

Exhibit No.:
Issue(s): Ability to Finance
Witness: Greg Gudeman
Sponsoring Party: Ameren Transmission
Company of Illinois
Type of Exhibit: Direct Testimony
Case No.: EA-2018-0327
Date Testimony Prepared: August 23, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EA-2018-0327

DIRECT TESTIMONY

OF

GREG GUDEMAN

ON

BEHALF OF

AMEREN TRANSMISSION COMPANY OF ILLINOIS

**St. Louis, Missouri
August 23, 2018**

DIRECT TESTIMONY

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GREG GUDEMAN

CASE NO. EA-2018-0327

1 **Q. Please state your name, business address, and present position.**

2 A. My name is Greg Gudeman. My business address is 1901 Chouteau Avenue,
3 St. Louis, Missouri 63103. I am the Director of Transmission Financial & Regulatory Services
4 at Ameren Services Company ("Ameren Services"), which is a subsidiary of Ameren
5 Corporation ("Ameren"). I am testifying in this proceeding on behalf of Ameren Transmission
6 Company of Illinois ("ATXI").

7 **Q. Please summarize your professional experience and educational**
8 **background.**

9 A. I graduated from Illinois State University with a Bachelor of Science degree in
10 Finance in 1987. In 1993, I received my MBA, also from Illinois State University. I began
11 working for Illinois Power Company ("Illinois Power") in 1988. While employed by Illinois
12 Power, I worked in the company's Rate Department, its Financial Services Group, and served
13 as its Director of Investor Relations. Following Illinois Power's merger with Dynegy, I worked
14 in Business Development Services, Customer Value Management, Transmission Analytics,
15 and Energy Supply Management. Following Ameren's acquisition of Illinois Power, I began
16 working in Ameren Services' Transmission Department as a Transmission Performance
17 Specialist. I was promoted to Supervisor – Transmission Regulation and Policy in June 2007,

1 and to Managing Supervisor – Transmission Regulation and Policy in January 2008. I was
2 promoted to my current position in September 2013.

3 **Q. What are your duties and responsibilities in your present position?**

4 A. My duties and responsibilities include participating in the development of
5 transmission policy and strategy, and performing related analysis for the transmission business,
6 including the calculation of transmission revenue requirements. My duties also include the
7 preparation and review of internal and external financial reporting information for Ameren's
8 transmission segment. In addition, I am also responsible for overseeing transmission billing
9 and Retail Electric Supplier arrangements.

10 **Q. Have you previously provided testimony before the Missouri Public**
11 **Service Commission?**

12 A. Yes. I testified in Docket No. ER-2011-0028 regarding the transmission
13 revenues of Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri").

14 **Q. What is the purpose of your testimony in the current proceeding?**

15 A. The purpose of my testimony is to confirm that ATXI has the financial ability
16 to acquire certain existing facilities from the City of Rolla acting by and through its Board of
17 Public Works (such entity referred to as "RMU" and such facilities referred to as "the RMU
18 Assets") and construct a new substation (referred to collectively with the acquisition as "the
19 Project"), as further described in the direct testimony of ATXI witness Sean Black. My
20 testimony also addresses the collection of ATXI's transmission revenue requirement related to
21 the Project.

22 **Q. Are you sponsoring any schedules as a part of your direct testimony?**

23 A. No, I am not.

1 **Q. What is the total estimated cost of the Project?**

2 A. As explained in Mr. Black's direct testimony, the total estimated cost of the
3 Project is \$27.6 million. This includes the cost to acquire the RMU Assets and construct the
4 proposed greenfield substation. This estimate also accounts for construction contingencies.
5 As noted by Mr. Black, this cost does not include the line extension work to be undertaken and
6 paid for by Sho-Me Power Electric Cooperative.

7 **Q. How will ATXI finance the Project?**

8 A. ATXI will finance the acquisition and initial capital cash flow requirements
9 with either available cash on hand or short-term borrowings, which would be available under
10 Ameren's Utility Money Pool arrangement (the "Money Pool Arrangement"). ATXI will
11 replace any short-term borrowings with a permanent source of capital that includes a balanced
12 blend of long-term debt and common equity.

13 **Q. Is this consistent with how ATXI typically finances its capital needs?**

14 A. Yes. ATXI's capital structure is composed of short-term debt, long-term debt,
15 and common equity. ATXI specifically and continuously manages the balance of debt and
16 equity in its capital structure to minimize its overall cost of capital and, at the same time,
17 maintain financial strength and stability.

18 **Q. Does ATXI presently have access to short-term capital?**

19 A. Yes. In addition to cash on hand, ATXI has the ability to access short-term
20 funds, up to a \$300 million limit, pursuant to FERC authorization effective through July 2019¹.
21 As mentioned above, ATXI can exercise this authorization by accessing funds under Ameren's

¹ ATXI requests FERC authorization for short term debt issuances every two years and will make a new request prior to July 2019.

1 Money Pool Arrangement, up to a \$300 million limit. The related amount of ATXI borrowings
2 outstanding at June 29, 2018, was \$34 million, leaving ATXI a remaining capacity of \$266
3 million.

4 **Q. Does ATXI presently have access to long-term capital?**

5 A. Yes. In June 2017, pursuant to a note purchase agreement, ATXI agreed to
6 issue \$450 million principal amount of 3.43% senior unsecured notes due 2050 through a
7 private placement offering. ATXI subsequently issued \$150 million principal amount of the
8 notes in June 2017 and the remaining \$300 million principal amount of the notes in August
9 2017. As part of this process, ATXI sought an investment credit rating from Moody's. ATXI
10 received a strong A2 credit rating, based in large part on the supportive FERC regulatory
11 framework and the strength of ATXI's credit metrics. Investors also showed a strong interest
12 in this debt issuance, which resulted in a favorable rate. As of June 30, 2018, ATXI also had
13 a \$75 million 3.65% promissory note due 2025 outstanding, which was issued under a 2015
14 long-term borrowing agreement with Ameren.

15 **Q. Does ATXI presently have sources of equity to finance the Project?**

16 A. Yes. Continued operation of its regulated business provides ATXI with on-
17 going cash and equity in the form of retained earnings. Retained earnings are a source of equity
18 that builds on the balance sheet and will provide a source of financing for the Project.

19 **Q. Are these sources of capital sufficient to finance the Project?**

20 A. Yes. ATXI capital expenditures peaked in 2016 and 2017 as it was completing
21 its Spoon River Project and substantial portions of its Illinois Rivers Project². Therefore,

² Like the Mark Twain Transmission Project, Spoon River and Illinois Rivers were both MISO MVP projects undertaken by ATXI.

1 ATXI's total capital expenditures are now declining. Furthermore, ATXI is now earning on its
2 prior investments, which creates retained earnings. The combination of retained earnings and
3 access to short-term debt through the Money Pool Arrangement will provide sufficient capital
4 to finance this asset purchase and construction of the substation.

5 **Q. Will the estimated costs for the Project impact ATXI's access to the**
6 **capital needed to finance the Project?**

7 A. No. The estimated cost of the Project is modest compared to ATXI's historical
8 capital expenditures of almost \$1.3 billion between 2014 and 2017 and its projected 2018-2019
9 capital expenditures of over \$250 million. Also, the incremental amount of debt and interest
10 to support this Project is small in comparison to ATXI's total borrowing capacity and related
11 interest expense. With or without the Project, ATXI will continue to have access to long-term
12 sources of capital including external debt and equity. Thus, the Project will not affect ATXI's
13 ability to finance or fund its on-going needs.

14 **Q. Will any individual customer or customer group directly reimburse**
15 **ATXI for the cost of the Project?**

16 A. No, no individual customer or customer groups will directly reimburse ATXI.

17 **Q. How will ATXI recover the cost of the Project?**

18 A. Prior to the Project being completed and placed in-service, MISO will need to
19 modify its tariff to include ATXI as a Transmission Owner in the Ameren Missouri Pricing
20 Zone ("AMMO Pricing Zone"). This is a relatively straightforward process. Once completed,
21 the Project facilities will be included in ATXI's transmission revenue requirement calculated
22 under the MISO tariff and included in the MISO Schedule 9 rate for the AMMO Pricing Zone.

1 Therefore, the revenue requirement for the Project will be collected from all transmission
2 customers in the AMMO Pricing Zone, based on relative load share.

3 **Q. How will Ameren Missouri pay for its share of the Project's revenue**
4 **requirement since it does not currently pay MISO Schedule 9 for its native load in the**
5 **AMMO Pricing Zone?**

6 A. Ameren Missouri and ATXI will enter into a Joint Pricing Zone Revenue
7 Agreement ("JPZA") to be filed at FERC. A JPZA sets forth the provisions for allocating
8 Schedule 7, 8 and 9 revenues between multiple transmission owners in a single pricing zone.
9 There are many such agreements in other MISO pricing zones that include more than one
10 transmission owner³. In situations such as the one that will affect Ameren Missouri - where
11 all of the load in a pricing zone does not receive an invoice for Schedule 9 - the JPZA will
12 impute revenues, or determine how much revenue would have been collected if all applicable
13 load in the pricing zone had paid the Schedule 9 rate. So, in the case of the AMMO Pricing
14 Zone, the total Schedule 9 revenue to be allocated will equal the amount collected from the
15 fourteen wholesale customers in the AMMO Pricing Zone, plus the Schedule 9 revenue that
16 Ameren Missouri would owe if it paid the full AMMO Schedule 9 rate. The total Schedule 9
17 revenue will then be allocated among the two transmission owners based on their share of the
18 total annual transmission revenue requirement used in setting the AMMO zonal Schedule 9
19 rate for the billing period. This process will ensure that ATXI will recover its revenue
20 requirement related to its facilities in the AMMO Pricing Zone and that Ameren Missouri only
21 pays its portion based on its share of the load.

³ For example, the Ameren Illinois Pricing Zone ("AMIL Pricing Zone") has a JPZA between the four transmission owners that have transmission facilities included in the AMIL Schedule 9 rate.

- 1 **Q. Does this conclude your direct testimony?**
- 2 **A. Yes, it does.**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Ameren)
Transmission Company of Illinois for Authority)
To Acquire Electric Transmission Facilities from)
Rolla Municipal Utilities and for a Certificate of)
Public Convenience and Necessity to Own,)
Operate, Maintain, and Otherwise Control)
And Manage those Facilities.)

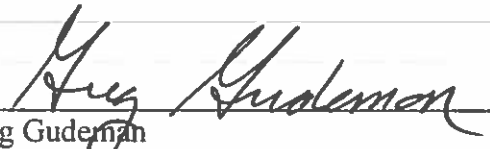
File No. EA-2018-0327

AFFIDAVIT OF GREG GUDEMAN

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)


Greg Gudeman, being first duly sworn on his oath, states:

1. My name is Greg Gudeman. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services Company as Director of Transmission Financial & Regulatory Services.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Ameren Transmission Company of Illinois consisting of 7 pages, and accompanying Schedule(s), if any, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.



Greg Gudeman

Subscribed and sworn to before me this 10th day of August, 2018.



Notary Public

My commission expires:

