

**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 Decrease Its Revenues    )  
for Electric Service.    )            File No. ER-2019-0335

**AMEREN MISSOURI’S REPLY TO PUBLIC COUNSEL’S RESPONSE TO  
PROPOSED HISTORICAL TEST YEAR AND ADJUSTMENT PERIOD**

COMES NOW Union Electric Company d/b/a Ameren Missouri (“Company” or “Ameren Missouri”) and, in accordance with 4 CSR 240-2.080(13), files its Reply to the Office of the Public Counsel’s (“OPC”) above-referenced response, as follows:

1.       The Company’s Application, filed at the initiation of this case on July 3, 2019, indicated that its filing was based on a test year consisting of the 12 months ending December 31, 2018, with a true-up period for certain items through December 31, 2019,<sup>1</sup> as supported by the direct testimony of Company witness Laura M. Moore.

2.       In response to the Commission’s order directing parties to respond to the Company’s test year and true-up request, the Commission’s Staff filed a response supporting the proposed test year and a December 31, 2019 true-up. The Staff also indicated that the Company should provide an update of its test year figures through June 30, 2019.

3.       The Company has no objection to the Staff’s request for an update of its case through June 30. In addition, as the procedural schedule agreed upon among the Company, the Staff and all other parties except OPC and Consumers Council of Missouri (“CCM”) indicates, the Company will be providing that update to all parties by August 30, 2019.

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<sup>1</sup> Consistent with past practice in several Company rate cases over the past 10-15 years, the Company also proposed to true-up a few other known and measurable items using January 1, 2020 rates/prices, such as fuel costs based on January 1, 2020 contract prices and wages based on January 1, 2020 wages. Staff agrees that it is appropriate to true up these items using the January 1, 2020 values.

4. As alluded to above, concurrently with the filing of this Reply, all parties except OPC and CCM have filed a Jointly Proposed Procedural Schedule that calls for an update through June 30, 2019 and that contemplates a true-up – including agreement on specific items to be trued-up – through December 31, 2019 (with, as noted, a few items to be based on January 1, 2020 values).

5. Only OPC filed a response opposing the requested true-up, claiming that it “sees no justification” for it. As outlined below, the Commission’s continued utilization of a true-up in this case, as it has routinely done before, is justified.

6. The agreed upon procedural schedule (and the agreement on the true-up) is extremely similar to the agreements reached and procedural schedules adopted in every single prior Ameren Missouri electric rate case filed in the past approximately 13 years. In each of those cases, the Commission ordered a true-up of a basket of items similar to those agreed to with the Staff and others in this case to a point in time that was approximately five months before the operation of law date. See File Nos. ER-2007-0002, ER-2008-0318, ER-2010-0036, ER-2011-0028, ER-2012-0166, ER-2014-0258, and ER-2016-0179. In fact, utilizing a true-up to set a revenue requirement based on information that is as close to the operation of law date as reasonably possible has been the Commission’s standard practice for a very long period of time.

The Commission recognizes that rates will be more accurate if the figures used to set the revenue requirement are as of a date that is as close in time as possible to the operation of law date. See, e.g., *In re: Kansas City Power & Light Company*, 1983 WL 909352 (Mo. P.S.C.), 55 P.U.R.4<sup>th</sup> 468 (1983), where the Commission stated that it “has generally attempted to establish those levels at a time as close as possible to the period when the rates in question will be in effect.”

7. And the Commission has specifically recognized the importance of a true-up: “[t]he true-up procedure has received broad acceptance as a proper ratemaking tool. A true up permits adjustments outside of the test year without improperly disturbing the revenue-expense relationship.” *Id.* The bottom line is that utilization of a true-up is an important tool in establishing a “reasonable level of expected earnings, expenses and investments” and doing so “at a time as close as possible to the period when the rates in question will be in effect.” There is absolutely no good reason for the Commission to stray from its routine use of true-ups in cases like this as a means to utilize a revenue requirement that will be as representative as possible (given limitations on using only historical data) of the utility’s financial circumstances once rates are reset.

8. Two final points bear noting. First, there has never been any requirement – and the Commission’s practices regarding true-ups have never imposed such a requirement as a practical matter either – that there be some major “specific” item or “cost driver” (to use OPC’s terms) that the utility must point to in order for the true-up procedure to be utilized by the Commission. No such claim has ever been made in the long list of Ameren Missouri rate cases where true ups have been used, as listed above. But to take just one example in this case, failing to utilize a true-up would understate Ameren Missouri’s rate base by as much as \$1 billion or more added during 2019.<sup>2</sup> Rates that take effect at the end of May in 2020 should not be set by ignoring such significant investments in the Company’s system.

Second, OPC’s complaints about prolonging the rate case process or impeding reconciliation of the issues, among other complaints (OPC Response. ¶ 8) fall flat. The parties

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<sup>2</sup> For a couple of examples going the other way, not truing up would also fail to capture tens of millions of dollars of delivered coal cost decreases as well as expected lower debt expenses due to refinancing of outstanding debt during 2019.

have successfully reconciled each of the Company's last seven electric rate cases, have settled many issues in all of them, and settled the last such case in its entirety. There also hasn't been a single material dispute about the true-up in any of those cases. Are rate cases hard work?

Absolutely. Can the tasks needed to complete a rate case be completed in a case that has a true-up? Absolutely. Should we fail to do the work needed to arrive at the best revenue requirement we can given the strictures of only using historical data? Absolutely not; the work must be done.

WHEREFORE, the Company requests that the Commission establish the test year for this case as the 12 months ending December 31, 2018, with an update through June 30, 2019 and a true-up through December 31, 2019 (and for some items, using January 1, 2020 value), all in accordance with the Jointly Proposed Procedural Schedule filed this date.

Respectfully submitted:

/s/ James B. Lowery

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served via e-mail on counsel for the parties of record in this case on the 1<sup>st</sup> day of August, 2019.

/s/ James B. Lowery  
James B. Lowery