

future. The use of a true-up audit and hearing in ratemaking is a compromise between the use of a historical test year and the use of a projected or future test year. It involves adjustment of the historical test year figures for known and measurable subsequent or future changes. However, while the “test year as updated” involves all accounts, the true-up is limited to only those accounts necessarily affected by some significant known and measurable change, such as a new labor contract, a new tax rate, or the completion of a new capital asset. Both the “test year as updated” and the true-up are devices employed to reduce regulatory lag, which is “the lapse of time between a change in revenue requirement and the reflection of that change in rates.”¹ In the recent Missouri Ameren Water rate review, the Commission adopted a historical test year with adjustments, allowing the parties to propose such adjustments.²

4. Ameren Missouri presented direct testimony of Company witness Pamela Harrison in which Ms. Harrison describes the Company's investment in the northeast gas system. This area provides service in the Wentzville, Missouri area and the area is experiencing rapid customer growth and is currently operating near maximum capacity. The load modeling shows that the system is at risk for operational issues to provide adequate service to customers on a peak day during the winter of 2024-2025 without additional system capacity investment.

¹ See *In the Matter of Laclede Gas Company's Tariff to Revise Natural Gas Rate Schedules*, File No. GR-2002-356 (2002 WL 1379268 (Mo.P.S.C.)), (Final Order March 19, 2002), footnotes omitted (“Both the ‘test year as updated’ and the true-up are devices employed to reduce regulatory lag, which is ‘the lapse of time between a change in revenue requirement and the reflection of that change in rates.’”) See also WR-2020-0344 (stating “the parties may make specific (discreet) adjustments . . .” (emphasis added), Order at 4); WR-2017-0285 (stating “Parties may present further adjustments for the Commission’s consideration . . .” (emphasis added), Order at 3); WR-2022-0303 (stating “Additionally, the parties may submit discrete adjustments for the time period through May 31, 2023.” (emphasis added), Order at 4.

² See *In the Matter of Missouri American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, File No. EW-2024-0320, SR-2024-0321 (July 31, 2024); See also WR-2020-0344; WR-2017-0285; WR-2022-0303.

5. The additional capacity needed to reliably serve this growing area in the future is being added in three discrete phases. The first phase ("Northeast Territory Phase 1"), 11 miles of 16-inch direct buried steel pipeline representing an investment of approximately \$39.6 million, is expected to be placed into service in October 2024, prior to the requested true-up date in this case.

6. The second phase of this project ("Northeast Territory Phase 2"), which includes an additional 13 miles of 16-inch steel pipeline, is expected to be placed into service by July 2025, prior to rates taking effect from this case, but after the true-up date. Phase 2 represents an investment of approximately \$50.1 million and is the investment that the Company is proposing to reflect in rate base in this case despite it going into service after the requested true-up date. A third phase of the project is expected to be completed after rates are in effect and is not contemplated for rate base treatment in this case.

7. As explained in Company witness Steven Wills direct testimony, the in-service dates for Northeast Territory Phases 1 and 2 are approximately nine months apart. Consequently, with the eleven-month statutory timeline for rate proceedings, it is impossible to have separate rate cases for each phase in a manner that approaches a reasonable minimization of regulatory lag on these investments. As a result, the Northeast Territory Phase 1 investment will be subject to almost a full year of regulatory lag as this case is processed (i.e., project in service in October 2024, with rates not effective until September 2025). If the Company waited to include Northeast Territory Phase 2 in rates in a subsequent case, this case may have been able to be filed a couple of months earlier to reduce regulatory lag on Northeast Territory Phase 1 by a small amount, but by virtue of the typical true-up conventions in Missouri's eleven-month process, it would still have experienced at least around five to six months of lag. Under the process, the Company would have to turn

around and *immediately* file another case to reflect the Northeast Territory Phase 2 investment, resulting in the better part of a year of regulatory lag on that project.³

8. Therefore, in the interest of administrative efficiency, the Company is requesting that the Commission allow Northeast Territory Phase 2 of the capital asset to be reflected in rates. It is reasonable to discretely reach forward to reflect this investment in rates in this case and it is sound regulatory policy (i.e., is the only way to provide the most reasonable opportunity for the Company to recover its prudently incurred costs and earn a reasonable return on its investment). Moreover, it is also an efficient use of the resources of the Commission and the parties that participate in the Company's rate proceedings. This adjustment has the potential to eliminate duplication of the massive effort that is a large utility rate case in the near future. The Company's expectation is that, if Phase 2 is included in this case, and the rate outcome in this case is otherwise constructive and reasonable, it will be able to defer its next rate case from potentially being filed as soon as possible after this case by up to a couple of years.

³ Assuming the Company had accelerated this case by three months (which also would have made this case completely coincide with the Company's currently pending electric rate review, File, No. ER-2024-0319), rates may have taken effect around June 1, 2025 from this case. Given an incredibly accelerated (and perhaps infeasible) development of the subsequent gas rate review that would have been necessary to pick up Phase 2 as quickly as possible, the Company may have filed a case in July 2025 to pick up the Phase 2 project that is expected to go into service in July 2025. This means that the Company would be experiencing regulatory lag on Phase 2 for the entire pendency of the eleven-month processing of that subsequent case.

WHEREFORE, Ameren Missouri respectfully requests that the Commission issue its order adopting a test year for use in this case of the twelve months ended December 31, 2025, and allow discrete adjustments to reflect the completion of the Northeast Territory Phase 2 expected to be completed prior to final rates going into effect.

Respectfully submitted,

**UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI**

/s/ Jennifer S. Moore

Wendy K. Tatro, MO Bar #60261

Director & Assistant General Counsel

Jennifer S. Moore, MO Bar #75056

Senior Corporate Counsel

Jennifer L. Hernandez, MO Bar #59814

Corporate Counsel

William D. Holthaus, Jr., #63888

Senior Corporate Counsel

Ameren Missouri

P.O. Box 66149, MC 1310

St. Louis, MO 63166-6149

(314) 554-3484 (phone)

(314) 554-4014 (fax)

AmerenMOService@ameren.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing was served on the Staff of the Commission and the Office of the Public Counsel via electronic mail (e-mail) on this 30th day of September, 2024.

/s/ Jennifer S. Moore _____
Jennifer S. Moore