

*Exhibit No.:*  
*Issue:* Policy  
*Witness:* Natelle Dietrich  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Direct Testimony  
*Case No.:* ER-2016-0179  
*Date Testimony Prepared:* December 9, 2016

**MISSOURI PUBLIC SERVICE COMMISSION**  
**COMMISSION STAFF DIVISION**

**DIRECT TESTIMONY**  
**OF**  
**NATELLE DIETRICH**

**UNION ELECTRIC COMPANY D/B/A AMEREN MISSOURI**  
**CASE NO. ER-2016-0179**

*Jefferson City, Missouri*  
*December 2016*

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OF  
NATELLE DIETRICH  
UNION ELECTRIC COMPANY D/B/A AMEREN MISSOURI  
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1 activities relate to oversight of Staff's analysis of and positions on renewable energy, energy  
2 efficiency, demand side management, demand response and smart grid. I was a member of  
3 the Missouri Delegation to the Missouri/Moldova Partnership through National Association of  
4 Regulatory Utility Commissioners ("NARUC") and the US Agency for International  
5 Development.

6 I am a member of the NARUC Subcommittee on Rate Design and the Staff  
7 Subcommittee on Telecommunications. I serve on the Staff of the Federal/State Joint Board  
8 on Universal Service, serve as lead Staff for the Missouri Universal Service Board, and was a  
9 member of the Governor's MoBroadbandNow taskforce.

10 Q. Have you previously testified before the Commission?

11 A. Yes. My Case Summary is attached as Schedule ND-d1.

12 **EXECUTIVE SUMMARY**

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to sponsor the Staff's Revenue Requirement  
15 Report that is being filed concurrently with this testimony, provide an overview of Staff's  
16 revenue requirement calculation, and if requested at hearing, address questions of a general or  
17 policy nature regarding the work performed by, or the positions taken by Staff in this  
18 proceeding.

19 Q. Is Staff filing anything other than your testimony and Staff's Revenue  
20 Requirement Report at this time?

21 A. Yes. Staff is also separately filing its accounting schedules. On December 23,  
22 2016, Staff will file separately direct testimony and a report on its class cost-of-service and  
23 rate design analyses and recommendations, and a report addressing various issues raised by

1 the Commission's *Order Directing Consideration of Certain Questions in Testimony* and the  
2 Commission's *Order Directing Submittal of Infrastructure Efficiency Tariff*.

3 Q. What did Staff review for Staff's Revenue Requirement Report?

4 A. Staff reviewed all the cost-of-service components (capital structure, return on  
5 rate base, rate base, depreciation expense and operating expenses) that comprise Union  
6 Electric Company d/b/a Ameren Missouri's ("Ameren Missouri") revenue requirement based  
7 on the 12-months ending March 31, 2016.

8 Q. Based on Staff's review, what is Staff's recommendation concerning  
9 Ameren Missouri's revenue requirement?

10 A. Staff recommends a return on equity ("ROE") of 8.75%, which is the upper  
11 end of Staff's equity cost rate range of 7.9% to 8.85%. Staff's recommended increase in  
12 revenue requirement is based upon an adjusted test year ending March 31, 2016, including  
13 true-up estimates through January 1, 2017. Staff's recommended revenue requirement for  
14 Ameren Missouri is \$52.0 million based upon Staff's ROE recommendation of 8.75%.  
15 Staff's results that support its revenue requirement for Ameren Missouri are presented in  
16 the Accounting Schedules that are separately filed as an exhibit in the case concurrently with  
17 this testimony.

18 Q. What rate increase is Ameren Missouri requesting?

19 A. Ameren Missouri filed its Direct Testimony on July 1, 2016, requesting an  
20 increase in its base gross annual electric revenues of \$206.4 million, or an expected increase  
21 in rates of approximately 7.8%. For the average residential customer, this represents an  
22 annual average change of \$99 or 8.29%. Ameren Missouri is requesting an ROE of 9.90%.

1 Q. What does Ameren Missouri's cite as the reason(s) for the requested increase?

2 A. Ameren Missouri cites several factors for the requested increase, including  
3 continued investment in generation and energy delivery systems, investments in projects  
4 necessitated by North American Electric Reliability Corporation ("NERC") and Nuclear  
5 Regulatory Commission ("NRC") requirements, the loss of load from Noranda Aluminum,  
6 Inc., higher Midcontinent System Operator, Inc. ("MISO") transmission charges, higher  
7 property taxes and other cost increases.

8 Q. Does Staff address other issues in its Cost-of-Service Report?

9 A. Yes. While Staff addresses several issues in its Cost-of-Service Report, a few  
10 issues deserve emphasis here. Significant issues that are discussed in the Cost-of-Service  
11 Report include: A difference between Ameren Missouri and Staff of \$77.8 million due  
12 to differences in recommended ROE and capital structure; Payroll/Benefits/Severance,  
13 approximately \$15.1 million, which reflects impacts of reduced employee counts on labor and  
14 benefits costs and elimination of severance payouts that have been recovered through cost  
15 savings; and, vegetation management and infrastructure inspection expenses of approximately  
16 \$8.2 million. In Ameren Missouri's last rate case, Case No. ER-2014-0258, an Industrial  
17 Aluminum Smelter ("IAS") rate schedule was created for the Noranda aluminum smelter  
18 facility in New Madrid County. During the test period, there were exceptional changes in the  
19 character of service taken at the New Madrid facility since Case No. ER-2014-0258. As  
20 explained in the Cost-of-Service Report, Staff made adjustments accordingly, including  
21 addressing Ameren Missouri's request to recover approximately \$81.47 million of total  
22 estimated lost revenue through a ten-year amortization, or \$8.1 million annually.

1           It is important to note that on October 17, 2016, Staff filed its report in File No.  
2 EW-2016-0313, the Commission's working case to consider policies to improve electric  
3 utility regulation. Some of the issues identified and discussed in Staff's report are relevant  
4 to rate case processing and will be addressed, as applicable, in Staff's rebuttal testimony in  
5 this case; however, Staff is committed to healthy utilities and continues to favor policies  
6 that would encourage capital investments and allow utilities to earn returns on those  
7 investments sooner.

8           Q.     How is Staff's Cost-of-Service Report organized?

9           A.     It is organized by topic as follows:

- 10           I.     Executive Summary
- 11           II.    Background
- 12           III.   Test Year/True-Up Period
- 13           IV.   Economic Considerations
- 14           V.     Rate of Return
- 15           VI.    Rate Base
- 16           VII.   Allocations
- 17           VIII.  Income Statement
- 18           IX.   Fuel Adjustment Clause
- 19           X.     Other Issues

20           The Rate Base and Income Statement sections of Staff's Revenue Requirement Report  
21 have numerous subsections which explain each specific adjustment Staff made to the EMS  
22 run Staff developed in this case. The Staff member responsible for writing each subsection of  
23 the report is identified at the end of the subsection. The affidavit of each Staff person who  
24 contributed to the report is included in an appendix to the report.

1 Short forms used in Staff's Revenue Requirement Report and Class Cost-of-Service  
2 Report include:

3 "Commission" for the Missouri Public Service Commission;  
4 "Staff" for the Staff of the Missouri Public Service Commission;  
5 "Public Counsel" for the Office of the Public Counsel;  
6 "Ameren Missouri" for Union Electric Company d/b/a Ameren Missouri;  
7 "EMS" for Staff's revenue requirement model referred to as Exhibit  
8 Modeling System

9 **OVERVIEW OF STAFF'S RECOMMENDED REVENUE REQUIREMENT**

10 Q. How does one determine the revenue requirement for a regulated utility?

11 A. The revenue requirement<sup>1</sup> for a regulated utility can be defined by the  
12 following formula:

13 Revenue Requirement = Cost of Providing Utility Service

14 or

$$15 \quad RR = O + (V - D)R \quad \text{where,}$$

16 RR = Revenue Requirement

17 O = Operating Costs (Fuel, Payroll, Maintenance, etc.), Depreciation and Taxes

18 V = Gross Valuation of Property Required for Providing Service

19 D = Accumulated Depreciation Representing Recovery of Gross  
20 Property Investment

21 V - D = Rate Base (Gross Property Investment less Accumulated  
22 Depreciation = Net Property Investment)

23 (V - D)R = Return Allowed on Net Property Investment

24 Q. Does this conclude your testimony?

25 A. Yes.

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<sup>1</sup> Most properly, "revenue requirement" refers to the total cost for a utility to provide safe and reliable service. Commonly, in the context of Commission rate cases, the term "revenue requirement" is generally used to refer to the increase or decrease in revenue over the revenues produced from a utility's current rates.





