operations for the twelve months ended December 31, 2020.
- Schedule MJL-D7 – Average Gas Customer Advances for Construction and Average Gas Customer Deposit reductions to rate base at December 31, 2020.
- Schedule MJL-D8 –Regulatory Asset and Liability balances included in rate base at December 31, 2020, per book and pro forma.

- Schedule MJL-D9 – Total Gas Accumulated Deferred Income Taxes at December 31, 2020, per book and pro forma.
- Schedule MJL-D10 – Total Gas Operating Revenues for the twelve months ended December 31, 2020, per book and pro forma.
- Schedule MJL-D11 – Total Gas Operations and Maintenance Expenses, by functional classification, for the twelve months ended December 31, 2020, updated for certain known items, per book and pro forma. A description of each of the pro forma adjustments is included.
- Schedule MJL-D12 – Depreciation and Amortization Expenses applicable to gas operations, by functional classification, for the twelve months ended December 31, 2020, per book and pro forma. A description of each pro forma adjustment is included.
- Schedule MJL-D13 – Gannett Fleming Valuation and Rate Consultants, LLC Depreciation Study for the period ended December 31, 2019.
- Schedule MJL-D14 – Taxes Other Than Income Taxes, for the twelve months ended December 31, 2020, per book and pro forma for the gas operations of the Company. A description of each pro forma adjustment is included.
- Schedule MJL-D15 – Income Tax Calculation at the proposed rate of return and statutory tax rates for the total gas operations of the Company.
- Schedule MJL-D16 – The pro forma Gas Net Original Cost Rate Base at December 31, 2020, and the Gas Revenue Requirement including the pro forma adjustments.

- Schedule MJL-D17 – The annual revenue increase required at a 6.943% return on Net Original Cost Gas Rate Base, including pro forma adjustments.
- Schedule MJL-D18 – The cash working capital factors used by Ameren Missouri to calculate the Company's cash working capital requirements.

III. REVENUE REQUIREMENT

Q. What do you mean by "revenue requirement"?

A. The revenue requirement of a utility is the sum of operations and maintenance expenses, depreciation and amortization expenses, taxes, and a fair and reasonable return on the net value of property used and useful in serving its customers (and other rate base amounts). The revenue requirement is based on a test year and it is necessary to make certain "pro forma" adjustments in order to reflect conditions existing at the end of the trued-up test year, as well as significant changes that are known or reasonably certain to occur closer to when new rates would take effect.

The revenue requirement represents the total funds (revenues) that must be collected by the Company if it is to pay employees and suppliers, satisfy tax liabilities, and provide a fair return to investors. To the extent that current revenues are less than the revenue requirement, as is true in this case, a rate increase is required.

Q. What test year is the Company proposing to use to establish the revenue requirement in this proceeding?

A. The Company is proposing a test year consisting of the twelve months ended December 31, 2020 ("test year"), with pro forma adjustments to account for the true-up of various items through September 30, 2021 ("true-up date"), consistent with the approach used in the Company's previous rate cases. The Company is proposing to true-

up the following items: plant-in-service, depreciation reserve, materials and supplies (including gas inventories), prepayments, cash working capital (excluding CWC factors), customer advances for construction, customer deposits, accumulated deferred income taxes, pension and other post-employment benefits ("OPEB"), tracked regulatory asset/liability balances, customer growth, compensation, number of employees, employee benefits, insurance expense, Company Owned Life Insurance ("COLI") investment gains and losses, COVID-19 deferrals, the Missouri Public Service Commission ("MPSC") assessments, capital structure, depreciation expense, and various amortizations (such as the pension, OPEB, and property tax tracker amortization). Finally, the Company proposes that other significant items that may arise through the true-up date, both increases and decreases, should be trued-up through September 30, 2021.

Q. Why is it necessary to make pro forma adjustments to the test year data?

A. In ratemaking, rates are set for the future. It is often necessary to adjust the test year data to be more representative of future operating conditions. Pro forma adjustments allow for the newly-authorized rates to have the opportunity to produce the allowed rate of return during the period they are in effect. This requires pro forma adjustments to reflect known and measurable changes.

Q. Please explain Schedule MJL-D1.

A. Schedule MJL-D1 shows the recorded original cost of gas plant by functional classification at December 31, 2020, along with the estimated plant additions and other adjustments through September 30, 2021, which is the end of the Company's

proposed true-up period. The Company's plant accounts are recorded on the basis of original cost as defined by the Uniform System of Accounts and prescribed by the MPSC.

Q. Why is the Company including plant additions through September 30, 2021?

A. The Company continues to spend significant amounts on infrastructure replacements and improvements. In order to provide the Company an opportunity to earn a fair and reasonable return on its total investment, it is necessary for the cost of service to reflect, as closely as possible, the level of the Company's investment at the time new rates will become effective. Adjustment 1 adds the estimated plant-in-service additions, offset by retirements, of $30,023,000 from January 2021 through September 30, 2021, which is the end of the proposed true-up period.

Q. Please explain the reduction in plant-in-service related to advanced metering infrastructure ("AMI") software.

A. During the test year, the Company invested in a software solution that enables the use of AMI meters. Although AMI electric meters have been installed and the software meets the definition of used and useful, no AMI gas meters are expected to be installed by the true-up date. Adjustment 2 reflects the deferral of $4,547,000 relating to the Company's AMI software investment. Corresponding reductions in plant reserve and amortization expense have also been made in this revenue requirement.

