only be completed when the reactor is offline. The most recent outage of this nature occurred in fall 2020, concluding on December 22, 2020 and is known as "Refuel 24."

Ameren Missouri sought authority to defer and amortize certain costs related to Callaway Energy Center ("Callaway") refueling outages as part of case No. EU-2020-0114. On January 29, 2020, the parties to the case stipulated that the Commission should issue its order authorizing Ameren Missouri, starting with "Refuel O & M costs" incurred and to be incurred for Callaway refueling outage number 24 (which commenced in the fall of 2020), and for subsequent refueling outages, to defer such costs to Federal Energy Regulatory Commission ("FERC") Uniform System of Account No. 174 and to amortize the deferred costs as follows: a. Ameren Missouri will track the deferred costs within Account No. 174 to allow direct assignment of the costs, via an amortization of the costs to FERC Account No. 524 (miscellaneous nuclear power expenses) and FERC Account No. 530 (maintenance of reactor plant equipment), as appropriate. The amortization begins in the month Callaway is brought back online after completion of each refueling outage if such date occurs on or before the 15th day of the month in which Callaway is brought back online; otherwise, the amortization begins in the month following the month in which Callaway is brought back online; and b. the deferral is on a straight line basis starting in the month described above and ending the month prior to the month in which amortization of the next refueling outage is scheduled to begin. The deferral balance is not included in the Company's rate base for ratemaking purposes.

Staff verified that all costs were deferred correctly and that amortization began per the stipulation. Ameren Missouri, as part of its direct case, has proposed to average the actual non-labor costs from the last three refuels to establish a normalized level of Callaway refueling expense. Staff agrees and has included two thirds of the average of the labor and non-labor costs from the last three Callaway refuelings so as to build in an appropriate level of ongoing costs in the cost of service.

Staff Expert/Witness: Lisa M. Ferguson

12. <u>Nuclear Regulatory Commission ("NRC") Fees</u>

The Nuclear Regulatory Commission (NRC) is an agency that regulates the operation of nuclear power plants within the United States. Ameren Missouri is subject to NRC's regulation because it owns and operates the Callaway Nuclear Power Plant, and thus must pay for NRC services to fund such regulation. There are two components to the NRC Fees:

> 1) A fixed annual fee, which Ameren Missouri pays in quarterly installments, for the maintenance of its license to operate the Callaway Nuclear Facility.
>
> 2) A variable fee, based on the number of hours billed to Ameren Missouri, by the NRC for costs such as baseline inspections, resident inspector expenses, and operator licensing activities. Both of these fees are set each year by statute.

Staff annualized the cost of these fees by using the most recent, effective fixed annual fee, and per hour fee amounts. Staff applied the most current NRC fee as of April 2021, to the number of hours billed to Ameren Missouri during the twelve months ending December 31, 2020, to include in the cost of service as well as the most current fixed annual fee. Staff will continue to review NRC Fees as part of its true-up audit.

Staff Expert/Witness: Christopher D. Caldwell

13. <u>Board of Directors Expense</u>

During the test year ending December 31, 2020, Ameren Missouri was allocated certain expenses related to the activities of the Ameren Corporation Board of Directors. These expenses include ** [redacted]. ** Ameren Missouri witness Mitchell Lansford proposed an adjustment to remove $349,000 of these expenses as part of Ameren Missouri's direct filing. The costs proposed for removal relate to the ** [redacted] **.

Staff has proposed an adjustment to remove additional expenses beyond those proposed for removal by Ameren Missouri witness Lansford. The costs which Staff disallowed are related to additional costs within the test year for ** [redacted] **, ** [redacted] **, and the use of ** [redacted] ** that were not included in the adjustment proposed by Ameren Missouri as part of its direct filing. It is Staff's position that these costs are excessive in nature as Ameren has other options available them for holding board meetings and airline travel. These additional expenditures are not necessary and Missouri ratepayers should not bear the costs.

Additionally, during the test year, Ameren Corporation ** [redacted]. ** Staff has proposed an adjustment to ** [redacted] ** as this expense is non-recurring in nature.

Staff Expert/Witness: Jane C. Dhority

14. <u>Leases</u>

During the test year, Ameren Missouri incurred lease expense for items such as land, equipment and facilities that are utilized to provide service to ratepayers. Staff reviewed leases in order to remove leases that have expired and were not renewed, to include an annualized level of cost associated with new leases, and to annualize the expense for leases with premiums that have increased. Staff has also proposed an adjustment to remove costs associated with the Bank of America lease from test year expenses as this contract expired on June 30, 2021 and will not be continued. Staff witness Lisa M. Ferguson will address all new lease/easement agreements regarding the High Prairie and Atchison wind facilities that recently went into service.

Staff Expert/Witness: Jane C. Dhority

15. <u>Software Rental Expense</u>

Ameren Missouri leases several software programs from its affiliates. Staff annualized affiliate software rental expense by applying the last known amount of rental expenses in June 2021 for a 12-month period. Staff will continue to review this issue through the true up cutoff date of September 30, 2021.

16. <u>Software Maintenance Expense</u>

Staff proposed adjustments to remove software maintenance agreements that have expired and to include contracts that were renewed during the test year, as well as to reflect the current contract pricings. Staff will continue to review this issue through the true up cutoff date of September 30, 2021.

Staff Expert/Witness: Paul K. Amenthor

17. PSC Assessment

Commission operations are funded by assessments levied upon utility companies under its jurisdiction. The required funding level from each utility is re-evaluated each year, and a new assessment amount is billed to each regulated utility on July 1. All of the assessments collected in total are used to meet the Commission's operating costs for regulating those utilities. Staff's PSC assessment annualization adjustment represents the difference between the amount of PSC assessment recorded on Ameren Missouri's electric books during the test year, or twelve months ending December 31, 2020 and the most recent PSC assessment that went into effect as of July 1, 2021, (fiscal year 2022).

Staff Expert/Witness: Christopher D. Caldwell

18. Call Center Costs

Ameren Missouri has a contractual agreement with First Contact/IQOR to manage part of its incoming customer calls. Staff learned during its review that the initial three-year contract between Ameren Missouri and First Contact/IQOR expired in November 2020 and the parties are negotiating an amendment. Ameren Missouri records an accrual of this expense at the beginning of each month and reverses it once it pays it. Staff annualized call center costs by applying the current hourly rate to the actual hours worked during the twelve months ending June 2021. Staff will review the new contract once it is finalized and propose an adjustment, if necessary, as part of its true up audit.

Staff Expert/Witness: Paul K. Amenthor

19. Miscellaneous Expenses

Miscellaneous expenses are recorded in FERC Uniform System of Accounts (USOA) 900 accounts and are expenses that have not been included within lobbying, dues & donations, memberships, advertising, outside services and board of directors' expenses. Staff reviewed these miscellaneous expenses along with the monthly expense reports of Ameren Missouri and Ameren Services officers. Staff removed from the test year costs for items such as contributions to civic groups, sponsorships of community events, and various charges that are not necessary in the provision of safe and adequate service.

Staff discovered that some of the miscellaneous expense that Staff disallowed were recorded in capital overhead accounts. Staff has removed the charge from plant and has also removed estimated reserve from Account 398. These amounts will be addressed further once Staff has determined what capital accounts these charges were finally recorded in as well as calculate the actual reserve based on that account's depreciation rates.

Staff Expert/Witness: Jane C. Dhority

20. <u>Mark Twain Transmission Costs</u>

In case EA-2017-0345, Ameren Missouri applied for and received a certificate of convenience and necessity ("CCN") to construct transmission lines that would carry 345,000 volts of electricity 96 miles from Palmyra, Missouri through Northeast Missouri to the Iowa border. The project also includes a 161,000 volt line to interconnect the existing Adair substation to the new Zachary substation. This project was approved by the Missouri Public Service Commission on January 10, 2018 after receiving multiple counties' approval, and the project is being constructed by Ameren Missouri's affiliate, Ameren Transmission Company of Illinois ("ATXI"). The Mark Twain Transmission Project was a MISO multi-value project ("MVP") approved in 2011 that was developed to address grid reliability, relieve congestion, promote renewable energy and meet local load serving needs. ATXI broke ground on the project in May 2018 and the project was placed into service on Dec.19, 2019. As part of this rate proceeding, Staff must make an adjustment to account for the Commission's Order in a separate case, EO-2011-0128. In that case, the Commission agreed with OPC concern about potential conflicts of interest between Ameren Missouri and its affiliates regarding capacity markets and construction of transmission resources. Under FERC Order 1000, a utility with a certificated service territory, such as Ameren Missouri, no longer has a right of first-refusal to construct transmission projects within its service territory if the reliability projects are subject to regional cost allocation. That means that both Ameren Missouri's affiliate company, ATXI, and other transmission companies not affiliated with Ameren Missouri, may be allowed to develop such projects within Ameren Missouri's service territory. Due to FERC Order 1000 and Ameren Missouri's participation in MISO, ATXI or another Ameren subsidiary could build transmission projects in Missouri, including MVP projects such as the Mark Twain Transmission Project.

MISO would allocate a part of the cost of those projects to Ameren Missouri, with the costs ultimately to be recovered from Ameren Missouri's ratepayers.

Another complication is the "filed rate doctrine" which ensures that sellers of wholesale power governed by FERC can recover the costs incurred by their payment of just and reasonable FERC-set rates. When FERC sets a rate between a seller of power and a wholesaler-as-buyer, a state may not exercise its undoubted jurisdiction over retail sales to prevent the wholesaler-as-seller from recovering the costs of paying the FERC-approved rate; such so-called "trapping" of costs is prohibited. This means that Ameren Missouri cannot be denied the ability to recover in rates the amounts that it must pay to transmission owners for FERC-established rates for power transmission, even if those FERC-established transmission rates are higher than would have been approved by the Missouri Public Service Commission. That is also true even if the transmission owner with a FERC-established rate is affiliated with Ameren Missouri. In order for Ameren Missouri to follow the "filed rate doctrine", and for Missouri ratepayers to not be disadvantaged in rates for affiliates using ROE values authorized by FERC that are higher than what has been established by the Missouri Public Service Commission, the Commission ordered in EO-2011-0128, pages 29-30 part S:

> For transmission facilities located in Ameren Missouri's certificated service territory that are constructed by an Ameren affiliate and that are subject to regional cost allocation by the MISO, for ratemaking purposes in Missouri, the costs allocated to Ameren Missouri by the MISO shall be adjusted by an amount equal to the difference between: (i) the annual revenue requirement for such facilities that would have resulted if Ameren Missouri's Commission-authorized ROE and capital structure had been applied and there had been no CWIP (if applicable), or other FERC Transmission Rate Incentives, including Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities and (ii) the annual FERC-authorized revenue requirement for such facilities.

Because Ameren Missouri has been allocated costs for construction of the Mark Twain Transmission Project that ATXI constructed, Staff has, for purposes of this direct testimony, accepted Ameren Missouri's adjustment to remove the revenue requirement difference between

FERC's ROE and Ameren Missouri's ROE that was established as part of their last general rate case, 9.53 percent.