**Natelle Dietrich**  
**Case Summary**

Presented testimony or analysis through affidavits on the following cases and proceedings:

- Case No. TA-99-405, an analysis of the appropriateness of a “payday loan” company providing prepaid telecommunications service.
- Case No. TX-2001-73, In the Matter of Proposed New Rules on Prepaid Calling Cards.
- Case No. TO-2001-455, the AT&T/Southwestern Bell Telephone Company arbitration, which included issues associated with unbundled network elements.
- Case No. TX-2001-512, In the Matter of Proposed Amendments to Commission Rule 4 CSR 240-33.010, 33.020, 33.030, 33.040, 33.060, 33.070, 33.080, 33.110, and 33.150 (telecommunications billing practices).
- Case No. TO-2002-222, the MCI/SWBT arbitration.
- Case No. TR-2002-251, In the Matter of the Tariffs Filed by Sprint Missouri, Inc. d/b/a Sprint to Reduce the Basic Rates by the Change in the CPI-TS as Required by 392.245(4), Updating its Maximum Allowable Prices for Non-Basic Services and Adjusting Certain Rates as Allowed by 392.245(11) and Reducing Certain Switched Access Rates and Rebalancing to Local Rates as Allowed by 392.245(9).
- Case No. TX-2002-1026, In the Matter of a Proposed Rulemaking to Implement the Missouri Universal Service Fund End-User Surcharge.
- Case No. TX-2003-0379, In the Matter of Proposed Amendments to Commission Rule 4 CSR 240-3.545, formerly 4 CSR 240-30.010 (tariff filing requirements).
- Case No. TX-2003-0380, In the Matter of Proposed Amendments to Commission Rules 4 CSR 240-2.060, 4 CSR 240-3.020, 4 CSR 240-3.510, 4 CSR 240-3.520, and 4 CSR 240-3.525 (competitive local exchange carrier filing requirements and merger-type transactions).
- Case No. TX-2003-0389, In the Matter of Proposed Amendment to Commission Rules 4 CSR 240-3.530 and 4 CSR 240-3.535, and New Rules 4 CSR 240-3.560 and 4 CSR 240-3.565 (telecommunications bankruptcies and cessation of operation).
- Case No. TX-2003-0445, In the Matter of a Proposed New Rule 4 CSR 240-33.160 Regarding Customer Proprietary Network Information.
- Case No. TX-2003-0487, In the Matter of Proposed Commission Rules 4 CSR 240-36.010, 36.020, 36.030, 36.040, 36.050, 36.060, 36.070, and 36.080 (arbitration and mediation rules).
- Case No. TX-2003-0565, In the Matter of a Proposed Rulemaking to Codify Procedures for Telecommunications Carriers to Seek Approval, Amendment and Adoption of Interconnection and Resale Agreements.
- Case Nos. TX-2004-0153 and 0154, in the Matter of Proposed Rule for 211 Service (emergency and permanent rules).

- Case Nos. TO-2004-0370, IO-2004-0467, TO-2004-0505 et al, In the Matter of the Petition of various small LECs for Suspension of the Federal Communications Commission Requirement to Implement Number Portability.
- Case No. TX-2005-0258, In the Matter of a New Proposed Rule 4 CSR 240-33.045 (placement and identification of charges on customer bills).
- Case No. TX-2005-0460, In the Matter of the Proposed Amendments to the Missouri Universal Service Fund Rules.
- Case No. TO-2006-0093, In the Matter of the Request of Southwestern Bell Telephone, L.P. d/b/a SBC Missouri, for Competitive Classification Pursuant to Section 392.245.6, RSMo (2205) – 30-day Petition.
- Case Nos. TC-2005-0357, IR-2006-0374, TM-2006-0306, the complaint case, earnings investigation and transfer of assets case to resolve issues related to Cass County Telephone Company, LP, LEC Long Distance, FairPoint Communications, Inc., FairPoint Communications Missouri Inc. d/b/a FairPoint Communications and ST Long Distance Inc. db/a FairPoint Communications Long Distance.
- Case No. TC-2006-0068, FullTel, Inc., v. CenturyTel of Missouri, LLC.
- Case No. TX-2006-0169, In the Matter of Proposed New Rule 4 CSR 240-3.570 Regarding Eligible Telecommunications Carrier Designations for Receipt of Federal Universal Service Fund Support.
- Case No. TX-2006-0429, In the Matter of a Proposed Amendment to 4 CSR 240-3.545 (one day tariff filings).
- Case No. TX-2007-0086, In the Matter of a Proposed Rulemaking to Create Chapter 37 – Number Pooling and Number Conservation Efforts
- Case No. TA-2009-0327, In the Matter of the Petition of TracFone Wireless, Inc. for Designation as an Eligible Telecommunications Carrier in the State of Missouri for the Limited Purpose of Offering Lifeline and Link Up Service to Qualified Households.
- Case No. RA-2009-0375, In the Matter of the application of Nexus Communications, Inc. dba TSI for Designation as an Eligible Telecommunications Carrier in the State of Missouri for the Limited Purpose of Offering Wireless Lifeline and Link Up Service to Qualifying Households.
- Case No. AX-2010-0061, Office of Public Counsel’s Petition for Promulgation of Rules Relating to Billing and Payment Standards for Residential Customers.
- Case No. GT-2009-0056, In the Matter of Laclede Gas Company’s Tariff Revision Designed to Clarify its Liability for Damages Occurring on Customer Piping and Equipment Beyond the Company’s Meter.
- Case No. ER-2012-0166, In the Matter of Union Electric Company d/b/a Ameren Missouri’s Tariffs to Increase Its Revenues for Electric Service. Energy Independence and Security Act of 2007 (EISA).
- Case No. ER-2012-0174, In the Matter of Kansas City Power & Light Company’s Request for Authority to Implement A General Rate Increase for Electric Service. Energy Independence and Security Act of 2007 (EISA).

- Case No. ER-2012-0175, In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service. Energy Independence and Security Act of 2007 (EISA).
- Case No. ER-2012-0345, In the Matter of Empire District Electric Company of Joplin, Missouri Tariff's Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company. Energy Independence and Security Act of 2007 (EISA).
- File Nos. EO-2013-0396 and EO-2013-0431, In the Matter of the Joint Application of Entergy Arkansas, Inc., Mid South TransCo, LLC, Transmission Company Arkansas, LLC and ITC Midsouth LLC for Approval of Transfer of Assets and Certificate of Convenience and Necessity, and Merger and, in connection therewith, Certain Other Related Transactions; and In the Matter of Entergy Arkansas, Inc.'s Notification of Intent to Change Functional Control of Its Missouri Electric Transmission Facilities to the Midwest Independent Transmission System Operator Inc. Regional Transmission System Organization or Alternative Request to Change Functional Control and Motions for Waiver and Expedited Treatment, respectively.
- Case No. MX-2013-0432, In the Matter of a Proposed Rulemaking to Revise Manufactured Housing Rules Regarding Installation and Monthly Reporting Requirements.
- Case No. TX-2013-0324, In the Matter of a Proposed Rulemaking to the Missouri Universal Service Fund.
- Case No. EO-2014-0095, In the Matter of Kansas City Power & Light Company's Filing for Approval of Demand-Side Programs and for Authority to Establish Demand-Side Programs Investment Mechanism.
- Case No. EA-2014-0207, In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Own, Operate, Control, Manage, and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood - Montgomery 345 kV Transmission Line.
- Case No. ER-2014-0370, In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service.
- Case No. WR-2015-0301, In the Matter of Missouri-American Water Company's Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas.
- Case No. ER-2016-0156, In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service.
- Case No. ET-2016-0246, In the Matter of the Application of Union Electric Company d/b/a Ameren Missouri for Approval of a Tariff Setting a Rate for Electric Vehicle Charging Stations.
- Case No. ER-2016-0285, In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service.
- Case No. EE-2017-0113, In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company and KCP&L Greater

Missouri Operations Company for a Variance from the Commission's Affiliate Transactions Rule, 4 CSR 240-20.015.

- Actively participated in or prepared comments on numerous issues on behalf of the Commission to be filed at the Federal Communications Commission.
- Prepared congressional testimony on behalf of the Commission on number conservation efforts in Missouri.
- A principal author on Missouri Public Service Commission Comments on the Reduction of Carbon Emissions in Missouri under Section 111(d) of the Clean Air Act.
- A principal author on Missouri Public Service Commission Comments on the Environmental Protection Agency's "Emission Guidelines for Existing Stationary Sources: Electric Generating Unity".

Commission Arbitration Advisory Lead Staff for the following cases:

- Case No. TO-2005-0336, Southwestern Bell Telephone, L.P., d/b/a SBC Missouri's Petition for Compulsory Arbitration of Unresolved Issues For a Successor Interconnection Agreement to the Missouri 271 Agreement ("M2A").
- Case No. IO-2005-0468, In the Matter of the Petition of Alma Telephone Company for Arbitration of Unresolved Issues Pertaining to a Section 251(b)(5) Agreement with T-Mobile USA, Inc.
- Case No. TO-2006-0147 et al, In the Matter of the Petition for Arbitration of Unresolved Issues in a Section 251(b)(5) Agreement with T-Mobile USA, Inc and Cingular Wireless.
- Case No. TO-2006-0299, Petition of Socket Telecom, LLC for Compulsory Arbitration of Interconnection Agreements with CenturyTel of Missouri, LLC and Spectra Communications, LLC, pursuant to Section 251(b)(1) of the Telecommunications Act of 1996.
- Case No. TO-2006-0463, In the Matter of the Petition for Arbitration of Unresolved Issues in a Section 251(b)(5) Agreement with ALLTEL Wireless and Western Wireless.
- Case No. TO-2009-0037, In the Matter of the Petition of Charter Fiberlink-Missouri, LLC for Arbitration of an Interconnection Agreement Between CenturyTel of Missouri, LLC and Charter Fiberlink-Missouri, LLC.