Q. Specifically, how should a deferral of the Company's AMI software investment be treated for regulatory purposes?

A. The Company requests approval to defer any amortization relating to this investment that occurs after new rates become effective in this case and include such

deferral in rate base in a future rate case. This treatment will better align the customers benefiting from this investment with the customers who are paying rates that are based on a revenue requirement that includes this investment.

Q. Should carrying costs be applied to the AMI software deferral?

A. Yes. This investment would otherwise be included in rate base. Carrying costs equal to the Company's weighted-average-cost-of-capital should be applied to the deferral.

Q. Please explain the addition of General and Intangible Plant applicable to gas operations.

A. General and Intangible Plant assets, such as general office buildings, the central warehouse, the central garage, software, computers and office equipment, are used in both the electric and gas operations. For convenience, such facilities are accounted for as electric plant. Adjustment 3 adds the portion of the multi-use General Plant and Intangible Plant applicable to the Company's gas operations of $14,461,000 and $19,290,000 respectively.

Q. Why is Adjustment 4 to reduce the gas plant-in-service necessary?

A. In past Ameren Missouri rate cases, a portion of the Company's incentive compensation paid has either been disallowed or recovery was not requested. Within the accounting records of the Company, a portion of the incentive compensation has been capitalized and added to plant-in-service. Adjustment 4 reduces the plant-in-service balance by $1,639,000 for the accumulated amount of any previously disallowed and/or not requested capitalized incentive compensation.

Q. After reflecting the above pro forma adjustments, what amount of gas plant-in-service is the Company proposing to include in rate base?

A. As shown on Schedule MJL-D1, the total gas plant-in-service is $618,503,000.

Q. Please explain Schedule MJL-D2.

A. Schedule MJL-D2 shows the gas plant reserve for depreciation and amortization at December 31, 2020, by functional group. It also indicates the pro forma adjustments.

Q. What pro forma adjustments were made to the reserve for depreciation?

A. The following adjustments were made to the reserve for depreciation on Schedule MJL-D2:

Adjustment 1 increases the depreciation reserve by $10,478,000 to reflect the depreciation through the true-up date for plant-in-service existing at December 31, 2020.

Adjustment 2 decreases plant reserve by $1,124,000 relating to the previously discussed AMI software investment.

Adjustment 3 increases the depreciation reserve by $642,000 for the pro forma additions to plant-in-service from January 1, 2021, through September 30, 2021, the proposed true-up date.

Adjustment 4 increases the accumulated depreciation and amortization reserve of $3,852,000 for the multi-use general plant applicable to gas operations. Adjustment 4 also increases the accumulated depreciation and amortization reserve of $8,613,000 related to

Intangible Plant applicable to gas operations. These adjustments correspond to Adjustment 3 made to the plant accounts in Schedule MJL-D1.

The accumulated depreciation and amortization reserve is reduced by $455,000 in Adjustment 5 to reflect the accumulated depreciation and amortization applicable to a portion of capitalized incentive compensation reflected in Adjustment 4 on Schedule MJL-D1.

The pro forma accumulated provision for depreciation and amortization, as shown on Schedule MJL-D2, applicable to total gas plant-in-service is $228,319,000.

Q. Please explain Schedule MJL-D3.

A. Schedule MJL-D3 shows the average investment in fuel inventories and materials and supplies at December 31, 2020. Fuel inventory is gas stored underground. General materials and supplies include such items as pipe, valves, fittings, and general supplies. A thirteen-month average is used for all of these items.

Q. What is the amount of the pro forma fuel and materials and supplies applicable to gas operations?

A. The pro forma fuel and materials and supplies applicable to total gas operations, as shown on Schedule MJL-D3, is $6,500,000.

Q. Please explain the average pre-payments shown on Schedule MJL-D4.

A. Certain costs for items such as rent, insurance, service agreements, medical and dental voluntary employee beneficiary association contributions, digital subscriptions, and others are paid in advance. The thirteen-month total average balance of gas pre-payments at December 31, 2020, after eliminating the portion applicable to electric operations, is $756,000.

Q. Please explain Schedule MJL-D5.

A. Schedule MJL-D5 shows the calculation of the gas cash working capital requirement as a negative cash requirement of ($1,984,000), which is based on a lead/lag study for the twelve months ended December 31, 2020, including the pro forma adjustments to the operating expenses. I will explain the details of the lead/lag study later in this testimony.

Q. What appears on Schedule MJL-D6?

A. The federal income tax cash requirement, state income tax cash requirement, city earnings tax cash requirement and interest expense cash requirement applicable to the Company's gas operations are shown in Schedule MJL-D6. The payment lead times for these items are based on actual or statutory due dates.

Q. What is the cash requirement for federal income taxes, state income taxes, the city earnings tax, and interest expense?

A. Reflecting the payment lead times for each of these items compared to the revenue lag results in cash requirements of $16,000 for federal income taxes and $3,000 for state income taxes, and a negative cash requirement of ($13,000) for city earnings tax and ($805,000) for interest expense. The development of the various revenue and expense lags are explained later in this testimony.

Q. What items are shown in Schedule MJL-D7?

A. The thirteen-month average balances at December 31, 2020, for gas customer advances for construction and gas customer deposits are shown in Schedule MJL-D7. These items represent cash provided by customers that can be used by the Company

until they are refunded. Therefore, the average balances for the customer advances for construction and customer deposits are reductions to the Company's rate base.

Customer advances for construction are cash advances made by customers that are subject to refund to the customer in whole or in part. These advances provide the Company cash that offsets the cost of the construction until they are refunded. The thirteen-month average balance of gas customer advances for construction at December 31, 2020, is $391,000.

Customer deposits are cash deposits made by customers which are subject to refund to the customer if the customer develops a good payment record. The Company pays interest on the deposits, which is shown as a customer account expense in Schedule MJL-D12. The thirteen-month average balance of gas customer deposits at December 31, 2020, is $885,000.

Q. What is shown on Schedule MJL-D8?

A. Schedule MJL-D8 shows the pension and OPEB regulatory liability balances. The pension and OPEB regulatory liability and asset balances shown are for the period ended December 31, 2020, and further amortized through the true-up date. In File No. GR-2019-0077 (Ameren Missouri's most recent gas rate case), the pension and OPEB tracker expenses accumulated from October 1, 2010 through May 30, 2019 were set to amortize over a 5-year period scheduled to end in August 2024. These pension and OPEB liabilities originally established in File No. GR-2019-0077 were re-set to a new 5-year amortization period in this revenue requirement. In addition, the estimated pension and OPEB tracker expenses accumulated from June 1, 2019 through the true-up date, are also included with one-fifth of the net regulatory asset and liability balance at September 30,

2021, being included in the revenue requirement in this case, reflecting amortization over a period of five years. The pension and OPEB trackers are both estimated to have a regulatory liability balance at September 30, 2021. The net balance of the pension tracker and the OPEB tracker is a regulatory liability of $1,537,000. This regulatory liability reduces rate base by that amount.

Q. Please explain Schedule MJL-D9.

A. Schedule MJL-D9 lists the accumulated deferred income taxes applicable to total gas operations at December 31, 2020, and the pro forma adjustments required to project the balances forward to September 30, 2021, the end of the proposed true-up period. Accumulated deferred income taxes are the net result of normalizing the tax benefits resulting from timing differences between the period in which transactions affect taxable income and the periods in which such transactions affect the determination of pre-tax income.

Currently, the Company has deferred income taxes in Federal Energy Regulatory Commission Accounts 190, 282, and 283. As shown on Schedule MJL-D9, the total gas pro forma accumulated deferred income tax balance is a net liability balance of $81,383,000. Net deferred income tax liabilities are a deduction from rate base.

Q. What is the Company's pro forma net original cost gas rate base at December 31, 2020, including pro forma adjustments to adjust to the true-up date of September 30, 2021?

A. The Company's total gas rate base as shown in Schedule MJL-D15 is $310,461,000, consisting of:

	In Thousands of $
Original Cost of Plant-In-Service	$618,503
Less Reserve for Depreciation & Amortization	228,319
Net Original Cost of Plant	390,184
Average Fuel and Materials & Supplies	6,500
Average Prepayments	756
Cash Working Capital (Lead/Lag)	(1,984)
Federal Income Tax Cash Requirement	16
State Income Tax Cash Requirement	3
City Earnings Tax Cash Requirement	(13)
Interest Expense Cash Requirement	(805)
Average Customer Advances for Construction	(391)
Average Customer Deposits	(885)
Pension Tracker Regulatory Liability	(579)
OPEB Tracker Regulatory Liability	(958)
Accumulated Deferred Income Taxes	(81,383)
Total Gas Rate Base	$310,461

Q. Please explain Schedule MJL-D10.

A. Schedule MJL-D10 shows total gas operating revenues per book and pro forma for the twelve months ended December 31, 2020 with true-up through September 30, 2021, the end of the proposed true-up period.

Q. Please explain the pro forma adjustments to the gas operating revenues shown in Schedule MJL-D10.

A. The following pro forma adjustments are shown in Schedule MJL-D10:

Adjustment 1 eliminates revenue add-on taxes of $5,764,000, as they are directly passed through to customers by the Company. Adjustment 2 increases revenues by $2,732,000 to reflect normal weather because the sales and revenues for the twelve months ended December 31, 2020, were lower than normal as a result of warmer than normal weather. Adjustment 3 eliminates the PGA revenues of $42,475,000, as they are collected through the PGA Rider, rather than through the base rates. Since the Company uses cycle and window billing, revenues are decreased by $2,013,000 to reflect the twelve month billing year as a twelve month, 365 day, calendar year in Adjustment 4. Adjustment 5 eliminates unbilled revenues of $1,385,000 to reflect the book revenues on a bill cycle basis. Other gas revenues were increased by $161,000 in Adjustment 6 to annualize the amount of rental costs paid by other Ameren affiliates for software owned by Ameren Missouri. Adjustment 7 reduces other revenues by $72,000 to reflect the cancellation of the Bank of America lease, which is expected by the true-up date. Adjustment 8 increases revenues by $585,000 due to expected customer growth through September 30, 2021. Adjustment 9 decreases revenues by $151,000 to normalize revenues for the number of days in the test year. Adjustment 10 increases revenues by $689,000 to normalize the initial impact of COVID-19 pandemic to revenues in the test year. Finally, during the test year the Company implemented a temporary policy to waive late fee payments and disconnections to ease customers' burden during the COVID-19 pandemic. Adjustment 11 increases other revenues by $172,000 to normalize these fee revenues to 2019 levels (the most recently completed calendar year unaffected by the COVID-19 pandemic). Further

discussion of revenue Adjustments 2, 4, 8, 9, and 10 can be found in the direct testimony of Ameren Missouri witness Kelsey Klein.

