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**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. ER-2014-0258**

**DIRECT TESTIMONY**

**OF**

**MICHAEL MOEHN**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY**

**d/b/a Ameren Missouri**

St. Louis, Missouri  
July, 2014

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1 **DIRECT TESTIMONY**

2 **OF**

3 **MICHAEL MOEHN**

4 **FILE NO. ER-2014-0258**

5 **I. INTRODUCTION**

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

7 A. My name is Michael Moehn. My business address is One Ameren Plaza,  
8 1901 Chouteau Avenue, St. Louis, Missouri 63103.

9 **Q. By whom are you employed and in what capacity?**

10 A. I am employed by Union Electric Company d/b/a Ameren Missouri  
11 ("Ameren Missouri" or "Company") as President and CEO.

12 **Q. Please describe your educational background and employment  
13 experience.**

14 A. I graduated from St. Louis University in 1991 with a Bachelor of Science  
15 degree in Accounting. I received my Masters in Business Administration in 2000 from  
16 Washington University. I am a licensed Certified Public Accountant in the State of  
17 Missouri and a member of the American Institute of Certified Public Accountants and the  
18 Missouri Society of Certified Public Accountants. I have also completed the Reactor  
19 Technology Course for Utility Executives at the Massachusetts Institute of Technology.

20 I have been with Ameren since 2000, at Ameren Services Company first as the  
21 Assistant Controller, then in 2001 as Director of Corporate Modeling and Transaction  
22 Support. In 2002, I was promoted to Vice President of Business Services at Ameren  
23 Energy Resources Company. In 2004, I was promoted to Vice President of Corporate

1 Planning. In 2008, I was promoted to Senior Vice President of Corporate Planning and  
2 Business Risk Management. In January of 2012, I was named Senior Vice President of  
3 Customer Operations in Ameren Illinois, and later that year I became Senior Vice  
4 President of Customer Operations in Ameren Missouri. I assumed my current position as  
5 President and CEO of Ameren Missouri on April 1, 2014. Prior to my employment at  
6 Ameren, I was employed by Price Waterhouse LLP (now PriceWaterhouseCoopers LLP)  
7 as Senior Manager in the company's Audit and Business Advisory Services Department.

8 **II. PURPOSE AND SUMMARY OF TESTIMONY**

9 **Q. What is the purpose of your direct testimony in this proceeding?**

10 **A.** The purpose of my testimony is to:

11 (a) Provide the Missouri Public Service Commission ("Commission")  
12 with an overview of Ameren Missouri's operations;

13 (b) Provide the Commission with a summary of our request and  
14 explain the key drivers of the request;

15 (c) Describe the Company's successful efforts to control costs and to  
16 manage its business efficiently for the benefit of our customers;

17 (d) Outline some of the primary challenges facing Ameren Missouri in  
18 its efforts to continue to provide the high level of reliability our customers expect;

19 (e) Outline the programs that are currently in place to assist low-  
20 income customers with paying their energy bills, and explain the Company's proposal to  
21 provide additional assistance by excluding low-income customers from paying Missouri  
22 Energy Efficiency Investment Act ("MEEIA") charges; and

1                   (f)     Explain how granting the relief requested in this case is essential to  
2     enabling the Company to continue to deliver safe, reliable service to its customers, as  
3     well as to maintain its financial health.

4   **III.    OVERVIEW OF CASE**

5           **Q.     Please provide a description of the Company's operations.**

6           A.     Ameren Missouri is an integrated electric utility operating across a wide  
7     and diverse service territory, primarily in the eastern half of Missouri, but also in northern  
8     Missouri, southeast Missouri and in limited areas of northwest Missouri. The Company's  
9     electric service territory contains several Missouri cities, including the City of St. Louis  
10    and the municipalities in St. Louis and St. Charles Counties, Wentzville, Jefferson City  
11    and Cape Girardeau. Ameren Missouri owns and operates four large base load coal-fired  
12    generating plants with a combined generating capacity of approximately 5,500 megawatts  
13    ("MW"). Those plants are the Labadie, Rush Island, Sioux and Meramec Energy  
14    Centers, all of which are located in eastern Missouri, in or near St. Louis County. The  
15    Company also owns and operates the Callaway Nuclear Energy Center, located near  
16    Fulton, Missouri. The Callaway Energy Center has a generating capacity of  
17    approximately 1,200 MW. The Company also owns and operates 44 combustion turbine  
18    generator ("CTG") units, most of which are fired by natural gas, and which are located at  
19    15 different sites in Missouri and Illinois. The combined generating capacity of these  
20    CTG units is approximately 3,000 MW. The Company also operates the Osage, Keokuk  
21    and Taum Sauk Hydroelectric Energy Centers, which have a combined generating  
22    capacity of approximately 820 MW. Finally, Ameren Missouri utilizes renewable  
23    generation assets, including the 15 MW Maryland Heights Renewable Energy Center,

1 which uses landfill gas as a fuel, and 102 MW of energy from the Horizon Wind Farm in  
2 Iowa, which the Company purchases through a long-term contract. Ameren Missouri is  
3 also in the process of constructing a 5.7 MW solar facility in O'Fallon, Missouri which  
4 we expect to be in service by the end of this year.

5 Ameren Missouri serves over 1.2 million retail electric customers in Missouri,  
6 more than 1 million of which are residential customers. These customers are located in  
7 approximately 500 communities in 61 of Missouri's counties. Ameren Missouri's service  
8 territory is large (approximately 24,000 square miles) and diverse, ranging from the large  
9 urban areas in and around St. Louis to small towns, like Irondale and Pilot Grove.

10 In addition to operating and maintaining the approximately 10,500 MW of  
11 generating capacity needed to serve its customers, the Company operates and maintains  
12 approximately 33,000 miles of distribution lines, approximately 900 substations, and  
13 approximately 2,900 miles of transmission lines, all of which are necessary to serve its  
14 customers located across its service territory. Ameren Missouri also operates a smaller  
15 gas distribution utility, serving approximately 127,000 customers in central Missouri.

16 Ameren Missouri is one of the largest employers in Missouri. Today we employ  
17 approximately 4,000 full-time employees and numerous independent contractors. In  
18 addition, we are providing pension benefits to approximately 4,000 retired employees and  
19 their families. The Company employs a diverse workforce. In 2014, Ameren  
20 Corporation and its subsidiaries were ranked by DiversityInc. magazine as third on their  
21 annual list of the top seven utilities that are most supportive of diversity. In addition,  
22 Ameren utilizes diverse suppliers. Last year, over 10% of the Ameren companies'

1 supplier spending went to diverse suppliers. Ameren Missouri has also been very active  
2 in employing veterans returning to the workforce after deployment.

3 Ameren Missouri's operations have a very significant economic impact on the  
4 State of Missouri, not only due to the employees and contractors which are directly paid  
5 by Ameren Missouri, but also because of the overall impact of Ameren Missouri's  
6 expenditures on the economy of the state.

7 **Q. Please summarize the relief Ameren Missouri is seeking in this case.**

8 A. We are seeking a total increase in our annual revenue requirement of  
9 approximately \$264 million, which represents an increase in rates of approximately 9.7%.  
10 Significant factors driving our need for a rate increase are (a) increases in net fuel costs<sup>1</sup>  
11 needed to serve our customers, substantially driven by decreases in off-system sales  
12 revenues due to lower power prices (reflecting approximately \$127 million—nearly half  
13 of the total increase); (b) depreciation of and return on the significant investments we  
14 have made and continue to make in the infrastructure needed to provide safe, reliable  
15 service, as well as to meet legislative mandates, including environmental and renewable  
16 laws (approximately \$97 million); (c) increases in income taxes and other taxes of  
17 approximately \$43 million; (d) amortization of the rebates that Ameren Missouri was  
18 required by law to pay customers who installed solar facilities of approximately  
19 \$34 million; and (e) changes in depreciation rates of approximately \$17 million to reflect  
20 our decision to retire the Meramec Energy Center by 2022.

21 **Q. The items you have enumerated above significantly exceed the \$264**  
22 **million rate increase that the Company is requesting. Can you explain why that is**

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<sup>1</sup> Net fuel costs are also referred to as Net Base Energy Costs.

1 so?

2           A. Yes. The cost increases enumerated above are largely outside the  
3 Company's ability to directly control. For example, changes in fuel costs and off-system  
4 sales revenue are primarily the result of regional and national market forces. Tax  
5 increases are of course determined by federal, state and local government, and the solar  
6 rebates were payments required by Missouri law to encourage customer-owned rooftop  
7 solar facilities. A significant portion of the plant additions resulted from the Company's  
8 obligation to comply with environmental laws (for example, electro-static precipitators  
9 ("ESPs") are being installed at the Labadie Energy Center) or to replace facilities that  
10 have reached the end of their useful life (for example, the replacement of the reactor  
11 vessel head at the Callaway Energy Center).

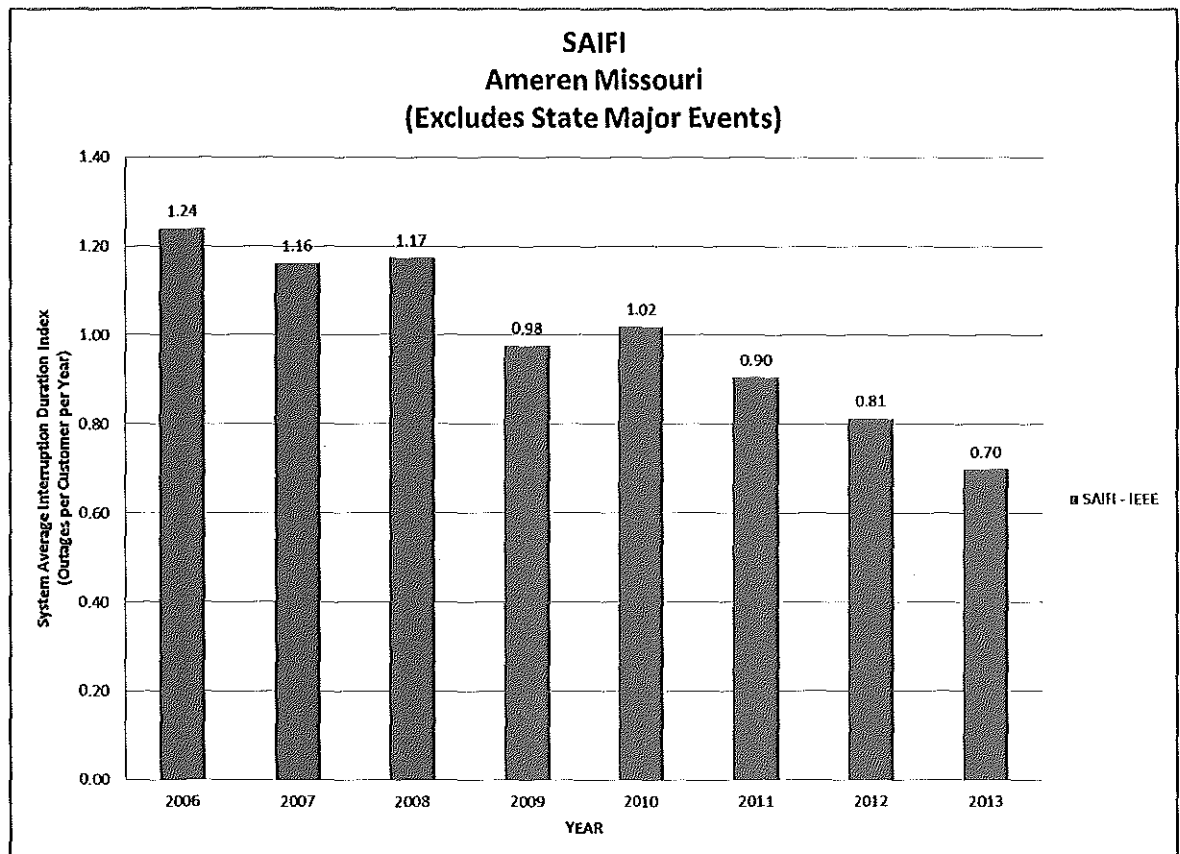
12           However, there are other categories of costs—non-fuel operations and  
13 maintenance ("O&M") costs—that the Company has more ability to control, and through  
14 disciplined cost management efforts we have been able to reduce these costs  
15 significantly, offsetting a portion of the increase in the costs that are less subject to our  
16 control. Specifically, in this case we have reduced our overall non-fuel O&M costs by  
17 \$147 million per year. A large portion of that reduction—\$80 million—is attributable to  
18 recovery of MEEIA costs through a separate rider, which the Commission approved  
19 earlier this year. The MEEIA costs will remain in the rider and, unlike Fuel Adjustment  
20 Clause costs, are not "rebased" in a rate case. But the remaining \$67 million in cost  
21 reductions represents true savings to customers that have offset the increases that would  
22 otherwise apply. These reductions reflect lower power plant maintenance and  
23 distribution expenses, and revenues from refined coal that offset plant expenses. We



1 have been very focused on finding ways to improve operations and reduce costs for our  
2 customers.

