

Missouri Public Service Commission

Respond Data Request

Data Request No.	0469
Company Name	Office of the Public Counsel-(All)
Case/Tracking No.	ER-2022-0337
Date Requested	1/11/2023
Issue	Rate of Return - Cost of Capital (Equity/Debt)
Requested From	David Murray
Requested By	Jeff Keevil
Brief Description	Ameren Missouri COE
Description	On page 5, line 15, in his Direct Testimony, Mr. Murray stated, "Ameren Missouri's COE is in the range of 7% to 7.5%." (1) Please provide the calculations that clearly indicate the range of 7% to 7.5% in an executable MS Excel file format. (2) If there are no such calculations that clearly indicate the range of 7% to 7.5% please say so. Requested by: Seoung Joun Won (Seoungjoun.won@psc.mo.gov)
Response	(1) Estimating the cost of equity is not a mathematical exercise. While the models/methods underlying estimating the cost of equity may imply a precise calculation, the assumptions underlying these formulas are a matter of informed judgment. Consequently, Mr. Murray's estimated COE of 7% to 7.5% cannot be reconciled to a mathematical calculation. As explained in Mr. Murray's testimony, he assigns almost no weight to his capital asset pricing model (CAPM) results because utility stock valuations, as measured by price-to-earnings ratios, have been largely maintained despite rising long-term bond yields. A properly applied discounted cash flow/dividend discount model analysis directly captures utility stock prices and compares them to the stock's underlying fundamentals, i.e. earnings growth, dividend growth, dividend payout ratios, etc. Using stock prices for the 3-months ended December 31, 2022, indicated a cost of equity of approximately 7.3% to 7.6%. However, as Mr. Murray testifies on pages 31 and 33 of his direct testimony, this period captured 52-week low electric utility stock prices. Because Ameren Corp and the other electric utility companies' stock prices had rebounded by the end of 2023, Mr. Murray took this into consideration for purposes of his final COE estimate of 7% to 7.5%. (2) See answer to (1).
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **ER-2022-0337** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Office of the Public Counsel-(All)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or

control or within your knowledge. The pronoun "you" or "your" refers to **Office of the Public Counsel-(All)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security : Public

Rationale : NA