The Mark Twain Transmission Project is now complete which means that Ameren Missouri's billings of its allocated portion of costs will be ending. Staff will continue to review the amount to be removed and will verify that all adjustments for the billings from MISO have been contemplated and that the calculations reflect all removals and to determine if the ongoing FERC ROE proceedings will have an effect on this project's billings during the true-up phase of this rate case.

ATXI – Limestone Ridge Project

In case, EA-2021-0087, Ameren Transmission Company of Illinois (ATXI) is proposing to construct a 15-mile, 138 kV greenfield transmission line (the "Transmission Line") and a 138 kV 15 to 161 kV switching station (the "Whipple Substation" referred to collectively with the Transmission Line) in cooperation with Citizens Electric Cooperative ("Citizens") and Wabash Valley Power Alliance ("Wabash Valley") in Perry and Cape Girardeau Counties in Southeast Missouri ("the ATXI-Wabash Development"). Ameren Services was approached by Wabash Valley in 2018 about the prospect of pursuing a transmission project in Southeast Missouri intended to provide a new source of transmission-voltage supply to the area. In particular, one main driver this project is to provide an additional networked transmission source to support a critical distribution substation (Trail of Tears) in Citizens' distribution system, as well as a large manufacturing facility in the area. That facility sits in Citizens' retail service territory. Wabash Valley communicated that they intended to pursue a project with or without ATXI or Ameren Missouri's involvement, but offered to partner in the endeavor in an effort to leverage experience in the transmission development business.

Staff had concerns that this project was similar in nature to the Mark Twain transmission project and thus was planning to propose similar adjustments to, construction work in process (CWIP), capital structure, and return on equity. Staff issued discovery to determine what impacts would occur for Ameren Missouri's transmission schedules and if Ameren Missouri believed the projects were similar and needed to be accounted for as such. Ameren Missouri responded to Staff DR No. 0757, stating

> The transmission line and switching station to be constructed by ATXI as part of the ATXI-Wabash Development would be

> included in the development of the AMMO pricing zone Schedule 9 rate. Therefore, Ameren Missouri would pay its load ratio share of the resulting revenue requirement. In response to a data request in EA-2021-0087 (Staff-ATXI DR No. 0020 (subpart 4 and the corresponding [Confidential] attachment)), ATXI estimated its portion of the project would result in a first year cost to Ameren Missouri of approximately $3.90 million which would be included in Ameren Missouri's cost of service. There would be no meaningful change in Ameren Missouri's transmission revenues. This project should be treated differently than Mark Twain. The Limestone Ridge Project is not subject to the ratemaking adjustments contained in the Report and Order in Docket No. EO-011-0128 (see Ordering paragraph 2(S)) in that the facilities to be constructed by ATXI are not in Ameren Missouri's certificated service territory, nor are they subject to regional cost allocation. Also, please note that ATXI did not seek a FERC incentive for CWIP in rate base for the Limestone Ridge Project like it did for Mark Twain, so Limestone Ridge will be treated like typical projects which accrue AFUDC during construction and are included in rates upon being placed in-service.

As this project is in its beginning stages, Staff will need to perform discovery on this issue in Ameren Missouri's next general rate proceeding to determine the full effect of this project on Ameren Missouri's customer rates. Staff will need to review the details of the project, including whether the order in case EO-2011-0028 does or does not apply and determine any impact on capital structure and return on equity, if any.

Staff Expert/Witness: Lisa M. Ferguson

21. Netting of Amortizations of Regulatory Assets and Liabilities

The *Unanimous Stipulation and Agreement* that was approved by the Commission in Ameren Missouri Case No. ER-2016-0179 provided guidelines for the accounting treatment for over and under-recovery of various regulatory assets and liabilities as part of this rate case, Case No. ER-2021-0240. Staff recommends that the total balance of these seven "netted" amortizations be recovered by Ameren Missouri through an amortization over three years, beginning with the effective date of rates in this rate case.

Staff has examined all of Ameren Missouri's existing amortizations related to various regulatory assets and liabilities as part of its audit in this rate proceeding. Consistent with the terms of the Commission approved *Unanimous Stipulation and Agreement* referenced above, Staff recommends a "netting" of the following seven amortization balances that will exist at the February 28, 2022 operation of law date:

FIN 48 – Case No. ER-2016-0179 – No Rate Base Inclusion

Storm Restoration Tracker – ER-2014-0258 – No Rate Base Inclusion

Storm Restoration Tracker – ER-2016-0179 – No Rate Base Inclusion

Over/Under Collection Amortization ER-2019-0335 – No Rate Base Inclusion

Over/Under Collection Amortization ER-2019-0335 – Rate Base Inclusion

By the February 28, 2022 effective date of rates, Ameren Missouri will have under-recovered approximately $6.5 million for these seven amortizations collectively. The intended goal of the recommended ratemaking treatment is to simplify the accounting required for all of these various amortizations, as well as to ultimately prevent over-recovery or under-recovery of the costs associated with all of these amortizations that are addressed above.

Staff Expert/Witness: Lisa M. Ferguson

22. Renewable Energy Standard Costs

Renewable Energy Standard ("RES") related expense consists of items such as customer solar renewable energy credits ("RECs"), non-customer solar RECs, wind RECs and Maryland Heights Energy Center fuel costs. For purposes of its direct RES related expense consists of items such as customer solar RECs, non-customer solar RECs, wind RECs and Maryland Heights Energy Center fuel costs. For purposes of its direct filing, Staff has reflected approximately $6.98 million for RES related expense in the Staff's cost of service calculation which includes an annualized cost of methane fuel used to power its Maryland Heights Energy Center. Staff will analyze actual RES spending through the September 30, 2021, true-up cut-off and may recommend further adjustment to this level as a result of the true-up audit.

Staff Expert/Witness: Lisa M. Ferguson

23. Maryland Heights

The Maryland Heights Renewable Energy Center began operations in 2012 and is an 8MW facility where methane gas from the nearby landfill is used to power combustion turbine generators. Methane gas is considered a renewable resource for meeting Ameren Missouri's required Renewable Energy Standard (RES) requirement. As such, the cost of the methane gas that Ameren Missouri procures for operations is included in rates through its Renewable Energy Standard Accounting Authority Order (RES AAO) deferral. This cost will remain in the RES AAO per the stipulation & agreement between the parties as ordered by the Commission in case EA-2018-0202. Staff has annualized the cost for methane gas for inclusion in the cost of service by pricing out the actual volumes experienced for the twelve months ending June 30, 2021 by the most recent cost per MMBtu of methane gas. Staff will review this issue again as part of its true-up audit.

Staff Expert/Witness: Lisa M. Ferguson

24. Renewable Energy Standard AAO Amortization

As part of Case No. ER-2019-0335, the Commission established a base level of approximately $10.9 million for Ameren Missouri's Renewable Energy Standard Compliance Cost Tracker. As part of its audit in this rate proceeding Staff examined all RES costs incurred by Ameren Missouri during the period covering January 1, 2020, through June 30, 2021[121] and that are eligible for deferral and recovery in the existing RES AAO regulatory deferral rate mechanism. Based upon this examination, Staff determined that a regulatory liability exists. Staff has included a three-year amortization of this regulatory liability balance in the cost of service calculation, with no rate base treatment for the unamortized balance. This ratemaking treatment is consistent with the Commission's decision that established the ongoing AAO treatment for deferred RES costs in Ameren Missouri Case No. ER-2012-0166. Staff has continued to follow the Commission's guidance from that Order concerning all RES AAO regulatory asset and liability balances.[122] Staff will examine all actual RES costs eligible for recovery through the RES AAO through September 31, 2021 and may recommend further adjustments as part of its true-up audit in this rate proceeding.

Staff Expert/Witness: Lisa M. Ferguson

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[121] SB 564 and the terms of the Stipulation and Agreement approved by the Commission in Ameren Missouri Case No. EA-2018-0202 specify how Ameren Missouri is required to seek recovery of certain RES costs going forward under the RESRAM rate mechanism.

[122] Staff has already netted all three prior RES AAO amortizations that were established in Case Nos.: ER-2012-0166, ER-2014-0258 and ER-2016-0179. Staff has proposed inclusion of the RES AAO amortization from Case No. ER-2019-0335 also be netted as part of this current rate proceeding. The most current amortization is included in the netting of regulatory assets and liabilities section of this Report.

25. Renewable Energy Standard Rate Adjustment Mechanism (RESRAM)

The renewable energy standard requires a certain percentage of Ameren Missouri's retail sales to come from renewable energy sources (RES), in order to meet that requirement Ameren Missouri filed a case seeking a certificate of convenience and necessity to own and operate a wind facility. In Case No. EA-2018-0202, Ameren Missouri also requested a RESRAM, which is a special ratemaking mechanism that allows Ameren Missouri to recover RES-related capital investment and expenses through a rider in between rate cases. In the stipulation and agreement that was approved by the Commission in that case Ameren Missouri's RESRAM tariff and related parameters regarding exactly how the mechanism will work. Additionally, Ameren Missouri also requested approval of certain waivers to the RESRAM rule that addressed the following items: (a) exactly what portion of the accumulated RESRAM costs will be moved to base rates during a rate case, (b) how the RESRAM charge will be billed to customers as a flat rate per kWh of energy consumed, (c) allowing a RESRAM rate change of 2% or more to take effect 120 days after filing (similar to FAC rules), and (d) allowing RES energy and capacity sales revenue to be included in the Fuel Adjustment Clause (FAC) so as to prevent a potential double recovery of RES amounts through both the FAC and RESRAM. All RES costs already being recovered in base rates, all current and future costs associated with existing renewable generation facilities, renewable energy credits (RECs) from existing renewable purchase power agreements and REC's purchased prior to the January 1, 2019 establishment of the RESRAM must be recovered by Ameren Missouri through the existing RES AAO tracker and existing solar rebate tracker that was established in prior rate proceedings.

In Ameren Missouri's most recent electric rate case, Case No. ER-2019-0335 the parties agreed in the Commission approved Non-Unanimous Stipulation and Agreement not to rebase the RESRAM and did not include any RESRAM costs in the revenue requirement.

In addition to the RESRAM mechanism, Ameren Missouri elected to use Plant-in-Service Accounting ("PISA") on September 31, 2018 as part of Case No. EO-2019-0044. Investment that is eligible for RESRAM recovery must first pass through the PISA mechanism, which allows for the deferral of 85% of the depreciation and return on assets. The Commission found in Case No. EA-2018-0202 that Ameren Missouri could recover "depreciation expense and return associated with the High Prairie project recorded to plant-in-service on the utility's books as it is permitted to do by the RES statute, exclusive of the eighty-five percent of that expense and return deferred for future recovery pursuant to the PISA statute. As part of its review, Staff reviewed the amounts that were included in both PISA deferral and RESRAM rider to ensure that no duplication of the capital investment was contained with the two recovery mechanisms. Additionally Staff met with Ameren Missouri on June 16, 2021 to discuss the RESRAM rider and on July 26" 2021 to discuss the interaction between the PISA deferral and the RESRAM rider.

a. Return on Plant

As part of its direct filed cast, Staff is including the estimated plant-in-service and reserve balances as of September 30, 2021 in the revenue requirement. However during its discovery ** [redacted] ** The proposed reduction to the plant in service reduces the amount of the return on plant included in the RESRAM base.