3 **Q. Have the reductions in non-fuel O&M costs adversely impacted the**  
4 **service that Ameren Missouri provides to its customers?**

5 **A. No.** In fact, the Company's continuing investment in its infrastructure has  
6 resulted in steady reliability improvements as reflected in the chart below, which shows  
7 the average outages per customer per year, excluding major storms. As you can see, our  
8 reliability has improved nearly 44% based on this metric since 2006. Further, our 2013  
9 average outages per customer per year were in the top decile in the electric industry and it  
10 is by far the best level we have achieved in recent history.



11

1           We also continue to invest in enhanced storm response capability, which has  
2 materially improved our ability to quickly restore service to customers following storms,  
3 an aspect of our service which is critically important to customers. In addition, we have  
4 continued to make considerable investments in environmental infrastructure. As a direct  
5 result of these investments, sulfur dioxide emissions from our coal plants have been  
6 reduced by 54% since 2006. As I previously mentioned, in 2014 we will place two sets  
7 of electro-static precipitators in service at our Labadie Energy Center which will provide  
8 additional environmental benefits to our customers and the general public, and allow us  
9 to comply with the Mercury and Air Toxics Standards ("MATS") rule that will be  
10 applicable to existing power plants.

11           We have also continued to invest in our generating facilities to maintain and  
12 improve their reliability. For 2013, our fossil plant fleet's equivalent availability was  
13 84%, and the fleet's commercial availability (availability during times that the plant  
14 would be economically dispatched) was 87%, which compares favorably to other fossil  
15 fleets, particularly given the age of our plants. In 2012, our Labadie Energy Center, the  
16 Company's largest plant, received Navigant's Operational Excellence Award in the large  
17 coal plant category. This award is presented annually to the North American coal plant  
18 that has demonstrated excellence in cost-efficient and reliable plant performance over the  
19 preceding five-year period. Also in 2012, the Institute of Nuclear Power Operations, the  
20 organization responsible for evaluating the operation of nuclear plants, rated Ameren  
21 Missouri's Callaway Energy Center INPO 1 (Excellent), the highest rating possible.

22           Overall, by the end of 2014 we will have invested approximately \$1.5 billion in  
23 capital improvements to our system since our last rate case, and these investments are and

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1 will be producing tangible results. Although none of the costs of these facilities are  
2 currently included in rates, they will provide reliable service to our customers for many  
3 years to come.

4 We have also taken a number of steps to improve communications with our  
5 customers and enhance the service that we provide them. For example, Ameren Missouri  
6 has begun providing each customer with a personal energy report annually. The report  
7 communicates detailed personalized information regarding the customer's energy usage,  
8 and suggests specific ways that the customer can reduce his or her energy usage through  
9 the Company's energy efficiency programs. We are also in the process of redesigning our  
10 bill format to be more useful to customers. This fall our current postcard bill will be  
11 replaced with a full-page bill that provides customers with substantially more information  
12 about their energy consumption and suggests ways they might control their consumption.  
13 In addition, the Company will be offering options for customers to receive through text or  
14 e-mail weekly bill summaries or alerts when they meet cost or usage thresholds.  
15 Similarly, we are enhancing our ability to provide energy usage information to customers'  
16 mobile devices and computers. Finally, we are providing enhanced training to our  
17 customer service representatives and soliciting real-time customer feedback to improve  
18 the experience of customers who have personal interactions with our representatives.

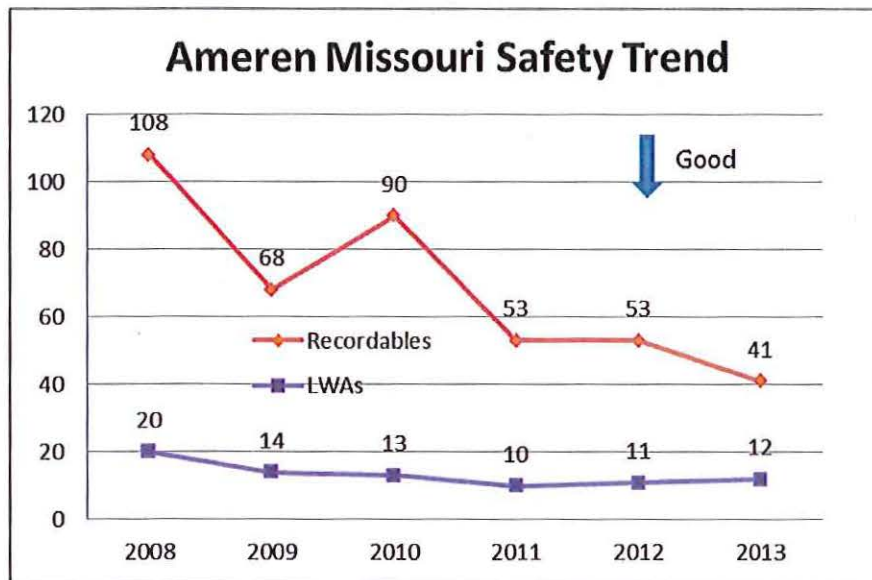
19 I believe that our focus on improving service reliability and enhancing customers'  
20 experience is paying dividends in terms of improved customer satisfaction. Our Field  
21 Operations Customer Surveys, which are provided to every customer who interacts with  
22 one of our field personnel, have improved significantly over the past several years. Our  
23 most recent data from that survey shows that 87% of our customers rate their overall

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1 satisfaction with our service as a 9 or a 10 on a scale of 1-10. Our Customer Contact  
2 Index, a similar survey for customer interactions involving our call center, shows similar  
3 results—84% of customers rate their overall experience a 9 or a 10. While we have made  
4 progress in these areas, we have more to do to make sure we are delivering the high level  
5 of service that customers expect.

6 We have also been relentlessly committed to creating a culture that is focused on  
7 safety. We believe that every employee should leave the same way he or she came to  
8 work—uninjured. We have been focused on numerous programs the past several years  
9 with an emphasis on hazard recognition, job briefing observations, incident evaluation,  
10 etc. While one injury is still too many, we have begun to see a real impact in the  
11 Company where every employee values safety on the job and every coworker views  
12 safety as their responsibility. Some of the progress we have made to date includes  
13 reductions in lost workday away and recordable incidents reported to OSHA. The  
14 following chart illustrates this improvement over the past five years.

15

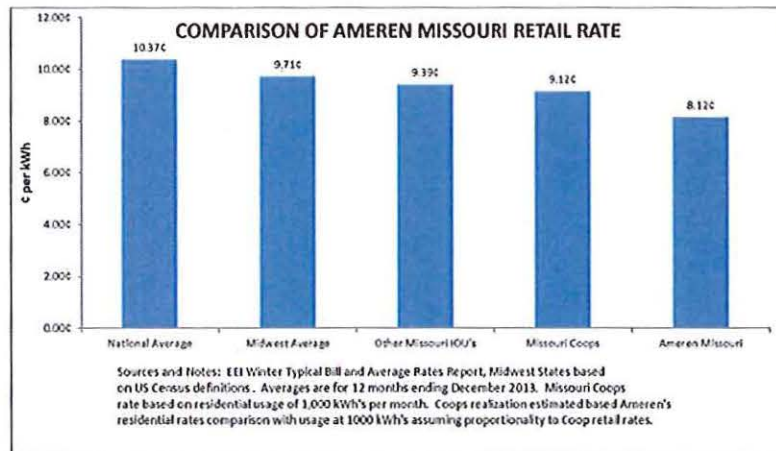


16

1 Our safety record in 2014 has improved even more: through June of this year we have  
2 just eight recordable incidents and zero lost workday away injuries.

3 **Q. Ameren Missouri has received five rate increases in the past seven**  
4 **years, and is proposing another rate increase in this case. At this point, aren't**  
5 **Ameren Missouri's rates higher than the rates of other providers of electric service**  
6 **in the rest of the country?**

7 **A. No.** Despite the five prior base rate increases and net fuel cost recoveries  
8 through our fuel adjustment clause, our rates continue to be among the lowest in the  
9 nation, and they will continue to be after this case is over. Based on the most current data  
10 available at the time of this filing, as reflected in the chart below, Ameren Missouri's  
11 retail rates are over 20% below the national average, well below the Midwest average,  
12 and the lowest among all investor-owned utilities in the state. Our relatively low rates are  
13 the result of our continuing efforts to reduce all costs that are within our control.



1           Even though Ameren Missouri has received five rate increases in recent years, the  
2 increases are equal to average annual increases since 2005 of just over 4%. While any  
3 increase can be a hardship for some customers, we have tried to manage the impact given  
4 the amount of mandatory environmental costs we have incurred.