Q. What are the pro forma gas operating revenues for the twelve months ended December 31, 2020?

A. The pro forma gas operating revenues for the twelve months ended December 31, 2020 are $77,065,000.

Q. Please describe what is shown in Schedule MJL-D11.

A. Total gas operations and maintenance expense ("O&M") for the twelve months ended December 31, 2020 (per books by functional classification) and a listing of the pro forma adjustments to O&M are shown in Schedule MJL-D11.

Q. Please explain the pro forma adjustments to gas O&M for the twelve months ended December 31, 2020.

A. A summary of the pro forma adjustments to O&M appears in Schedule MJL-D11-4. Adjustment 1 reflects the increased labor expense from annualizing the 2.5% wage increase for the Company's union employees effective January 1, 2021, per the labor contracts. In addition, management employees' average wage increase of 1.83% effective January 1, 2021 has also been reflected. The annualized increase in the total gas operating labor resulting from the above increases is $347,000. These wage increases reflect known and measurable changes that occurred subsequent to the test year. Incentive compensation was excluded from the calculation of the wage increases as wage increases only apply to base wages.

Test year short-term incentive compensation is reduced by $282,000 in Adjustment 2 to eliminate the incentive compensation related to earnings of the Ameren Services

Company officers allocated to Ameren Missouri and Ameren Missouri officers, as well as to represent the amounts paid, rather than expensed, in the test year.

Consistent with prior cases, long-term incentive compensation related to Ameren Corporation's financial performance of $381,000 applicable to Ameren Missouri, including the allocated Ameren Services Company amount, is eliminated from O&M in Adjustment 3. Beginning in 2018, Ameren's long-term incentive compensation plan called for each award to be payable approximately 70% in Performance Share Units that are related to financial performance of Ameren Corporation and 30% payable in Restricted Share Units, which are not related to financial performance. Restricted Share Units represent the right to receive stock depending solely on an employees continued employment with Ameren through a defined vesting period. Restricted Share Unit costs relating to compensation paid out in March 2021 are included in this pro forma adjustment, partially offsetting the noted reduction.

Adjustment 4 decreases O&M to a normal level of bad debt write-offs. Unusually high uncollectible expense was recorded in the test year, as a result of the COVID-19 pandemic. As the COVID-19 pandemic impacted bad debt expense during the test year, it also impacted test year write-off levels making them not representative of normal levels. The adjustment reflects 2019 write-off levels, as the most recently complete and unaffected calendar year, and decreases O&M by $104,000.

Adjustment 5 increases O&M by $581,000 to reflect expected staffing increases of 232 full-time equivalents through September 30, 2021, the proposed true-up period. This adjustment is consistent with the past practice of adjusting for the on-going employment

levels experienced through the true-up date and allows for newly-authorized rates to most closely align with the Company's costs.

Adjustment 6 eliminates O&M expense related to the cost of purchased gas and other related costs and expenses of $42,944,000 that are collected through the PGA Rider.

Adjustment 7 is an increase to O&M expenses to reflect interest expense at 4.25% on the average customer deposit balance. The average customer deposit balance at December 31, 2020 is deducted from rate base. The interest expense added to the customer accounting expense is $38,000.

The various insurance policies of the Company are renewable at different times during the test year. Adjustment 8 increases O&M expense by $418,000 to annualize the premiums of the various insurance policies in effect, or expected to be in effect, at the time new rates are expected to be implemented in this case.

Adjustment 9 decreases O&M by $231,000 to reflect increases in the other employee benefits expense to annualize the employee benefits expense through September 30, 2021, the proposed true-up period.

Adjustment 10 decreases O&M expense to normal levels for expenses directly impacted by the COVID-19 pandemic during the test year. Certain cost increases and cost savings were ordered to be deferred to a regulatory asset for the period ended March 1, 2020 through March 31, 2021 in File No. GU-2021-0112. The Order in File No. GU-2021-0112[1] was received subsequent to the test year and, therefore, not reflected in test year results. This adjustment reduces O&M expense by $136,000 for the net, non-normal, deferred amount applicable to the test year.

[1] File No. GU-2021-0112, Order Approving Stipulation and Agreement, issued March 10, 2021.

O&M expenses were increased by $11,000 in Adjustment 11 to account for the new on-going cleaning procedures to be implemented subsequent to the COVID-19 pandemic. These costs are not representative of all incremental costs associated with cleaning during the height of the pandemic, but rather the continued incremental costs associated with permanent changes in cleaning protocols subsequent to the pandemic.

Adjustment 12 is an increase of $19,000 to O&M expenses to reflect the annualized costs of the non-qualified pension plan, which is no longer in the pension tracker, through September 30, 2021, the proposed true-up period.

Adjustment 13 increases O&M expenses by $105,000 to rebase the pension and OPEB tracker to reflect the annualized cost levels expected at the true-up date.

Adjustment 14 is an increase in O&M of $133,000 to reflect the annualized amortization of the pension and OPEB net regulatory balances, and the estimated net regulatory liability balances at September 30, 2021, the end of the proposed true-up period.

Adjustment 15 increases rate case expense by $213,000 to reflect the average rate case expense incurred by the Company in the last two general rate cases and recovery of these costs over a two-year period. The depreciation study expense will be recovered over five years based on the requirement for a study to be completed every five years. Ameren Missouri witness Tom Byrne further discusses this adjustment in his direct testimony.

O&M expense decreases by $110,000 in Adjustment 16 to remove the costs associated with the Bank of America lease. This lease is expected to be cancelled prior to the true-up date.

Adjustment 17 removes $14,000 in O&M expenses which relate to electric operations.

Adjustment 18 removes $46,000 in O&M expense for changes in depreciation charged to O&M expense for transportation and heavy duty equipment.

Adjustment 19 increases O&M expense by $40,000 to adjust the allocation factors to the 2021 levels. 2021 levels represent the latest known levels prior to the true-up date.

Adjustment 20 decreases O&M expense by $340,000 to normalize the COLI gains or expenses using a five-year average. COLI contracts contain a net cash surrender value that is invested in debt and equity securities. Variability exists in the returns related to these debt and equity security investments, such that gains or losses may be experienced in any given test year. A five-year normalization period is most appropriate, in this instance, because of the significant volatility experienced in 2018, 2019, and 2020.

Adjustment 21 reduces O&M expense by $1,000 to remove alcohol purchases made during the test year.

Adjustment 22 removes $17,000 from O&M expense related to certain Board of Directors costs for travel and chartered flights.

Adjustment 23 reduces O&M expense by $20,000 to normalize software rental expense expected to be paid to other Ameren affiliates that are allocated to gas operations through the true-up date.

Adjustment 24 decreases O&M by $1,000 to remove elective vehicle incentives charged to gas operations.

Adjustment 25 increases O&M expense by $503,000 for the Company's proposed waiver of customer-facing convenience charges and inclusion of such charges in this revenue requirement. Customers electing to pay via credit card or at walk-in locations currently pay convenience charges of $1.85 and $1.10 per payment, respectively. Some of

Ameren Missouri's peer utilities – Evergy Metro, Inc. d/b/a Evergy Missouri Metro, Evergy Missouri West, Inc. d/b/a Evergy Missouri West, and Spire Missouri, Inc. – discontinued the assessment of credit card fees for customers using that payment method. Ameren Missouri wishes to follow suit. The biggest benefit accrues to our residential customers, who are the most likely to use credit cards, and for whom the fees represent a larger percentage of their payments. Waiving these fees takes financial pressure off of these customers. Additionally, credit card payments shift the risk of nonpayment from the utility to the financial institution, which could put downward pressure on bad debt expense. As the MPSC noted in its Spire Missouri, Inc. Order, the utility "would get its money sooner and without the risk of taking a bad check [footnote omitted], and it might see a reduction in its level of bad debt."[2] Ameren Missouri would continue to incur these charges and, via this adjustment, is requesting recovery in this rate case for the fees expected to be incurred. This expectation is based on current contracted fees, 2019 payment levels (2020 payment levels were significantly impacted by the COVID-19 pandemic), and evidence from our third-party service provider suggesting such a change has resulted in a 15% to 30% (midpoint 22.5% utilized in calculating this adjustment) increase in the number of credit card payments made.

Finally, adjustment 26 decreases O&M expense by $11,000 to annualize the MPSC assessment fees to the most recent Ameren Missouri gas operations commission assessment.

Q. What is the impact on total gas operations and maintenance expense from the above pro forma adjustments?

[2] *Report and Order* issued February 21, 2018, File Nos. GR-2017-0215 and GR-2017-0216, p. 68

A. As shown in Schedule MJL-D11, the total gas operations and maintenance expenses are decreased from $77,896,000 to $36,128,000, or a total net decrease of $41,768,000 by the above pro forma adjustments.

Q. What is shown in Schedule MJL-D12?

A. Schedule MJL-D12 shows the total gas depreciation and amortization expense by functional classifications for the twelve months ended December 31, 2020, per book and pro forma through the true-up date.

Q. What pro forma adjustments apply to the depreciation and amortization expenses?

A. Schedule MJL-D12 details the following pro forma adjustments to the depreciation and amortization expenses:

Adjustment 1 increases depreciation and plant amortization by $3,646,000 to reflect the book depreciation annualized for the plant-in-service depreciable balances at December 31, 2020, and plant additions through the true-up period, based on current depreciation rates approved in File No. GR-2019-0077.

Adjustment 2 decreases the depreciation expense by $1,895,165 to reflect the change in depreciation rates reflected in the depreciation study conducted by John J. Spanos from Gannett Fleming Valuation and Rate Consultants, LLC and submitted to the Staff and the Office of the Public Counsel on July 9, 2020, pursuant to the requirements of 20 CSR 4240-40.090. The depreciation study report is also included with this testimony as Schedule MJL-D13.

The depreciation expense for transportation equipment (Account 392) and heavy duty equipment (Account 396) are not charged to depreciation expense. Adjustment 3

reduces depreciation expense by $756,000 to eliminate depreciation expense on these accounts.

Adjustment 4 decreases depreciation expense by $48,000 for the depreciation related to the capitalized incentive compensation reduction of rate base.

Adjustment 5 increases amortization expense by $18,000 to recover the COVID-19 Accounting Authority Order deferral resulting from File No. GU-2021-0112 over a three-year period.

Adjustment 6 increases amortization expense by $42,000 for amortization of the accumulated balance related to the Excess Deferred Tracker through December 31, 2020 over a three-year period.

Adjustment 7 increases amortization expense by $700,000 to annualize the amortization related to the Low Income Weatherization program. Ameren Missouri witness Jeff Berg further discusses this amount.

Q. What are the total gas pro forma depreciation and amortization expenses?

A. As reported in Schedule MJL-D12, the total gas pro forma depreciation and amortization expenses are $15,720,000.

Q. Please explain Schedule MJL-D14.

A. Schedule MJL-D14 shows the taxes other than income taxes for the twelve months ended December 31, 2020, per book and pro forma.

Q. Please list the pro forma adjustments required to arrive at the total gas pro forma taxes other than income taxes as detailed in Schedule MJL-D14.

A. The following pro forma adjustments detailed in Schedule MJL-D14 are required to arrive at the total gas pro forma taxes other than income taxes.

Adjustment 1 increases F.I.C.A taxes by $13,000 to reflect the pro forma wage adjustments.

Adjustment 2 decreases taxes other than income taxes to remove Missouri gross receipts taxes of $5,812,000, as they are add-on taxes that are directly passed through from customers. The pro forma book revenues also reflect the removal of the add-on revenue taxes.

Q. How much are pro forma taxes other than income taxes for the twelve months ended December 31, 2020 for total gas?

A. As reflected on Schedule MJL-D14, the pro forma total gas taxes other than income taxes are $9,231,000.

Q. What is shown in Schedule MJL-D15?

A. Schedule MJL-D15 shows the derivation of the income tax calculation at the requested 6.943% rate of return for total gas operations reflecting statutory tax rates. Refer to the direct testimony of Ameren Missouri witness Darryl T. Sagel for the development of the 6.943% rate of return.

Q. As shown in Schedule MJL-D15 what are the income taxes at the requested rate of return for total gas operations?

A. The total current federal, state, and city earnings income taxes using the statutory tax rates at the requested rate of return are $4,609,000 for total gas operations, as shown in Schedule MJL-D15. Deferred income taxes for total gas operations of $775,000

are also shown in Schedule MJL-D15. Net current and deferred income taxes for gas operations are $3,834,000.

Q. Please explain Schedule MJL-D16.

A. Schedule MJL-D16 shows the total gas rate base of $310,461,000 and the total gas revenue requirement of $86,468,000 at the requested rate of return of 6.943%.

Q. What does Schedule MJL-D17 reflect?

A. Schedule MJL-D17 compares the total gas revenue requirement of $86,468,000 with the total gas pro forma operating revenues under the present rates of $77,065,000. It shows that the revenue requirement for the test year is $9,403,000 more than the pro forma operating revenues at present rates. This is the amount of additional revenues Ameren Missouri needs to collect each year to recover its cost of service, including an opportunity to recover its cost of capital.

IV. CASH WORKING CAPITAL ANALYSIS

Q. For what period was the cash working capital lead/lag study performed?

A. The lead/lag study analyzed the Company's cash transactions and invoices for the twelve months ended December 31, 2020.

Q. Please define what you mean by the phrase "cash working capital."

A. Cash working capital is the amount of funds required to finance the day-to-day operations of the Company.

Q. What is a lead/lag study?

A. A lead/lag study is an analysis of revenue lags and expense leads. CWC requirements are generally determined by lead/lag studies that are used to analyze the lag

time between the date customers receive service and the date that customers' payments are available to the Company (i.e., the revenue lag). This lag is offset by a lead time during which the Company receives goods and services, but pays for them at a later date (i.e., the expense lead). The "lead" and "lag" are both measured in days. The dollar-weighted lead and lag days are then divided by 365 to determine a daily CWC factor. This CWC factor is then multiplied by the annual test year cash expenses to determine the amount of cash working capital required for operations. The resulting amount of cash working capital is then included in the Company's rate base.

Q. Please explain the revenue lag in more detail.

A. As noted, the revenue lag refers to the elapsed time between the delivery of the Company's product (i.e., gas) and its ability to use the funds received as payment for the delivery of the product. The revenue lag actually consists of three components, as follows: the service lag, which is the number of days from the mid-point of the service period to the meter reading date; the billing lag, which is the time between when the meter is read and the bill is sent; and the collections lag, which is the time between when the bill is sent to the customer and when the customer's payment is received by the Company.

Q. Please explain the expense lead in more detail.

A. An expense lead refers to the elapsed time from when a good or service is provided to the Company to the point in time when the Company pays for the good or service and the funds are no longer available to the Company. There are a number of different expense leads, since the Company acquires goods and services from a number of different sources.

Q. What sources of information are employed to determine the leads and lags in a CWC analysis for Ameren Missouri?

A. Information from the Accounts Payable, Customer Service, Human Resources, Payroll, Treasury Management, and Tax systems are utilized. The information derived from these sources, together with analyses of specific invoices, is used to determine the appropriate number of lead/lag days for Ameren Missouri's gas business.

Q. How should the results of the CWC analysis be treated for ratemaking purposes?

A. The CWC requirement should be included as part of Ameren Missouri's rate base for ratemaking purposes, and I have included it in my calculation of the revenue requirement as previously discussed.

Q. Was one revenue lag applied to all of Ameren Missouri's revenues?

A. No. The Company calculated a base revenue lag that was applied to all cash operating revenues with the exception of pass-through taxes. A separate revenue lag was calculated and applied to all revenues associated with pass-through taxes.

Q. How was the base revenue lag determined?

A. The base revenue lag measures the average number of days from the date service was rendered by the Company until the date payment was received from customers and such funds were deposited by the Company. In the calculation, the revenue lag was divided into three distinct components: 1) service lag; 2) billing lag; and 3) collections lag. Considered together, these three components of the base revenue lag totaled 39.5 lag days. An explanation of each component of the base revenue lag follows.

Q. What is meant by service lag?

A. The service lag refers to the number of days from the mid-point of the service period to the meter reading date for that service period. Using the mid-point methodology, the average lag associated with the provisioning of service was 15.21 days (365 days in the year divided by 12 months divided by 2).

Q. What is meant by billing lag?

A. Billing lag refers to the average number of days from the date on which the meter was read until the customer was billed. The billing lag was determined by analyzing the Company's monthly billing schedules and meter reading records. The average billing lag was determined to be 0.93 days.

Q. What is meant by collections lag?

A. The collections lag refers to the average amount of time from the date when the customer received a bill to the date that the Company received payment from its customers. Based on weighted average data from the Company's Customer Service System, the average collection lag was determined to be 23.36 days.

Q. What data was used to calculate the collections lag?

A. The Company used data from the bill payment report which was created to support the calculation of the collections lag.

Q. Please describe the bill payment report used in the collections lag calculation.

A. The Company developed a bill payment report to aggregate actual customer payments. This allows us to better understand customer payment behavior. The bill payment report compares the date a customer is billed to the date the bill was paid to arrive at the lag days. The bill payment report summarizes the dollar amounts collected per lag

day. The lag days for each line item are capped at 150 days. Each line item is then weighted to calculate the weighted lag days. The bill payment report was run monthly for the period from September 2019 to August 2020. This 12-month period was used instead of the 2020 calendar year due to the limitation of the 150 days of complete data beyond August 2020 relative to the date of filing the case.

Q. How were uncollectible revenues treated in your analysis?

A. The bill payment report aggregates actual customer payments. Therefore, an adjustment for uncollectible revenues is not needed in the analysis.

Q. Please summarize the calculation of base revenue lag days.

A. The calculation of the overall base revenue lag, by lag component is summarized in the following table:

Base Revenue Lag Component	Lag Days
Service	15.21
Billing	0.93
Collections	23.36
Total Revenue Lag	39.50

Q. How does the revenue lag applied to pass-through taxes differ from the base revenue lag?

A. The only difference between the base revenue lag and the revenue lag which is applied to pass-through taxes is that the revenue lag applied to pass-through taxes excludes the service lag. Therefore, the revenue lag applied to pass-through taxes is 24.29 days.

Q. Why should a different revenue lag be applied to the pass-through tax revenues?

A. In prior cases,[3] the Staff has argued that pass-through taxes are not generated as a result of the provisioning of a service by the utility. Therefore, in these proceedings a revenue lag which excludes a lag associated with the provisioning of utility service has been applied to the pass-through tax revenues.

Q. Are the revenues attributable to pass-through taxes collected in the same manner and at the same time as all other revenues?

A. Yes. The Company's customers pay one bill. That bill (and thus the payment) includes both operating revenues associated with the provisioning of gas service as well as revenues associated with pass-through taxes.

Q. What impact does the exclusion of the service lag from the revenue lag associated with pass-through taxes have on the CWC calculation?

A. The service lag represents the period of time during which the Company has provided a service for which it has not yet been compensated. Since the Company serves primarily as a collect and remit agent for the various taxing bodies, by excluding the service lag from the revenue lag applied to the pass-through taxes, the Company is reflecting that it has no out-of-pocket expense for which it is awaiting payment.

Q. What expense-related leads were considered in the lead/lag analysis?

A. Lead times associated with the following expense categories were considered in the lead/lag study: (a) employee pensions and benefits; (b) base payroll; (c)

[3] Such proceedings include Case Nos. ER-2010-0036 (AmerenUE), ER-2008-0318 (AmerenUE), ER2007-0291 (Kansas City Power & Light Company), ER-2008-0093 (The Empire District Electric Company), GR-2007-0208 (Laclede Gas Company), GR-2006-0422 (Missouri Gas Energy).

payroll taxes (i.e. FICA, Medicare) and other withholdings; (d) cost of gas; (e) other operations and maintenance expenses; (f) general taxes other than income taxes excluding pass-through taxes; (g) pass-through taxes; (h) federal income taxes; (i) state income taxes; (j) interest on long-term debt; and (k) incentive compensation.

Q. What types of leads associated with the Company's employee benefit programs were considered in the analysis?

A. The estimated lead times associated with the following major categories of the Company's employee benefit programs were considered: (a) group life insurance; (b) group health insurance including claims processing, claims payment, and administration costs; (c) contributions to the Company's pension fund; (d) OPEB costs; and (e) the Company's 401-K plan. Taken together, these programs had a dollar-weighted lead time of 18.41 days.

Q. Provide an explanation of the leads associated with the Company's payroll expenses.

A. Payroll lead days were determined by calculating the nominal and weighted lead time by pay period and weighting the resulting lead days by the amounts paid by the Company to cover its payroll obligations. The resulting total on a dollar-weighted basis was 10.15 days.

Q. Please explain the lead effects associated with payroll taxes.

A. The Company has outsourced its payroll tax processing to a third-party provider, Ceridian. The payroll taxes outsourced to Ceridian include: (a) Federal and State Withholding Taxes; (b) Federal and State Unemployment Taxes; (c) FICA (Social Security) Taxes and Medicare Taxes for both employee and employer; and (d) St. Louis

Employee Withholding Tax and St. Louis Employer Expense. Ceridian pulls all payroll taxes out of the Company's bank account on the same date employees are paid. Therefore, the payroll taxes lead time is equal to the base payroll lead time of 9.38 days.

Q. What are the lead times associated with other operations and maintenance expenses?

A. The Company engages in transactions with other vendors (not associated with pensions, benefits, payroll, fuel, or taxes) for a variety of purposes including facility maintenance, system maintenance, and customer service. Invoices from providers of such services were analyzed in order to estimate a lead time associated with payment for services related to other operations and maintenance activities. The analysis indicates that on average, invoices were paid by the Company 43.85 days after receipt.