Staff has reviewed the historical levels of RESRAM eligible expenses through June 30, 2021 to determine a base level of RESRAM expenses to include in the RESRAM Base. These include RECS purchased after January 1, 2019, solar rebates authorized in Section 393.1670, RSMo (Senate Bill 564), operations and maintenance ("O&M") expenses for the Atchison and High Prairie Renewable Energy Centers, insurance, property taxes, and interconnection expenses for the Atchison and High Prairie Renewable Energy Centers

b. RECS

Staff is including the test year amount of RECs incurred in the test year as the base level of expense. Staff will continue to review the level of RECs to include RESRAM base through the September 30, 2021 true-up cut-off date.

c. Solar Rebates

Staff is including the test year level of solar rebates paid as the base level of expense in the RESRAM base and will continue to review the amount of solar rebates paid under Section 393.1670, RSMo (Senate Bill 564) through the true-up cut-off date in this case.

d. Wind Facility Operations & Maintenance Expense

The High Prairie Wind Facility was considered in service by Ameren Missouri in December 2020. The facility consists of 175 wind turbines for an overall capacity of 400 MW. The Atchison Wind Facility was considered in service by Ameren Missouri, with the exception of 1 wind turbine in June 2021. The final wind turbine at Atchison is anticipated to be in service in the fourth quarter of 2021.

The wind facilities incur operations and maintenance costs similar to any of Ameren Missouri's other generating facilities. The wind facilities incur transmission interconnection costs, employee labor costs, easement costs, outside vendor maintenance and environmental monitoring costs. Property taxes and insurance costs related to the wind facilities will be addressed in their respective sections in this report. In its direct case filing, Ameren Missouri included the current 5 year forecast of each wind facility for turbine maintenance, land lease payments, and balance of plant costs. These estimates excluded transmission maintenance fees. The company included an estimated level of O&M costs as no vendor contracts had been executed at their time of filing.

** [redacted]

[redacted] **

Ameren Missouri is currently in the process of developing contracts for general site maintenance but at the time of Staff's direct testimony filing, these contracts have not been finalized. If agreements are executed with known and measureable terms prior to September 30, 2021, Staff will include a level of costs associated with these contracts in the cost of service.

As for the service agreements with ** [redacted] **, the contracts state terms regarding the ** [redacted] **

Each facility also incurs costs related to ** [redacted]

[redacted] **

The labor portion for the two employee site supervisors at each wind facility will be included in Staff's annualized payroll addressed by Staff witness Paul K. Amenthor. In regards to the non-labor O&M, Staff has included an annualized level of easement lease payments based on the most current easement contract terms. For vendor contracts with variable contract rates, Staff has included the most current contract rates applied to the total MW of wind turbines that have met in-service criteria. For vendor contracts with non-variable rates, Staff has included an annual level of the fixed costs also based on the most current executed contract terms.

These annualized operations and maintenance costs as well as an annualized level of transmission interconnection costs will be included by Staff witness Jason Kunst in the cost of service as part of this rate case as well as the RESRAM base in which to track future accumulated renewable costs.

Staff Expert/Witness: Lisa M. Ferguson

e. Property Taxes

Staff has included the actual property taxes paid in December of 2020 as the base level of property tax expenses in the RESRAM base. The actual property taxes has been adjusted to reflect Staff's recommendation to remove plant that was determined to not be in service.

f. Insurance Expense

Staff has included an annualized amount of insurance expense for the wind facilities in the RESRAM rebase.

g. Interconnection Costs

Staff has included an annualized level of annual facility service agreement payments based upon the payments in place through June 30, 2021. Staff will continue to review these costs through the true-up cut-off in this case. The annualized amount has been adjusted to reflect Staff's adjustment to remove plant that was determined to not be in service.

h. Production Tax Credits

Staff included an estimated amount of grossed up production tax credits in the RESRAM based upon the full production of Staff's in-service MWs for the facilities. Staff will continue to review this calculation through the true-up cut-off in this case.

i. Depreciation Expense

Staff has included an annualized level of depreciation expense based on Staff's plant-in-service amount and Staff's proposed depreciation expense for the facilities. Staff will continue to review the depreciation expense through the true-up cut-off.

j. Capitalized Incentive Compensation

Ameren Missouri capitalizes a portion of the incentive compensation that is paid to employees, this includes both long- and short-term incentive compensation. Historically, both Staff and Ameren Missouri have proposed adjustments during rates cases to remove capitalized incentive compensation that is tied to earnings or otherwise deemed to be of no benefit to the ratepayers of Ameren Missouri. During a rate proceeding the portion of the incentive compensation that is tied to earnings would be removed from rate base and Ameren Missouri would not earn a return or recovery depreciation expense on that portion of the investment through rates. Therefore, Staff is recommending a disallowance to remove a portion of the capitalized incentive compensation from the plant-in-service that is being included in the RESRAM Base amount. Staff will continue to review the capitalized incentive compensation that is included in RESRAM eligible projects through the September 30, 2021 true-up cut-off date in this case.

k. RESRAM Rebase

Staff has calculated a new base level of RESRAM expense based upon the value of the production tax credits, the return on eligible plant, depreciation expense, and the normalized level of RESRAM eligible O&M expenses.

l. RESRAM Accruals

Additionally as the RESRAM is being rebased in this case, it is necessary to remove the amortizations that were recorded in the test year. Therefore, Staff has made an adjustment to remove the amounts recorded during the test year.

Staff Expert/Witness: Jason Kunst, CPA

m. RESRAM Prudence Review

The Commission first authorized a Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) for Ameren Missouri in Case No. EA-2018-0202. RESRAM is a mechanism which allows periodic billing rate adjustments to recover prudently incurred Renewable Energy Standards (RES) compliance costs or pass-through savings benefits from RES to customers as billing credit. The RESRAM charge or credit is a line item on all Ameren Missouri customers' bills. Commission rule 20 CSR 4240-20.100(6)11 and 20.100(6)26 requires the interval for prudence reviews to be established when the RESRAM is established. Ameren Missouri's RESRAM tariff specifies the interval for prudence reviews to be no less than every 24 months. In this first prudence review of Ameren Missouri's RESRAM for the period January 1, 2019 through December 31, 2020, Staff reviewed items affecting Ameren Missouri's Renewable Energy Standard Compliance costs.

For Renewable Energy Standards compliance, Ameren Missouri purchases Renewable Energy Credits (REC) from various sources via brokers and direct negotiated transactions. A REC represents that one megawatt hour of electricity has been generated from renewable energy resources. Renewable energy resources includes energy produced from wind, solar, biomass, and other qualified sources. RECs expire three years from the date the electricity was generated.[123] Solar rebates are offered to customers installing or expanding approved solar systems. Depreciation, operation and maintenance, interconnection, and property tax expenses are also recovered through the RESRAM.

Staff reviewed Ameren Missouri's 2019 and 2020 RES Compliance Plans (EO-2020-0328 and EO-2021-0325), annual tariff adjustment filings (ER-2021-0090) for the RESRAM rate applied to customers' bills, general ledger data, and various data request responses from Ameren Missouri.

Staff found no evidence that Ameren Missouri's management of RES compliance costs during the review period was imprudent. Staff did find a Missouri solar system installer whose Secretary of State business registration was dissolved on October 28, 2019 for failure to pay taxes. While there is no rule in statute or tariff about a matter such as this, Staff recommends that Ameren Missouri consider checking contractor standing with Missouri Secretary of State periodically, to ensure that participating solar installers are in good standing with the State of Missouri. Staff has no other recommendations or disallowances at this time.

Staff Expert/Witness: Nancy L. Harris

26. Solar Rebates from Case No. ET-2014-0085

The Commission approved a *Non-Unanimous Stipulation and Agreement* in Ameren Missouri Case No. ET-2014-0085, allowing Ameren Missouri to record solar rebate spending up to $91.9 million, plus a 10% cost adder for "carrying costs," in a regulatory asset to be considered for recovery in subsequent general rate cases, utilizing a three-year amortization. The Stipulation also stated that if Ameren Missouri had not paid $91.9 million by the completion of its next rate case, then one or more regulatory assets shall be subsequently reflected on Ameren Missouri's books to record additional solar rebate payments made, equaling the difference between the amount of solar rebate payments deferred in the initial regulatory asset and $91.9 million, plus a 10% adder. Ameren Missouri cannot defer in the regulatory asset balance

[123] RECs may be used for compliance during a calendar year in which it expired so long as it was valid at any time in that year.

any solar rebate amounts paid that are in excess of the $91.9 million cap. Finally, once the $91.9 million cap is met, Ameren Missouri is required to track and to produce a true-up of all differences and between the normalized billing units used to calculate rates in a general rate proceeding where some or all of the balance of the regulatory asset will be included in rates through a three year amortization and the actual billing units associated with cost recovery, among other factors,[124] once Ameren Missouri had paid solar rebates totaling $91.9 million. This tracking and true-up, shall be addressed in the first general rate case occurring after the general rate case when the last dollar of the $91.9 million balance of solar rebates has been paid out to customers.

27. Solar Rebate Regulatory Asset Balances

The over-collection balance in Case No. ER-2014-0258 was included in the netting of over and under collected regulatory asset and liability balances in case ER-2019-0335.

The over-collection balance in Case No. ER-2016-0179 was included in the netting of over and under collected regulatory asset and liability balances in Case No. ER-2019-0335.

In Ameren Missouri's last electric rate case, Case No. ER-2019-0335, Staff determined that Ameren Missouri had deferred and accumulated approximately $367,933 for solar rebate payments in a regulatory asset account for the period covering January 1, 2017, (the first day following the true-up cut-off established by the Commission in Case No.: ER-2016-0179) through September 30, 2019. Coupled with the 10% cost adder of approximately of approximately $36,793, Ameren Missouri started to recover approximately $410,996 over a three year amortization period, beginning with the April 1, 2020, effective date of rates in Case No. ER-2019-0335. Staff verified in the last rate case that Ameren Missouri had prudently paid $91.9 million of solar rebates and did not attempt to seek recovery in the deferred regulatory asset for any amount that exceeds the $91.9 million solar rebate cap agreed to in Case No. ET-2014-0085.

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[124] Tracking and true-up is specifically addressed in subparagraph e. found on pages 6 through 7 in the Nonunanimous Stipulation and Agreement approved by the Commission in Ameren Missouri Case No. ET-2014-0085.

Over or Under-Collection of Solar Rebates

Since Ameren Missouri has now paid a total of $91.9 million of solar rebates to its customers according to the terms and conditions of the stipulation in Case No. ET-2014-0085, Ameren Missouri was required to track and provide a true-up as part of this general rate case as outlined in the stipulation in subparagraph e. as follows:

Because of the likely difference between the normalized billing units used to calculate rates in a general rate proceeding where some or all of the balance of the regulatory asset provided for in subparagraph d will be included in rates through the three-year amortization and actual billing units associated with cost recovery, and also because of the likely difference between the three year amortization period and the actual time interval between when rates are set in rate cases, a true-up will be required to reflect whether the sums billed to customers through the amortization are greater or less than the sums that it was assumed would be billed to customers based on the billing units and amortization period used to calculate rates in the general rate proceeding. Because of this, Ameren Missouri shall track such differences. In the first general rate case occurring after the general rate case when the last dollar of the balance of the regulatory asset provided for in subparagraph (d) was included in rates, the difference shall be included as either a positive or negative amortization in rates over a three-year period. It is the intent of the Signatories that Ameren Missouri shall ultimately bill customers for an amount as close as reasonably practicable (separately for the residential and non-residential customer classes) to the total solar rebates paid plus the additional amount provided for in subparagraph d above.