5           **Q.     What are the most significant challenges that the Company is facing?**

6           A.     The most serious challenge that the Company faces is the need to invest  
7 large amounts of money into capital projects to comply with ever-more-stringent  
8 environmental requirements, and to replace aging infrastructure to ensure that we will  
9 continue to be able to provide the consistently reliable level of service our customers  
10 have come to expect. With regard to environmental requirements, the Greenhouse Gas  
11 ("GHG") rules recently issued by the U.S. Environmental Protection Agency ("EPA")  
12 provide a good example. Although the rules permit states flexibility in their  
13 implementation and therefore it is not exactly clear how these rules will impact Ameren  
14 Missouri, under any scenario, the costs of compliance could be substantial. Although the  
15 GHG rules have garnered the most publicity in recent weeks, there are many other  
16 environmental regulations that will increase costs for Ameren Missouri and other electric  
17 utilities in the coming years. For example, as I previously mentioned, in order to comply  
18 with the Mercury and Air Toxics Standards, we are placing ESPs at the Labadie Energy  
19 Center at a cost in excess of \$150 million. In addition, Ameren Missouri and other  
20 electric utilities are likely to incur significant costs in order to comply with the Coal  
21 Combustion Residual ("CCR") rule which the EPA is expected to issue in December;  
22 revisions to Section 316(b) of the Clean Water Act dealing with fossil plant water intake  
23 structures; and the implementation of the Cross-State Air Pollution Rule ("CSAPR"),

1 which was recently upheld in substantial part by the U.S. Supreme Court. These costs are  
2 almost entirely outside of Ameren Missouri's control, and they will require a significant  
3 financial commitment in the coming years.

4 Our increasing need to replace aging infrastructure is also a looming issue for  
5 Ameren Missouri and other electric utilities. As we have mentioned on previous  
6 occasions, much of the infrastructure currently being used to serve customers was  
7 originally constructed decades ago. Our coal generation units were constructed between  
8 38 and 61 years ago and are reaching the end of their lives. In fact, we recently decided  
9 to retire our Meramec Energy Center no later than 2022, and it may be retired earlier, if  
10 necessary, to comply with new environmental rules. Large sections of our distribution  
11 system were built in the 1950's, 60's and 70's to accommodate suburban expansion and  
12 the addition of new loads caused by the widespread adoption of air conditioning. Other  
13 portions of our system, such as our substations and underground distribution system in  
14 downtown St. Louis, are even older. We have substations dating back to the 1940's that  
15 are still in service, and portions of our downtown underground system are 100 years old  
16 or older.

17 As a consequence of the foregoing, Ameren Missouri faces a bow wave of capital  
18 investment needs over the next 15-20 years that will be unprecedented for the Company.

19 **Q. Why do these investment requirements create challenges for Ameren**  
20 **Missouri? Can't the Company recover the cost of these investments in rates?**

21 A. Not completely. Because of the way rates are set in Missouri using an  
22 historical test year, it is impossible for Ameren Missouri to recover the full cost of its  
23 capital investments in rates, to the extent that the incremental investment exceeds the

1 Company's depreciation expense. During the period that a capital project is being  
2 constructed, the Company is permitted to accrue an Allowance for Funds Used During  
3 Construction ("AFUDC"), which compensates the Company for the use of its capital  
4 during the period of construction. However, once the capital project goes into service,  
5 AFUDC can no longer be accrued and the Company is not compensated for the use of its  
6 capital on that project until it is included in rates at least many months, and sometimes  
7 years, later. Moreover, once the asset is placed in service, it immediately begins to  
8 depreciate and the depreciation expense cannot be recovered until the next rate case is  
9 complete, again months or years later. Although this phenomenon is sometimes referred  
10 to as "regulatory lag", it represents a permanent loss in recovery of the return and  
11 depreciation expenses for the Company. It operates as a significant financial disincentive  
12 for the Company to pro-actively invest, and it creates a serious obstacle to addressing the  
13 bow wave of capital investment requirements that looms on the horizon.

14 **Q. You characterize this bow wave of capital investment requirements as**  
15 **"unprecedented." But, didn't Ameren Missouri experience the same types of**  
16 **significant investment requirements when it originally built its system, and when it**  
17 **expanded its infrastructure to serve new suburbs and air conditioning load?**

18 **A. Yes, but those earlier investments were made to serve growing load.**  
19 **Although the Company would have experienced the same type of regulatory lag when**  
20 **constructing facilities, those costs would have been offset, and in some cases more than**  
21 **offset, by the growth in revenues associated with their installation. In other words,**  
22 **because both the costs and the revenues associated with growing load would not be**



1 immediately reflected in rates, the Company did not have a disincentive to make these  
2 investments.

3 In contrast, in the current situation, the Company is experiencing little or no  
4 growth in its sales due to stagnation in the population in its service territory, conservation  
5 measures and other factors. The investments I have been talking about, investments to  
6 meet environmental requirements and to replace aging infrastructure, are not to serve new  
7 load. In addition, an increasing portion of the investment we are required to make is to  
8 serve load that is just relocating within our service territory. For example, residential  
9 customers who are moving to a newly constructed home sometimes leave a vacant home  
10 behind. Commercial customers, such as new outlet malls, often don't provide  
11 incremental load, but simply displace existing load. As a consequence, there is nothing  
12 to offset the unrecovered cost of these facilities between the time they are installed and  
13 the time they can be reflected in rates.

14 Ameren Missouri has managed this issue so far through the disciplined reduction  
15 of operations and maintenance costs that are within its control. As I previously  
16 mentioned, in this case, non-fuel O&M costs have been reduced by \$67 million per year.  
17 But continually reducing O&M costs to finance capital investment is simply not  
18 sustainable. There is a limit to how much O&M costs can be cut. If another solution is  
19 not found, Ameren Missouri's ability to make incremental investments will be reduced at  
20 the very time it is facing an unprecedented need to invest due to more stringent  
21 environmental requirements and the need to replace infrastructure that is at the end of its  
22 life.

23 **Q. Don't other electric utilities across the country face these same issues?**

1           A.     The issue of regulatory lag is not as difficult in many other jurisdictions.  
2     Some electric utilities operate in areas where there is more population growth or growth  
3     in commercial or industrial load. Many others operate in jurisdictions where regulatory  
4     lag has been fully addressed through the use of projected (as opposed to historic) test  
5     years, formula rates, or inclusion of Construction Work in Progress (“CWIP”) in rates,  
6     among other mechanisms. Missouri has no such mechanisms in place.

7           **Q.     Why should customers or the Commission care about this issue?**

8           A.     If Ameren Missouri does not get ahead of this problem and begin to  
9     replace some of these aging facilities, it will ultimately affect our ability to provide  
10    consistently reliable service to our customers. Because of the scope of the problem  
11    presented by aging infrastructure, we need to systematically replace these facilities over  
12    the long term. If we wait to address this issue, the rate impact is likely to be materially  
13    greater and more unpredictable and volatile. However, the existing regulatory framework  
14    provides significant disincentives for the Company to make these needed investments  
15    until they become a crisis.

16          **Q.     Has Ameren Missouri attempted to address the issue of regulatory lag**  
17    **previously?**

18          A.     Yes. For the past several years, Ameren Missouri has pursued legislation  
19    to help it address regulatory lag, without success. The Company has also pursued  
20    remedies at the Commission. Specifically, in our last rate case, we sought Commission  
21    approval for plant-in-service accounting (“PISA”) which would have permitted the  
22    Company to defer the lost return and depreciation associated with the environmental and

1 replacement projects described above. However, this proposal was opposed by many of  
2 the parties to our case and ultimately rejected by the Commission.

3 **Q. Is the Company making any proposals in this case to address**  
4 **regulatory lag?**

5 A. Not at this time. We continue to examine options for addressing this  
6 important issue, and we believe it is in the interest of all stakeholders to find a workable  
7 solution before reliability declines and much more significant expenditures (and  
8 significant rate increases) will be required to address this issue.

9 **Q. Are you concerned about the cumulative impact of Ameren Missouri's**  
10 **rate increases on the Company's low-income customers?**

11 A. Yes, despite our legitimate need to pay increasing costs, I am very  
12 concerned about the impact of rate increases on our most vulnerable customers. To help  
13 these customers pay their bills, the Company has for many years sponsored programs to  
14 assist those least able to afford higher energy costs. These programs include the Dollar  
15 More program, which provides direct payment of energy bills for low-income customers;  
16 our low-income weatherization program; and our air conditioner give-away program. In  
17 addition, in 2013 we conducted a large energy education and energy assistance event in  
18 North St. Louis to again assist those customers most impacted by increasing energy costs.  
19 We have also provided energy assistance to military families and not-for-profit  
20 organizations, and we have supported government sponsored energy assistance programs,  
21 such as the Low Income Home Energy Assistance Program ("LIHEAP").

22 We recently committed to providing an additional \$2 million in energy assistance  
23 to low-income families. In this case, in addition to the low-income weatherization

1 program, we are proposing to continue our Keeping Current program, in which the  
2 Company and its customers share the cost of longer-term bill paying assistance to  
3 qualifying low-income customers.