Q. What is the expense lead time associated with the Company's purchases of natural gas?

A. Based on an examination of invoices of the commodity and pipeline suppliers to the Company, a weighted expense lead time of 35.02 days was determined. This lead time includes a half month of service lead time.

Q. What are the various general taxes considered in the analysis?

A. The following general taxes were considered in the study: (a) Real Estate and Property Taxes; (b) Missouri Sales Tax; (c) St. Louis Corporate Earnings Taxes; d) Self Procured Insurance Tax; and (e) Gross Receipts Taxes. When taxes were required to be paid to a single taxing authority pursuant to a set schedule, the statutory payment dates were considered in the analysis.

Q. Explain the leads that were calculated for each type of general taxes considered in the analysis.

A. The treatment of each category of general taxes in the study is described below:

a) Real Estate and Property Taxes: All current-year property taxes in Missouri are due on December 31st of the current year. Taking this schedule into consideration, a dollar-weighted expense lead of 183.00 days was calculated.

b) Missouri Sales Tax: Missouri sales tax is payable to the Missouri Department of Revenue and is calculated as a percent of billings less a 2 percent timely payment allowance. Estimated payments are made weekly with the tax return and remaining balance due by the 20th of the month following except for the last month at the end of the quarter for which the tax return and payment are due on the last day of the month following. Taking this information into account, a weighted expense lead time of 9.31 days was determined.

c) St. Louis Corporate Earnings Tax: The Company pays corporate earnings taxes to the City of St. Louis. This tax is paid by check to the City of St. Louis annually on April 1st for the previous year. Taking this information into account, the expense lead time associated with corporate earnings taxes was determined to be 274.50 days.

d) Self-Procured Insurance Tax: The self-procured insurance tax is paid annually to the federal government each year. Taking this information into account, the expense lead time associated with self-procured insurance taxes was determined to be 241.50 days.

Q. What pass-through taxes are included in the CWC analysis?

A. The only pass-through tax considered in the CWC analysis was Gross Receipts Taxes.

Q. Please describe the timing of the payment of the Gross Receipt Taxes.

A. Gross receipts taxes are payable to municipalities and counties and are paid as a percent of billings to customers within the taxing authority. These taxes are paid on the last day of the month following the end of a month, with the exception of Cape Girardeau, Dexter, Jefferson City, Moberly, and Wentzville that are paid on the 20th day of the month. Based on the specific tax periods of the various taxing authorities, a dollar-weighted gross receipts tax expense lead time of 26.14 days was calculated.

Q. Does the lead time for gross receipts taxes include a service lead?

A. No. Since no service lag was included in the revenue lag assigned to pass-through taxes, there has been no service lead attributed to the gross receipts taxes.

Q. Please explain.

A. Both the service lag and the service lead are associated with the timing of the provisioning of service. If there is no service lag on the revenue side there can be no service lead on the expense side. Therefore, for consistency purposes, I have excluded both the service lag and service lead from the analysis of the pass-through taxes.

Q. How did your study address federal income taxes?

A. The lead time associated with federal income tax payments was based on the provisions of the Internal Revenue Code that requires estimated tax payments of 25 percent of total income taxes due on April 15, June 15, September 15, and December 15 of the current year. Taking this schedule into consideration, a lead time of 38.00 days for federal income tax payments made by the Company was determined.

Q. How did the study address state income taxes?

A. State income taxes follow a pattern similar to federal taxes. Thus, assuming quarterly payments due on April 15, June 15, September 15, and December 15 of the current year, an expense lead time of 38.00 days was determined.

Q. Provide a description of how lead times associated with the Company's interest expenses were addressed by the study.

A. The Company's interest payments on its long-term bonds were made from current revenues. Thus, there was a lead (or lag) between the date the interest payments were collected from customers and the date when such amounts were paid to financial institutions. The Company generally made interest payments on its fixed rate long-term debt twice a year at varying times. Using actual due dates on interest payments, a dollar-weighted lead of 91.37 days for interest payments were determined.

Q. How did the study address contributions to the incentive compensation plans?

A. The Company made an annual contribution to incentive compensation programs for both the executive incentive plan and the management/bargaining unit plans during the test year. The executive incentive plan contribution is made the last date in February while the management/bargaining unit contributions are made during the first pay period in March. Based on an examination of the contributions to the incentive compensation plans, a weighted average lead time of 250.29 days was determined.

Q. Please describe Schedule MJL-D17.

A. Schedule MJL-D17 summarizes the leads and lags discussed in my direct testimony that I used to develop the CWC factors. These CWC factors are used to calculate the Company's cash working capital requirements.

V. CONCLUSION

Q. Please summarize your testimony and conclusions.

A. My testimony and attached schedules have developed the Company's total gas rate base and revenue requirement, which include continuation of the existing pension and OPEB expense trackers and the excess deferred tax amortization tracker. Further, the Company requests to defer costs associated with AMI software incurred subsequent to this rate case. The testimony also includes the amortization of existing regulatory assets and liabilities. As summarized in Schedule MJL-D17, the Company's total gas revenue requirement, including the Company's proposed 6.943% return on rate base is more than the pro forma operating revenues at the present rates by $9,403,000. Rates should be designed to increase revenues by $9,403,000, subject to the true-up in this case.

Q. Does this conclude your direct testimony?

A. Yes, it does.