As of September 30, 2019 Ameren Missouri had paid out $91.9 million of solar rebates to customers prior to the true-up cutoff in Ameren Missouri's last rate proceeding, December 31, 2019. As such this current rate case is the "first general rate case occurring after the general rate case when the last of the solar rebate balance had been paid out to customers. Staff reviewed the actual billing units associated with the cost recovery of the solar rebates and Staff included the under recovered amount amortized over three years in the cost of service in this case.

Staff Expert/Witness: Lisa M. Ferguson

28. Callaway License Extension and Regulatory Asset Amortization

On March 6, 2015, the Nuclear Regulatory Commission ("NRC") issued a license extension that will allow Ameren Missouri to continue to operate its Callaway Nuclear Power Plant through 2044. Ameren Missouri recorded the costs associated with obtaining the Callaway license extension from the NRC in FERC plant account 302, Franchises and Consents, soon after the NRC issued the license extension. None of these costs were included in the cost of service calculation in Ameren Missouri rate case ER-2014-0258. Instead, Ameren Missouri was granted an accounting authority order as part of that case to defer carrying costs at the company's short term interest rate as well as amortization accruals related to the Callaway relicensing balance at the effective date of rates of that 2014 case. That AAO was effective until base rates changed in case no. ER-2016-0179. This approved stipulation allowed Ameren Missouri to defer and amortize certain items pertaining to its completed efforts to extend Callaway's operating license through 2044. In Case No. ER-2016-0179, Staff reflected an appropriate amortization of these costs that were recorded through the December 31, 2016 true-up cutoff that was established by the Commission in that general rate case. This amortization was included in the cost of service calculation and the recovery period was synchronized with the remaining life of the Callaway license, which is effective through October 2044.

As part of this rate case, Staff included an amortization of the regulatory asset which consists of the original amount as well as the short term interest rate carrying costs that were established in Ameren Missouri's electric rate case, Case No. ER-2016-0179, in the cost of service calculation over a recovery period that is synchronized with the remaining life of the Callaway license, which is effective through October 2044.

Staff Expert/Witness: Lisa M. Ferguson

29. Sioux Construction Accounting

Ameren Missouri began construction of the Sioux Wet Flue Gas Desulfurization Project ("scrubber") during April 2005 and the project was declared in service in November 2010. As part of Case No. ER-2010-0036, Ameren Missouri was granted construction accounting as part of the Commission ordered First Unanimous Stipulation and Agreement. Ameren Missouri was allowed to defer the depreciation expense (but no other Sioux scrubber related expense) related to the Sioux Scrubbers until they were recorded into plant-in-service. As a result, two separate construction accounting deferrals were amortized over 22 years and 20 years, respectively, in prior rate proceedings. In this current case, Staff has reviewed the test year amortization expense levels and verified that Ameren Missouri is correctly amortizing these two amounts in accordance with the Stipulation.

Staff Expert/Witness: Christopher D. Caldwell

30. Permanent Cleaning Expense

Ameren Missouri initiated ongoing permanent cleaning procedures due to the COVID-19 pandemic that are beyond cleaning costs currently in base rates. Ameren Missouri seeks recovery of this additional cleaning cost. Staff annualized this cost by including the actual expense incurred from July 2020 through June 2021. Staff will review Ameren Missouri's new cleaning contract once it is approved and propose an adjustment, if necessary, as part of its true up audit.

Staff Expert/Witness: Paul K. Amenthor

31. Vegetation Management & Infrastructure Inspections

In Ameren Missouri's previous rate case, Case No. ER-2019-0335, Staff discovered that Ameren Missouri had initiated an ** [redacted] ** Staff reviewed the historical costs for the vegetation management program which show that the costs have decreased since Ameren Missouri implemented the cost savings measures. Staff is recommending to include the 12 months ending June 30, 2021 as the annualized level of costs for vegetation management expenses.

As part of its cost savings measures, Ameren Missouri indicated to Staff in response to Staff DR No. 0345 and in the cost savings report presented to Staff in July, ** [redacted]. **

After reviewing the cost savings measures implemented by Ameren Missouri and the historical costs, Staff is recommending that 12 months ending June 30, 2021 be included as the annualized level of costs for infrastructure inspections.

Staff will continue to review the actual costs and cost savings implementations for each of the programs through the end of the true-up period of September 30, 2021, and make further adjustments if necessary based upon updated information.

a. Amortization Expense

Ameren Missouri had an outstanding amortization relating to the previous vegetation management and infrastructure inspection tracker which was discontinued in ER-2014-0258 for a regulatory liability for the tracker balance that occurred between January 1, 2015 and May 30, 2015. The balance was fully amortized as the effective dates in the last Ameren Missouri rate case ER-2019-0335 and it was netted with the other expiring or expired amortizations. Staff has made an adjustment to remove the amortizations that occurred in the test year.

Staff Expert/Witness: Jason Kunst, CPA

32. <u>Storm Restoration Costs</u>

a. Annualization

In order to determine a normalized level of non-labor storm restoration expenses, Staff has reviewed historical non-labor major related expenses for Ameren Missouri. Staff is recommending inclusion of a normalized level of major storm restoration expense based upon a five year average ending June 30, 2021 which is consistent with past practice as variability exists in the level of storm costs experienced on a year to year basis. As part of its true-up audit, Staff will continue to review the actual non-labor major storm costs through September 30, 2021.

b. Amortization

In Ameren Missouri Case No. ER-2012-0166, the Commission approved Ameren Missouri's request to implement a two-way tracking mechanism for its non-labor major storm restoration costs. As part of the approval, a base level of expected major storm restoration costs was established and included in Ameren Missouri's revenue requirement. The actual non-labor storm costs incurred by Ameren Missouri were tracked against the base level to create a regulatory asset if the costs exceeded the base level or a regulatory liability if the costs were below the base level to create a regulatory liability. The resulting regulatory asset or liability would then be amortized as part of the next general rate case. In Ameren Missouri Case No. ER-2014-0258, the Commission determined the storm tracker was no longer appropriate.

The two outstanding regulatory assets that were being amortized from the tracker that was previously authorized are proposed to be included in the unamortized portion in its netting of under- and over-amortized assets and has removed the test year costs amounts.

Staff Expert/Witness: Jason Kunst, CPA

33. Amortization of Excess ADIT

a. Federal Corporate Tax Rate Reduction

The Tax Cuts and Jobs Act was signed into law in December 2017, and as part of that a reduction in the corporate tax rate required the revaluation of accumulated tax timing differences that were previously valued at 35% to be revalued at 21%. This excess deferred tax value is required to be returned to customers based on whether the excess deferred taxes are protected or unprotected. Protected excess ADIT is the portion associated with accelerated depreciation tax timing differences that must be "normalized" for rate making purposes and where the flow back of excess ADIT cannot be returned to customers any more quickly than over the estimated life of the assets that gave rise to the ADIT. Unprotected excess ADIT is the portion of the deferred tax reserve that resulted from normalization treatment of tax timing differences other than accelerated depreciation. As part of the Stipulation & Agreement in case ER-2018-0362, the Parties agreed to track the protected excess ADIT and return that using the Average Rate Assumption Method (ARAM) as described above and return the unprotected ADIT over a 10 year period.

b. State Corporate Tax Rate Reduction

In the last Ameren Missouri electric rate case, Staff reflected the ongoing state corporate tax reduction that was set to occur on January 1, 2020 and as part of that a reduction in the corporate tax rate accumulated tax timing differences that were previously valued at 6.25% had to be revalued at 4.00%. All of Ameren Missouri's state related accumulated deferred taxes are considered unprotected and began amortization as of the effective date of rates in the last electric rate case, April 1, 2020.

Staff recommends continuation of the amortization of the return of excess ADIT for both the federal and state corporate tax reductions in rates for Ameren Missouri gas customers as part of restating rates in this rate proceeding.

Staff Expert/Witness: Lisa M. Ferguson

34. Nuclear Safety Study Costs Amortization

In Case No. ER-2014-0258, a ten-year amortization of costs associated with a mandatory study to address nuclear power safety in the aftermath of the Fukushima incident was first included in Ameren Missouri's rates. A full year of amortization expense was included in the cost of service calculation in Ameren Missouri's previous rate cases, ER-2016-0179 and ER-2019-0335. The amortization began on May 30, 2015, the effective date of rates established in Ameren Missouri Case No. ER-2014-0258 and is scheduled to expire on May 29, 2025. In this case, during the test year ending December 31, 2020, Ameren Missouri recorded a full year of amortization expense associated with this nuclear power safety study as there was no resetting of the amortization period in the last rate case, therefore Staff proposes no adjustment to this amortization as part of this general rate proceeding.

Staff Expert/Witness: Lisa M. Ferguson

35. Plant in Service Accounting Amortization

On June 1, 2018, Senate Bill 564 was signed into law, which allowed investor owned utilities in the State of Missouri the option of deferring 85% of all depreciation expense and return associated with qualifying electric plant that was recorded to plant-in-service as a regulatory asset on or after the date the utility elects the PISA option. Qualifying plant for the purposes of the PISA deferral is all rate base additions that are not new nuclear, coal, or gas-fired generation or investment for new services. During a general rate case after the PISA election, the regulatory asset must be amortized over twenty years and the unamortized balance is included in rate base and allowed a return. Any utility that elects the PISA deferral must file every year a five-year capital investment plan with the Commission on February 28th with specific capital investment detailed within the plan. Additionally in the years after filing the first capital investment plan the utility must submit an annual report detailing the actual capital investment from the prior year. At least 25% of the capital investment included in the plan must be for grid modernization projects and additionally during the first five years, and smart meter investment is limited to 6%. PISA remains in effect until December 31, 2023; however electric utilities may request the Commission approve a five year continuation prior to the cutoff date. Any existing balances that remain after the expiration of the PISA option would continue to be amortized and recovered through base rates by the electric utility. Additionally Ameren Missouri received Commission approval for a RESRAM in Case No. EA-2018-0202. RESRAM eligible investment must first pass through the PISA Mechanism and then as the Commission determined in their Report and Order in Case No. EA-2018-0202, "that Ameren Missouri may recover depreciation expense and return associated with the High Prairie project recorded to plant-In-service on the utility's books as it is permitted to do by the RES statute, exclusive of the eighty-five percent of that expense and return deferred for future recovery pursuant to the PISA statute."[125]

Ameren Missouri filed its election to use PISA on September 31, 2018 as part of Case No. EO-2019-0044. Ameren Missouri submitted its five-year capital investment plan on February 14, 2019, and has submitted subsequent plans and reports on February 26, 2020 and February 19, 2021 in compliance with the PISA requirements. Ameren Missouri has established a regulatory asset account on its books and has recorded all return and depreciation on eligible plant additions.

In the previous Ameren Missouri rate case, Case No. ER-2019-0335, Staff reviewed the PISA regulatory asset balance through true-up cut-off date in that case of December 31, 2019. The regulatory asset established for the first accumulation period (September 1, 2018 through December 31, 2019) was included in rate base and a twenty-year amortization was calculated. The second accumulation period which started on January 1, 2020 includes the deferred amounts from the prior accumulation period that were not included in the regulatory asset as of December 31, 2019 but accumulated until the effective date of rates in the prior case.

Staff has reviewed the costs that were included in the regulatory asset for the period of January 1, 2020 through June 30, 2021 and met with Ameren Missouri to discuss how Ameren Missouri determined PISA eligible amounts and as well as the calculations for the amounts included in the regulatory asset. Staff has determined that the amounts included in the PISA

[125] Report and Order, Case No. EA-2018-0202, Page 11.

deferral are in compliance with the statutes, and has included them in the deferred asset. Staff is recommending two adjustments to the PISA regulatory asset that are further described below. Staff has included in the revenue requirement a twenty-year amortization of the PISA regulatory asset as required and included the adjusted unamortized balance as of June 30, 2021 in rate base as required by statute, along with estimated amounts through September 30, 2021. Staff will continue to review the costs included in the PISA deferral through the September 30, 2021 true-up cut-off in this case and will adjust the amortization and rate base inclusion based upon the actual costs. Any qualifying electric plant amounts that are incurred subsequent to the rate base cutoff date of September 30, 2021 will be deferred into a new regulatory asset account until the true-up cut-off in the next Ameren Missouri general rate proceeding.

a. Capitalized Incentive Compensation in PISA

Ameren Missouri capitalizes a portion of the incentive compensation that is paid to its employees, this includes both long- and short-term incentive compensation. Historically, both Staff and Ameren Missouri have proposed adjustments during rate cases to remove incentive compensation that is tied to earnings or otherwise deemed to be of no benefit to the ratepayers of Ameren Missouri. During a rate proceeding the portion of the incentive compensation that is tied to earnings would be removed from rate base and Ameren Missouri would not earn a return or recovery depreciation on the investment through rates. However, as the adjustment to remove earnings based incentive compensation is a regulatory adjustment during a rate case proceeding, the investment that flows through the PISA mechanism includes capitalized incentive compensation that should also be adjusted out of rate base once the plant is included in base rates. Staff believes that is inappropriate for Ameren Missouri to earn a deferred return and depreciation expense on costs that normally would be removed as part of a rate case proceeding. Staff has proposed an adjustment to remove a portion of the capitalized incentive compensation that is aligned with Staff's proposed adjustment to remove capitalized incentive compensation in this case from projects that were included in the PISA deferral mechanism since January 1, 2020 through June 30, 2021. Staff's adjustment reduces the deferred depreciation expense and deferred return on investment and reduces the overall amount of the deferred regulatory asset. Staff will continue to review the capitalized incentive compensation that is included in the PISA projects through the September 30, 2021 true-up cut-off date and will propose an adjustment to remove the additional earnings based incentive compensation that is capitalized on PISA eligible projects during that period. Staff recommends an adjustment of $603,100 to remove capitalized incentive compensation from the PISA deferred asset.

b. Community Solar Removal

The community solar programs, O'Fallon and Lambert, are designed so that if fully subscribed the subscribers will cover 100% of the costs of the facilities over the life of the systems through the levelized cost of energy. The levelized cost of energy constitutes all costs of the facility as structured by the program, thus the solar generation charge, when calculated using the levelized cost of energy assumes the full recovery of the depreciation expense and return on the investment. It is Staff's position that since that Ameren will recover 100% of the costs of the facilities from the subscribers, that allowing Ameren Missouri to recover the 85% of the deferred deprecation and return that has been recorded to the PISA regulatory asset would amount to double recovery of those costs, once through the solar generation charge and again through the PISA deferral. Staff is proposing an adjustment to remove the costs for the community solar facilities from the PISA deferred regulatory assets. The removal of the community solar projects from the deferred assets results in a decrease to the deferred asset from the first PISA deferral period of $46,522 and a reduction to the regulatory asset for the second PISA deferral period of $65,936.

Staff Expert/Witness: Jason Kunst, CPA

36. <u>TCJA Stub Period Amortization</u>

The Trump administration introduced a Congressional revenue act that amended the Internal Revenue Code of 1986, called the Tax Cuts and Jobs Act (TJCA). This Act became law on December 20, 2017, and modified both personal and business tax law effective for tax years subsequent to December 31, 2017. A major change to the tax code that was brought about due to this Act was a reduction in the corporate tax rate on businesses from 35% to 21%. This tax rate reduction affected the current income tax calculation as well as the accumulated deferred income tax (ADIT) calculation included in the base rates of a utility. The ADIT tax timing changes were initially calculated assuming a 35% rate but going forward they were overstated as the new tax rate was only 21%. This difference in the tax rate as applied to individual tax timing differences is considered "excess" ADIT.

Ameren Missouri was to quantify and track all impacts of the Tax Cuts and Jobs Act of 2017 potentially affecting electric service rates from January 1, 2018, going forward. Once Senate Bill 564 was signed into law, the 90 day deadline mandated under Section 393.173.3 began for the Commission to reflect the tax rate change, establish excess accumulated deferred income tax (ADIT) deferrals, and order the amount that would be included in a regulatory liability for the "stub period" (*the period of January 1, 2018, through the date the electrical corporation's rates were adjusted on a one-time basis for the tax rate change*).

On June 4, 2018, Case No. ER-2018-0362 was opened to reflect the impact of the TCJA on the rates of Ameren Missouri electric customers as called for under SB 564. The Parties joined a unanimous stipulation and agreement that reflected, among other things, that the amortization period for the stub period deferrals would also be determined in Ameren Missouri's next rate case, case No. ER-2019-0335. The stipulation & agreement was approved by Commission on July 5, 2018 with new rate schedules going into effect on August 1, 2018. This action also established the stub period deferral period as running from January 1, 2018 through July 31, 2018.

In Ameren Missouri's last rate case, ER-2019-0335, Staff recommended and all of the parties stipulated to amortizing the stub period regulatory liability back to customers over a 3 year period. In this current case, Staff reviewed the amortization and has reset this amortization period in this case to 2 years.

Staff Expert/Witness: Lisa M. Ferguson

37. Low-Level Radioactive Waste Expense

In its cost of service calculation, Staff has included a three year average ending June 30, 2021 of actual expense incurred by Ameren Missouri associated with low-level radioactive waste disposal. Staff will continue to examine these costs through the true-up cut-off date in this case and evaluate whether revision of its recommendation is warranted.

Staff Expert/Witness: Lisa M. Ferguson

38. Non-Labor Power Plant Maintenance Expense

Staff reviewed Ameren Missouri's historical non-labor power plant maintenance costs, including the costs of major outages, for the period of January 2015 through June 2021. Because these costs' fluctuate, Staff recommends an ongoing level of maintenance expense based on a 6-year average ending June 2021. Due to the impending retirement of the Meramec generating facility at the end of 2022 and the request for a tracking mechanism in this proceeding, Staff included one fifth (1/5) of Meramec's normalized power plant maintenance in the cost of service and four fifths (4/5) of the power plant maintenance in the tracking mechanism. Staff will re-examine the non-labor power plant maintenance costs as part of its true up audit.

Staff Expert/Witness: Paul K. Amenthor

39. Cybersecurity Expense

In order to enhance its cybersecurity capabilities, Ameren Missouri invested in key capabilities and processes, including phase three multi-year network access control, multi-year network segmentation projects and a cybersecurity tool suite. Further, it developed a third party cybersecurity risk team to respond to upcoming North American Electric Reliability Corporation ("NERC") CIP-013 supply chain standards. Staff analyzed the non-labor cyber security costs and noted its significant increase during the test year. Staff normalized these costs using a three-year average ending June 2021.

Staff will reexamine these costs through September 30, 2021 as part of its true up audit.

Staff Expert/Witness: Paul K. Amenthor

40. MEEIA Non-Labor Expense

Staff removed all MEEIA-related expenses from the test year to avoid double recovery through both the rider and base rates. For a complete discussion of the MEEIA revenue removal from the test year, refer to the MEEIA revenue section of this report, sponsored by Staff witness Jason Kunst.

Staff Expert/Witness: Paul K. Amenthor

41. Customer Convenience Fees

Ameren Missouri proposes including the costs of convenience fees[126] incurred at walk-in locations and credit card processing fees in its revenue requirement. These fees are currently paid by individual customers who choose to utilize these services. The convenience fees at walk-in locations are $1.10 and credit card payment fees are $1.85 per transaction.

Current Payment Methods and Fees

Ameren Missouri currently provides customers several options and methods to pay their utility bill. The chart below shows the fee customers currently pay associated with each payment type[127]:

Mobile App	Electronic Check (No Fee)	Credit Card ($1.85)	Debit Card ($1.85)
Guest Pay/Website	Electronic Check (No Fee)	Credit Card ($1.85)	Debit Card ($1.85)
Quick Pay/E-mail Link	Electronic Check (No Fee)	Credit Card ($1.85)	Debit Card ($1.85)
By Phone	Electronic Check (No Fee)	Credit Card ($1.85)	Debit Card ($1.85)
Walk-in Location or Convenience Fee	Cash ($1.10)	Check/Cashier's Check ($1.10)	Money Order ($1.10)
to Pay (Direct Debit)	Auto Deduction Checking (No Fee)	Auto Deduction Savings (No Fee)	
Electronic Data Interchange (EDI)	Electronic Payment (No Fee)		
CheckFree	Bank Website (No Fee)		
Non-Authorized Walk-in Locations or Pay Stations	Various payment methods no contract (Unknown)		
Mail	Check (No Fee)		

Ameren Missouri's Payment Vendors

Ameren Services has contracted with FirsTech, Inc. to provide customers an option to pay their utility bills at certain authorized partner locations. Currently each customer utilizing this method is charged a processing fee of $1.10 that is distributed between FirsTech and the partner location to assist with paying for the computer equipment, supplies, internet connection,

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[126] Convenience fees are a charge for making a payment in person at a pay station or a walk-in location.
[127] Ameren Missouri Data Request Response to Staff DR No. 0165.

and customer service. At these walk-in locations, customers can only pay with check, cash, cashier's check or money order. Credit cards are not accepted at the walk-in locations.[128] Ameren Services contacted FirsTech to inquire about anticipated increase of utilization of walk-in locations if the fee to customers is waived. FirsTech indicated there is no expectation of an increase due to the fact that many customers pay at these locations because that is their only option and most payments taken at walk-in locations are cash.[129]

Ameren Missouri uses Speedpay ACI Payments Inc. (Speedpay) to offer credit card or debit payment options for customers. A request for proposal (RFP) was conducted to select this vendor. The final selection was made based on the vendor meeting certain cyber and security requirements and being the lowest cost option to Ameren Missouri's customers.[130] Ameren Missouri discussed the anticipated increase of credit card usage with its vendor. Based on similar instances with other regulated utility clients, Speedpay indicated that credit card payments may increase 15-30%. Ameren Missouri could not identify any point within the range that seemed more or less likely, so it estimated the anticipated increase of utilization of credit card payments to be 22.5%.[131]

Staff's Analysis

Ameren Missouri has a contract in place for all of the authorized walk-in locations and the fee ($1.10) remains consistent for all of its authorized locations. Staff reached out to other large Missouri investor owned utilities (IOU's) and found that some have contracts with authorized locations and others do not. Most Missouri utilities stated various locations charge different amounts and some do not charge a fee at all. Customers are encouraged to call ahead as the locations can make changes to hours and fees. Most of the utilities' authorized walk-in payment locations only take cash or check. Some walk-in locations are trying to eliminate customers paying via personal checks.

Staff recognizes other states include the convenience fees in their rates. According to Ameren Missouri, ** [redacted] ** are the IOU's that include walk-in fees in their rates. The states that allow these in their rates include

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[128] Ameren Missouri Data Request Response to Staff DR No. 0629.
[129] Ameren Missouri Data Request Response to Staff DR No. 0629.
[130] Ameren Missouri Data Request Response to Staff DR No. 0625.
[131] GR-2021-0241 Ameren Missouri Data Request Response to Staff DR No. 0342.

** [redacted] **.[132] Currently, Evergy includes convenience fees in its revenue requirement.[133]

Ameren Services states that it works with payment transaction providers to renegotiate payment fees to make fees as affordable as possible for its customers. Credit card transaction fees have been reduced over the last several years from over $3.00 to $1.85. Ameren Missouri indicated that discussions have taken place at various industry meetings and more utilities are removing the fees associated with the various options for customer payment. During focus groups and transactional surveys, customers' expectations include no fees for paying with credit cards.[134]

Every payment option has associated costs to both the customer and Ameren Missouri. For example, if a customer pays by a paper check, the customer will pay for a stamp to mail the payment and Ameren Missouri will be assessed a fee of $.10 per transaction to have that check processed.[135] Ameren Missouri does not pass on the fee it is assessed for processing those checks to the individual customer. The fee is shared by every customer in the rates they pay whether or not that customer utilizes the paper check option. In Case No. ER-2019-0374, the Commission stated, "As bank fees are already recovered in the cost of service, credit card transaction fees should be similarly treated."[136]

The Commission currently allows credit card fees in the overall cost of service for other utilities. The Commission started allowing credit card fees in the overall cost of service in 2006 for Kansas City Power and Light[137], and most recently for Empire District Electric Company in 2020.[138] Currently Evergy, Spire Missouri and Empire have credit card fees included in their overall cost of service.

Recommendations

From a customer service perspective, Staff does not oppose including convenience fees and credit card fees in the overall cost of service. However, Staff recommends Ameren Missouri

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[132] Ameren Missouri Data Request Response to Staff DR No. 0628.
[133] Ameren Missouri Data Request Response to Staff DR No. 0746.
[134] Ameren Missouri Data Request Response to Staff DR No. 0628.
[135] Ameren Missouri Data Request Response to Staff DR No. 0745.
[136] ER-2019-0374, Amended Report and Order, Page 76, Line 1-2.
[137] ER-2006-0314.
[138] ER-2019-0374.

track performance, savings, usage, and communication plans pertaining to payment options. If the Commission approves this treatment, Staff recommends that Ameren Missouri be ordered to track performance and savings for both the Company and its customers from this initiative. Staff further recommends that should the Commission order convenience and credit card fees to be included in the overall cost of service, Ameren Missouri be required to monitor the level of customers using the walk-in location and credit card options, along with the increase in the number of payments, if any, for these methods. In addition, Staff recommends that the savings to the customer and/or Ameren Missouri be tracked. Staff requests that the communication plan that Ameren Missouri utilizes to inform customers that there is no fee to pay their bill by walk-in and credit card, be provided to Staff.

Staff witness Jane C. Dhority is sponsoring the adjustments proposed by Staff in regard to inclusion of convenience fees and customer credit card payment processing costs in cost of service.

Staff Expert/Witness: Tammy Huber

a. Accounting for Customer Convenience Fees

Customers who pay by credit card or at walk-in locations are charged a convenience fee per transaction. Ameren Missouri is proposing to eliminate individual customer-facing convenience charges and include them for recovery in the cost of service for this case.

Staff is not opposing the elimination of fees charged to customers paying by credit card or at walk-in locations and including them in Ameren Missouri's cost of service.

Ameren Missouri's adjustment is based on current convenience fees for walk-in and credit card payments for a forecasted number of transactions. The Company arrived at this number using 2019 actual payment levels adjusted to represent an estimated change in transactions due to the impact of the COVID-19 pandemic. However the magnitude of this impact is not clearly known at this time.

Staff's proposed adjustment is based on analysis of a 5-year history of actual payment transactions ending June 30, 2021. This is the known and measureable level of actual customer transaction experience and takes into account some of the impact COVID-19 has had on transaction levels. Staff normalized this amount and then applied the current contracted fees for processing payments through Ameren Missouri's third-party vendors to arrive at the amount to be included in the cost of service for this case. Staff will update its position on this issue during its true-up audit.

Staff Expert/Witness: Jane C. Dhority

42. Electric Vehicle Employee Incentive

** [redacted] ** Staff has made an adjustment to remove the incentive payments that were charged to Ameren Missouri during the test year, as these charges should be borne by ratepayers.

Staff Expert/Witness: Jason Kunst, CPA

43. Charge Ahead Program

In Case. No. EA-2018-0132 Ameren Missouri filed an application seeking to approve new tariffed programs that were referred to as "Charge Ahead". Included in these programs were proposed tariffs to implement electric vehicle charging stations incentives. The four sub-programs were: corridor charging, multi-family charging, public charging, and work place charging. In its order issued on February 6, 2019, the Commission approved the corridor charging sub-program and allowed for deferral accounting for the program costs. The Commission also opened a working group, EW-2019-0229 to allow the parties to continue discussions regarding solutions for electric vehicle charging station installations. The parties later came to an agreement and filed a stipulation and agreement with regards to the other sub-programs. As part of the Commission approved agreement the parties agreed to a budget of \$6.6 million for the programs[139] for program costs and allowed for deferral accounting as ordered by the Commission for the corridor charging program. Through June 30, 2021 Ameren Missouri

[139] The parties agreed to a \$6.6 million budget for the program, with a maximum for incentives of \$6 million and \$600,000 for administrative and marketing expenses.

has spent $3.1 million on the corridor charging program and $710,000 on the other three programs, which are within the budgets for the programs. Staff has reviewed the costs for the program through June 30, 2021 and is recommending a seven year amortization of the costs as proposed by Ameren Missouri. Staff will continue to review the costs through the September 30, 2021 true-up date.

Staff Expert/Witness: Jason Kunst, CPA

44. Misbooking of Electric Costs during Test Year

During the discovery process in this case, Staff reviewed the electric charges that were erroneously allocated to gas operations in during the test year. These instances were limited to the administrative and general accounts (A&G) 921 through 935 because of the recording process in which Ameren Missouri allocates electric and gas in these particular accounts. During the last gas case, GR-2019-0077, after the problem was brought to Ameren Missouri's attention in the spring of 2019, Ameren Missouri relayed to Staff that a special code would be added to the general ledger recording process that will distinctly identify electric and gas charges in order to prevent this mis-recording. Based on discussions with Company personnel this coding change to Ameren Missouri's general ledger has not occurred as the Company expects to change its general ledger software around the end of 2022 or beginning of 2023. Staff expects that that Ameren Missouri would have had this issue resolved by this current case and recommends the Commission order Ameren Missouri to make the changes necessary to prevent this mis-recording in the future.

Staff is not including the mis-recorded charges for the Alliance for Transportation Electrification, the Western Coal Traffic League, USWAG Annual Dues (Lobbying Org.), 2017 Utility Air Regulatory Group (UARG) Fees, the Steptoe & Johnson (Midwest Ozone Group) fees nor the dues for Illinois Environmental Regulation. Please see elsewhere in this report for discussion on Staff's treatment of these types of costs. These groups endeavor in legislative goals for the utility.

Staff Expert/Witness: Christopher D. Caldwell

45. Company Owned Life Insurance

During the test year, Ameren Missouri recorded Company Owned Life Insurance (COLI) gains net of the premiums paid in the amount of $11,458,268 in FERC Account 920 (Administrative and General Salaries). Ameren Missouri is requesting to normalize the gains and losses by using a five-year average to include COLI gains in cost-of-service. The gains and losses related to the COLI are due to market fluctuation and death claims. Staff recommends that all gains/losses and premiums be excluded from the cost of service and booked into FERC Account 426.2 (Life Insurance) in the future. FERC Account 426.2 is a below-the-line account.

COLI is a life insurance policy that pays a benefit to the company if an insured employee dies. Usually this policy is taken out on one or more critical employees. The Company pays the premium and retains full ownership of the cash value of the policy. According to Ameren Missouri, the intent of the COLI program is to provide an income stream that will approximately offset the expenses of its deferred compensation program.[140]

In FERC Docket No. ER20-1237-000 Ameren Illinois Company was ordered to book COLI amounts to account 426.2. FERC stated in the Order of Formal Challenge:

> 67. We find that Ameren Illinois improperly recorded company-owned life insurance amounts for officers and other employees for policies in which Ameren Illinois is the beneficiary in Account 920, instead of Account 426.2 (Life Insurance). As a result, Ameren Illinois overstated Account 920 in the challenged rate year, which is included in the wholesale transmission formula rate, and overbilled wholesale transmission customers. Account 426.2 states, "This account shall include all payments for life insurance of officers and employees where company is beneficiary (net premiums less increase in cash surrender value of policies)," while Account 920 states, "This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function."
>
> 68. We are not persuaded by Ameren's argument that company-owned life insurance falls within the parameters of employee compensation includable in operations. Nor has Ameren

[140] Ameren Missouri Response to Staff DR No. 0463.

> provided any regulatory approval that would indicate to us that such amounts are properly included in rates.

Staff agrees with FERC's position on this expense as it applies to Ameren Missouri.

Staff made a positive adjustment of $11,458,268 to FERC Account No. 920 to reflect the removal of COLI amounts. Staff recommends that Ameren Missouri record future COLI amounts in FERC Account No. 426.2. For the test year, Ameren Missouri did not record any of the COLI amounts to the gas operations, thus no adjustment is needed for the gas operations.

Staff Expert/Witness: Kimberly K. Bolin

46. Equity Issuance Costs

As of February 2021, Ameren Missouri has incurred $7,003,504 to issue equity in connection with its new wind generation facilities. If additional costs are incurred after February 2021 and prior to September 30, 2021, Staff will include those costs in its true-up audit. Staff is recommending a five-year amortization of these costs. Staff also proposes that the unamortized balance be excluded in rate base since the nature of these costs are included in the return on equity.

Staff Expert/Witness: Kimberly K. Bolin

47. Legal Expense

Prior to January 2019, Ameren Missouri and Ameren Services would accrue legal expense, and then compare that to actual legal spending each month and then adjust the accrual accordingly. As of January 2019, Ameren Missouri and Ameren Services still maintain an accrual reserve, but now monitors the accrual balance for legal expenses to ensure it is appropriate based on the current level of legal expenses and current facts and circumstances of ongoing legal matters. However, the comparison and, if needed, adjustment of the accrual to the actual legal payouts is now completed on an annual basis. The change in mechanics or procedure still has no effect on expense incurred in any given period. Staff has included the twelve months ending legal expense in the cost of service.

Amongst other litigation, Staff will specifically address two specific issues currently litigated for which Ameren Missouri is incurring or being allocated costs: the Environmental

Protection Agency's case against Ameren Missouri regarding the Clean Air Act and the two complaint cases for Ameren's (Ameren Missouri, Ameren Illinois and Ameren Transmission) arguments for maintaining a higher return on equity for the FERC formula rate allocation.

a. Rush Island Clean Air Act Litigation

In 2011, the United States Environmental Protection Agency (USEPA) filed a case against Ameren Missouri for violating the Clean Air Act (CAA) for not having the proper emission controls at the Rush Island Power Plant.

Rush Island is a pulverized coal-fired power plant located in Jefferson County, directly adjacent to the Mississippi River. It was grandfathered into the amended Clean Air Act of 1977, due to the two units coming on-line in 1976 and 1977, immediately before the Amended Clean Air Act of 1977. The 1977 amendments to the Clean Air Act allowed existing plants to continue to operate for their natural lifespan without pollution controls, as long as they were not modified in any way beyond routine maintenance that increased emissions. Rush Island's major boiler components were experiencing performance problems which required Ameren Missouri to take the aging units offline for repairs. After Ameren Missouri completed these capital improvements at each unit, each unit's electric generating capacity as well as emissions increased.

Ameren Missouri must comply with the federal environmental regulations including the Clean Air Interstate Rule (CAIR), published in the Federal Registry on May 12, 2005; the Clean Air Mercury Rule (CAMR), published in the Federal Registry on May 18, 2005; the Missouri NOx SIP (State Implementation Plan) Call; PM2.5 standards; Ozone Standards; and Regional Haze rules. In addition, the State of Missouri participates in the Central Regional Air Planning Organization which is one of five regional planning organizations (RPO) that determines the requirements for emission controls known as Best Available Retrofit Technology (BART). Ameren Missouri's power generation that is BART eligible under the rules set by the RPO are Labadie Unit Nos. 1-4, Rush Island Unit Nos. 1-2 and Sioux Unit Nos. 1-2, however only Sioux Unit Nos. 1-2 are currently outfitted with scrubbers.

On January 23, 2017, Judge Rodney Sippel of the United States District Court for the Eastern District of Missouri the federal court initially ruled against Ameren Missouri, stating that the Rush Island Power Plant violates the Clean Air Act due to the plant emitting significantly more pollution after Ameren Missouri made major modifications to boost the output of the power generating units without obtaining the proper permits. Ameren Missouri appealed and on February 27, 2019, the 8th Circuit Court of Appeals upheld the previous ruling that Ameren Missouri violated the Clean Air Act and ordered Ameren to apply for a permit within 90 days. Ameren appealed again and was yet again ruled against on September 30, 2019. Ameren Missouri appealed again to the Eight Circuit Court of Appeals.

** [redacted] ** According to evidence provided by United States Environmental Agency (USEPA) in the Eastern District Court of Missouri, the lifespan of Rush Island's component parts is 30 to 40 years. Based on a 30-year lifespan, Unit 1 parts were installed in 2007 and are close to the halfway point of their useful life. Unit 2 parts were installed in 2010 and are close to 1/3 of their useful life.

On August 20, 2021, the Eighth Circuit Court of Appeals issued its opinion affirming the District Court's liability determination. The Court of Appeals reversed the portion of the District's decision regarding remedial measures for the Labadie plant. The Eighth Circuit case is still within the fourteen day timeframe for any party to file a petition for panel rehearing. Ameren Missouri still has appeal options available for this issue so Staff has normalized the legal costs in the case and included the twelve months ending June 30, 2021 costs in the cost of service. ** [redacted] ** Staff will continue to review this issue through the true-up cutoff of September 30, 2021.

b. FERC ROE Complaint

Ameren Missouri participated in three FERC ROE dockets (EL14-12 in November 2013, EL15-145 in February 2015 and ER15-358 in November 2014) as part of the MISO Transmission Owners Group (MISO TO Group) that was represented by the law firm Wright & Talisman. Wright & Talisman hired a consultant to submit updated analysis on the appropriate rate of return on equity. Ameren Missouri (nor its affiliates) did not separately hire consultants;

rather, the MISO TO Group as a whole utilized the services of the consultants and shared the associated costs.

The total billing from Wright & Talisman for all the work related to the dockets and the external fees were not a separate line item, therefore an amount was allocated to each Transmission Owner who was involved in the respective docket using the ratio of the Owner's transmission gross plant divided by the total gross plant of all Owners listed on the appropriate docket. For Ameren, this allocation is then split further by the gross plant percentage for each Ameren segment divided by the total Ameren gross plant and then applied to Ameren Missouri, Ameren Illinois and Ameren Transmission Company of Illinois.

Similar to Ameren Missouri's last rate Case No. ER-2019-0335, Staff proposes disallowing the legal and consultant fees that were incurred during the 2020 test year related to the ongoing FERC ROE complaint cases. The FERC ROE is a return on investment. ROE is the amount of revenue that is left-over after all expenses have been paid. Therefore, the FERC ROE legal fees were incurred for the benefit of the Company because the level of ROE is purely a benefit to shareholders and not customers. As such, customers should not have to pay the legal fees associated with arguing for a higher ROE.

Staff Expert/Witness: Christopher D. Caldwell

48. Sales Tax Audit Cost Adjustment

During the course of its review, Staff discovered payments made by Ameren Missouri to the Missouri Department of Revenue as a result of a sales tax audit for years 2015 through 2017. In response to Staff DR No. 0640, Ameren Missouri indicated that the audit is still ongoing, however Ameren Missouri made the payments to avoid paying interest. Ameren Missouri indicated they are in the process of appealing the audit results. Staff is recommending that these payments be removed from the test year as they represent a non-recurring payment and has made an adjustment to remove them from the revenue requirement.

Staff Expert/Witness: Jason Kunst, CPA

49. Research & Development Expense

Ameren Missouri has a membership with the Electric Power Research Institute ("EPRI") in which Ameren Missouri received research and development ("R&D") information. During the course of its review, Staff inquired if Ameren Missouri was able to determine any quantifiable benefit to Ameren Missouri ratepayers for the research and development work performed by EPRI and other parties. Ameren Missouri's response was that they conduct a value analysis that determines the amount of cost savings to Ameren Missouri for performing the equivalent research in house, but do not conduct any cost savings with regards to the research itself. Staff is concerned that Ameren Missouri spending money on research and development and does not have a method for determining if the research and development actually results in cost savings or other tangible benefits for Ameren Missouri ratepayers. In the future Staff needs to see additional justification for Ameren Missouri's research and development costs. This would include listing and tracking each individual research and development project or pilot program that Ameren Missouri undertakes; which would include tracking the start date, implementation dates, costs associated with the project expense and capital, as well as a timeline for each project. Additionally it should include a list of all qualitative and quantitative benefits that Ameren Missouri ratepayers will receive as a result of the research. Additionally Staff would like to see a cost benefit analysis for each project rather than a value analysis for the savings to Ameren Missouri for not conducting the research internally.

Additionally Staff has become aware in Ameren Missouri's FAC filing in Case No. ER-2022-0026 that Ameren Missouri is engaging in a research and development venture at the Sioux Power Plant regarding the mining of digital assets. Staff has reviewed the invoices received from EPRI and found no costs associated with the Sioux R&D project. For additional information please see the R&D testimony by Staff witness Lisa M. Ferguson at the beginning of this report.

Staff Expert/Witness: Jason Kunst, CPA

50. <u>Keeping Current Low-Income Pilot Program</u>

The Keeping Current component of the Low Income Pilot Program provides participants with year round monthly bill credits and arrearage reduction for customers who continue to make monthly bill payments. Ameren Missouri introduced the Keeping Current Program ("Program") in Case No. ER-2010-0036. The Keeping Current Program was approved by the Commission on April 14, 2010 in the *Third Non-Unanimous Stipulation and Agreement.* The Program is the result of discussions resulting from the Commission's *Order Directing the Parties To Address the Concerns Raised By AmerenUE's Low-Income Residential Customers* issued February 10, 2010. The parties involved were Ameren Missouri, Staff, OPC, Missouri Industrial Energy Consumers ("MIEC"), AARP/Consumers Council, and the Missouri Retailers Association, collectively known as "the Signatories". A representative from each Signatory group make up the members of the advisory collaborative group ("Collaborative")

The energy assistance program has two components – The Keeping Current year-round component and the Keeping Cool summer assistance component.

The Keeping Cool component of the Program provides participants bill credits in the summer months, primarily June, July, and August to offset the costs of air conditioning usage. The Program is reevaluated in Ameren's Rate Cases.

The objectives of the program are as follows.

- Improve affordability of utility payments for very low-income customers.
- Promote a level of usage that ensures health and safety.
- Minimize program costs and maximize efficiencies by working with agencies that serve low-income households.
- Minimize program costs and maximize efficiency by linking program participation to application for Weatherization and the Low Income Home Energy Assistance Program ('LIHEAP").

The Signatories agreed an evaluation would be performed annually[141] on the Program to determine its effectiveness in addressing the challenges faced by low-income customers, as well as the effect on costs borne by all Ameren Missouri ratepayers. The Collaborative was tasked with the selection of an independent third party evaluator ("Evaluator"). Up to 7% of the funds allocated may be used for administrative costs of the administering agencies and 3% to secure the services of the Evaluator.

[141] Due to the length of time each evaluation took from start to finish, the start of each evaluation would be within 12 months of the completion of the previous evaluation but y were not completed within each calendar year.

Applied Public Policy Research Institute for Study and Evaluation ("APPRISE, Inc")[142], was contracted to conduct the first program evaluation and ultimately conducted all four process and impact evaluations of the program. These evaluations assess program design, implementation, participation, retention, impacts to the participants and ratepayers, and make recommendations for program improvements. The evaluations have found that the Keeping Current Program has been successful in enrolling low-income households, improving energy affordability, improving participants' bill payment regularity, coverage rates, and reducing collections actions. The evaluations have led to recommendations for Program refinements that Ameren implemented and have resulted in improved outcomes for participants.

In Ameren's most recent rate case, ER-2019-0335,[143] the Commission approved an agreement that the total budget for the Keeping Current Program was to be increased from $1.3 million to $2 million, with a 50/50 ratepayer/shareholder funding sharing mechanism for the entire budget. The Commission also ordered a third party independent evaluation be conducted on the Program's sustainability and potential growth going forward.

On March 18, 2020, the Commission issued an *Order Approving Stipulation and Agreements*[144] approving the *Corrected Non-Unanimous Stipulation & Agreement.* Shortly after the funding increase was approved, the COVID-19 global pandemic began to have a more significant impact in the Company's service territory and Keeping Current Program enrollment decreased 57% from 2019 to 2020, leaving approximately $1.3 million of the 2020 budgeted program funds unused.

The representatives of the Keeping Current Collaborative discussed reallocating the unused funding and identified an appropriate use of the unused program funds and on August 12, 2021 filed the *Unanimous Stipulation and Agreement Regarding Keeping Current Funds and Motion For Expedited Treatment.* The Signatories agreed:

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[142] APPRISE is a non-profit research institute dedicated to collecting and analyzing data and information to assess and improve public programs, for federal and state government agencies, utility companies, and nonprofit organization.
[143] *Corrected Non-Unanimous Stipulation & Agreement,* page 17, paragraph 45 filed March 2, 2020, EFIS #229.
[144] *Order Approving Stipulation and Agreements,* page 4 paragraph 1, filed March 18,2020, EFIS Item No. 248.

- $150,000 shall be used to fund for a two-year period a Keeping Current Program Manager position, inclusive of salary, benefits, incidentals, and administrative support;
- $150,000 will be distributed to the Keeping Current agencies to facilitate hiring of additional personnel, communications and outreach, or other administrative overhead costs to help with the processing of the increasing volume of applications for weatherization, LIHEAP, and rental and mortgage assistance;
- $1 million will be provided as energy assistance to vulnerable customers in need of assistance, and;
- The Keeping Cool program will expand to include shoulder months from the currently approved June through August to May through September.[145]

APPRISE, Inc. was selected to conduct the program design review, ordered by the Commission, to assess alternative bill payment designs and make recommendations for refinement or redesign of Ameren's program.

Recommendations

1. Administration: Ameren should continue to administer the Keeping Current Program with assistance from the agencies on outreach, intake, and data management.
2. Outreach: Ameren should conduct additional outreach for the Keeping Current Program through agencies and their own call center representatives. Agencies may need additional education to consider the Program not only as a special option for extreme circumstances and not only for customers with high arrearages. This may require ongoing outreach and education at the agencies due to turnover and seasonal employees.
    a. Agencies should develop plans that specify several outreach methods to reach various segments of their populations in need. Ameren should re-assess the agency payments ($25 for each Keeping Current enrollment and $10 for each Keeping Cooling enrollment) and consider whether higher fees should be paid to compensate agencies adequately for outreach, intake, and referrals.

[145] The Keeping Current Collaborative's exploration of whether the Keeping Cool program period should be expanded was a settlement term found at Paragraph 14 of the Unanimous Stipulation and Agreement submitted on July 22, 2020, in File No. EE-2019-0382.

b. Ameren call center representatives should be trained to screen payment-troubled customers for eligibility, refer eligible customers to their local agency, and send lists of eligible customers to their local agency so that the agency can also follow up with the customers.

3. Intake: Agencies should continue to encourage customers to visit offices for in-person Program intake. This process allows for in-depth education about the Program, referrals to LIHEAP and weatherization, and education about other potential sources of assistance. However, agencies should provide flexibility to customers who are unable to visit the office because they are homebound, are working during the agency's office hours, or do not have transportation or childcare available.

4. Income Eligibility: Ameren should maintain the current income eligibility level of 150 percent of the FPL. They should base eligibility on one month of income to ensure that customers who recently became unemployed due to COVID-19 are eligible.

5. Other Eligibility Requirements: Ameren should continue the following additional eligibility requirements:

- Weatherization: Apply for the Program. (continued)
- LIHEAP: Apply for the Program (continued) and apply benefits to Ameren bill if an Ameren gas or Ameren electric heating customer (new).
- Consistent Bill: Enroll in budget billing (in the absence of a new Percentage of Income Program that provides a fixed monthly bill).

6. Additional Populations: Ameren should consider enhanced benefits for formerly homeless customers to help them pay off past balances and open a new Ameren account.

7. Recertification: Ameren should continue to require participants to re-certify their eligibility every two years. This will be especially important if they move to a Percentage of Income Payment program ("PIPP").

8. Enrollment Level: Ameren and their agencies should provide additional outreach as discussed above to educate more customers about the Program.

9. Bill Subsidy Determination: Ameren should consider moving to a Percentage of Income Payment Program (PIPP) to provide participants with a fixed energy burden at an affordable level. The end of this section provides a comparison of the costs of the current program to the costs of a PIPP.

10. Target Energy Burden: Ameren should consider targeting a three percent energy burden for alternative electric heat participants and a six percent energy burden for electric heat participants. If the cost of these energy burden targets is beyond a target program budget, Ameren should consider a somewhat higher energy burden to reduce costs.

11. Minimum Payments and Maximum Credits: Ameren should consider a minimum monthly payment and a maximum annual credit to limit program costs. Customers who reach the maximum annual credit should be targeted for weatherization.

12. Arrearage Forgiveness: Ameren should continue the arrearage forgiveness program where participants pay 1/12 of their arrearages when they enroll and have 1/11 of the remaining amount forgiven each month. We recommend that forgiveness be provided for bills that are made up following the initial bill due date. Participants should receive education so that they understand that this is an important benefit of the program.

13. LIHEAP: Ameren and the agencies should provide additional education and outreach to ensure that participants apply for LIHEAP assistance. They should send reminders to participants to re-apply to LIHEAP and emphasize that they can receive benefits from both LIHEAP and Keeping Current at the same time.

14. Energy Efficiency: Ameren should prioritize high usage Keeping Current Program participants for weatherization. They should educate landlords about the Program and encourage landlords to provide authorization for program measures.

15. Program Removal: Participants are currently removed from the Keeping Current Program if they are not current within two billing cycles. We recommend that customers remain on the Program as long as they remain customers and are not terminated due to nonpayment. We also recommend that customers receive monthly bill credits for all made up past due monthly bills.

The Keeping Current Program Stakeholders have reviewed the study and have had some discussion on what next steps are however due to the COVID-19 pandemic, the recent changes to the Program have been related to reallocating the unspent funds to help enhance and sustain the Program during the pandemic.

Staff recommends the Commission order the program to be funded at the current approved amount of $2 million with the 50/50 pay structure between shareholders and ratepayers.

Staff Expert/Witness: Kory J. Boustead

51. "Keeping Current" Revenue and Expense

In the stipulation and agreement filed in the most recent Ameren Missouri rate case (ER-2019-0335), the parties agreed to increase the budget from $1.3 million to $2 million, with fifty percent of the funding coming from ratepayers. Staff has made an adjustment to remove both the revenue and the expense for the surcharge.

Due to the COVID-19 pandemic, there was approximately $1.3 million of unused assistance from the Keeping Current budget for 2020. On August 25, 2021 the Commission approved a Stipulation and Agreement in Case No. ER-2019-0335 with how to use the unspent funds as follows:

- $150,000 will fund a Keeping Current Program Manager position for a two-year period.
- $150,000 will be distributed to the Keeping Current agencies to facilitate those agencies hiring additional personnel and other outreach to help with the processing of the increasing volume of applications.
- The remaining $1 million will be distributed to provide energy assistance for vulnerable customers.

Staff Expert/Witness: Jason Kunst, CPA

52. Income Eligible Weatherization Assistance Program ("LIWAP")

The Ameren Missouri low-income weatherization program ("LIWAP") provides supplemental funding in support of the larger federally funded nationwide US Department of Energy ("DOE"), Low-Income Weatherization Assistance Program. LIWAP provides eligible households with home energy conservation services. The program provides cost-effective, energy-efficient home improvements to Missouri's low-income households, especially the elderly, children, those with physical disadvantages and others most affected by high utility costs.

The purpose of LIWAP programs is to lower utility bills and improve comfort while ensuring health and safety. Income eligible home owners and tenants with their landlord's permission are eligible. Typical weatherization measures include air sealing to reduce infiltrations, attic insulation, sidewall insulation, floor and foundation insulation, pipe or duct insulation, water heater blankets, energy efficient lighting replacement and heating and cooling system repair or replacement.

The Commission authorized Ameren Missouri's LIWAP (or "Program") on August 14, 2007, in Case No. ER-2007-0002. In that case, the Commission approved the agreement between the Company and Missouri Department of Natural Resources ("DNR"), Division of Energy to allow social service agencies operating in Ameren Missouri's service territory to receive the supplemental funding to the DOE LIWAP program to weatherize homes. The Commission initially approved $1.2 million in annual funding for the Ameren LIWAP. This amount is to be paid in one lump sum by the Company to the State Environmental Improvement and Energy Resources Authority ("EIERA").[146] In later rate cases, the Commission approved the Ameren LIWAP to continue at the current funding level and administration.[147]

In Ameren's most recent rate case, ER-2019-0335, it was agreed in a *Non-Unanimous Stipulation and Agreement* issued February 28, 2020 and approved March 16, 2020, that the Company would assume administration of the program from DE and would work with DE to transition the administration to the Company. The annual budget of $1.2 million would remain the same and allow rollover of unspent funds to subsequent years. The Company agreed to take over the administration of the weatherization program which would stop the forwarding of the program funds to the EIERA and allow the Company to pay the social service agencies directly. With the change of administration the strict adherence to the USDOE guidelines on how the weatherization dollars were able to be used was removed. This allows the social service agencies to utilize the supplemental funds provided by the utility for broader repair issues which previously would have caused the home to be ineligible for weatherization. The name of the program was also changed to the Income-Eligible Weatherization Assistance Program ("IEWAP").

[146] In Case No. ER-2011-0028, Report and Order, the terms of how the program funds are administered by the State Environmental Improvement and Energy Resources Authority are detailed.
[147] Case Nos. ER-2011-0028, ER-2012-0166, ER-2014-0285 and ER-2016-0179 and ER-2019-0335.

Staff has confirmed with the Company the transition from DNR to Ameren Missouri is complete and the program funds paid directly to the social service agencies for their use in the current program year. Staff has reviewed the program year budgets and quarterly weatherization reports from the social service agencies. Staff reserves the right to comment on this program or respond to any testimony filed at a later date in this case.

Recommendation

It is Staff's recommendation that the Commission authorize the Income Eligible Weatherization Assistance Program to remain at the current level of $1.2 million annually.

Staff Expert/Witness: Kory J. Boustead

XIII. Depreciation

A. Depreciation Rate Recommendations

Staff reviewed the depreciation study provided in the Direct Testimony of John J. Spanos, of Gannett Fleming, Valuation and Rate Consultants, LLC. Staff also requested the source data for the depreciation study in Staff DR Nos. 0505 and 0636. Staff analyzed the data submitted and is proposing the rates as shown in Accounting Schedule 5.

Staff also recommends that Ameren Missouri correct issues in its Continuing Property Record ("CPR") and update this information in Ameren's next depreciation study.

Discussion

Ameren Missouri is required to submit a depreciation study as part of rate increase requests under rule 20 CSR 4240-3.160, unless the Commission Staff has received a study within 5 years prior to the filing for a rate increase. On March 31, 2021, Ameren Missouri submitted a depreciation study prepared by Gannett Fleming, Valuation and Rate Consultants, LLC for the capital assets of Ameren based on plant balances as of December 31, 2020. This study was submitted in the Direct Testimony of John J. Spanos.

Depreciation is defined as "the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in