4 Finally, it is worth noting that the Company and its employees support low-  
5 income customers through contributions to local charities through the United Way, and  
6 through direct contributions to organizations such as the Red Cross and the Salvation  
7 Army. We believe that these steps help mitigate the impact of rate increases on our  
8 customers who are least able to pay for necessary rate increases.

9 **Q. All of the items you list above are continuations of current programs**  
10 **or efforts. Are you proposing anything new to assist low-income customers?**

11 A. Yes, we are. We have noted the Commission's efforts to find additional  
12 ways to help low-income customers who may struggle to cope with any increase to their  
13 electric bills. Chairman Kenney has spoken about the importance of this issue, and I  
14 know the other commissioners share his concern about this issue, as does Ameren  
15 Missouri. However, as a general rule, Missouri law requires that differences in rates be  
16 based upon differences in the cost to serve customers. In other words, absent legislative  
17 authorization rates cannot be set based on a customer's needs. However, the MEEIA  
18 statute creates a specific exception to this general rule, and allows the Commission to  
19 exclude low-income customers from paying the costs of a utility's MEEIA programs.  
20 Ameren Missouri proposes to take advantage of that statutory exception and exclude  
21 customers who are LIHEAP-eligible or participating in Keeping Current or certain other  
22 existing low-income programs from paying the cost of the MEEIA programs.

23 **Q. How much of a benefit would this provide to low-income customers?**

1           A.     If the exemption were effective today, it would save eligible customers  
2     about \$4.50 per month on their bills. The savings level will grow as Ameren Missouri's  
3     MEEIA programs mature and is expected to rise to approximately \$5.50 per month by the  
4     time rates set in this case take effect. This should provide some significant relief to our  
5     most vulnerable customers.

6                               **IV.     SUMMARY AND CONCLUSION**

7           **Q.     Can you please summarize your testimony?**

8           A.     Yes. It is unfortunate that this rate case is necessary, despite Ameren  
9     Missouri's successful efforts to control the costs that are within its control, as reflected in  
10    non-fuel O&M costs reductions of \$67 million per year. The need for our proposed rate  
11    increase is being driven by costs largely outside the Company's control, including net fuel  
12    costs, mandated investments, mandated solar rebate payments and taxes, among other  
13    things.

14           I believe that our Company has done an excellent job in providing reliable service  
15    to its customers, with service interruption frequency declining by 44% since 2006 and  
16    steady, cost effective performance by its generating facilities. The Company has also  
17    been a good steward of the environment, reducing its sulfur dioxide emissions by 54%  
18    since 2006, and adding renewable generation to its portfolio.

19           However, we continue to see a bow wave of capital investments looming in the  
20    near future to meet ever-more-stringent environmental standards and replace aging  
21    infrastructure to preserve reliability. Missouri's regulatory framework does not allow  
22    utilities to recover the full cost of such capital investments and provides a financial  
23    disincentive for utilities to proactively address such problems until reliability declines

Direct Testimony of  
Michael Moehn

1 and customers face sharply higher rate increases. I would encourage the Commission and  
2 the other stakeholders to seek ways to proactively address this issue. We think that it is  
3 not only important for our customers but vital for Missouri to continue to compete in the  
4 21<sup>st</sup> century.

5 In this case, we ask that you approve our proposed rate increase and our other  
6 proposed tariff changes to allow Ameren Missouri to continue to reliably meet the needs  
7 of our customers and remain financially sound.

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

9 **A. Yes, it does.**

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company )  
d/b/a Ameren Missouri's Tariffs to ) Case No. ER-2014-0258  
Increase Its Revenues for Electric Service. )

AFFIDAVIT OF MICHAEL MOEHN

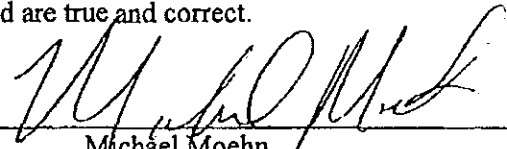
STATE OF MISSOURI )  
 ) ss  
CITY OF ST. LOUIS )

Michael Moehn, being first duly sworn on his oath, states:

1. My name is Michael Moehn. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Chairman, President and Chief Executive Officer.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Ameren Missouri consisting of 20 pages, and Schedule(s) N/A, 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.

  
Michael Moehn

Subscribed and sworn to before me this 3<sup>rd</sup> day of July, 2014.

  
Notary Public

My commission expires:

