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File No.: GR-2024-0369
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2024-0369

DIRECT TESTIMONY

OF

STEVEN M. WILLS

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
September, 2024**

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DIRECT TESTIMONY

OF

STEVEN M. WILLS

FILE NO. GR-2024-0369

I. INTRODUCTION

1

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

3 A. Steven M. Wills, Union Electric Company d/b/a Ameren Missouri
4 ("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue,
5 St. Louis, Missouri 63103.

6 **Q. What is your position with Ameren Missouri?**

7 A. I am the Senior Director of Regulatory Affairs for Ameren Missouri.

8 **Q. Please describe your educational background and employment**
9 **experience.**

10 A. I received a Bachelor of Music degree from the University of Missouri-
11 Columbia in 1996. I subsequently earned a Master of Music degree from Rice University
12 in 1998, then a Master of Business Administration ("M.B.A.") degree with an emphasis in
13 Economics from St. Louis University in 2002. While pursuing my M.B.A., I interned at
14 Ameren Energy in the Pricing and Analysis Group. Following completion of my M.B.A.
15 in May 2002, I was hired by Laclede Gas Company as a Senior Analyst in its Financial
16 Services Department. In this role, I assisted the Manager of Financial Services in
17 coordinating all financial aspects of rate cases, regulatory filings, rating agency studies and
18 numerous other projects.

1 In June 2004, I joined Ameren Services as a Forecasting Specialist. In this role, I
2 developed forecasting models and systems that supported the Ameren operating
3 companies' involvement in the Midwest Independent Transmission System Operator,
4 Inc.'s ("MISO")¹ Day 2 Energy Markets. In November 2005, I moved into the Corporate
5 Analysis Department of Ameren Services, where I was responsible for performing load
6 research activities, electric and gas sales forecasts, and assisting with weather
7 normalization for rate cases. In January 2007, I accepted a role I briefly held with Ameren
8 Energy Marketing Company as an Asset and Trading Optimization Specialist before
9 returning to Ameren Services as a Senior Commercial Transactions Analyst in July 2007.
10 I was subsequently promoted to the position of Manager, Quantitative Analytics, where I
11 was responsible for overseeing load research, forecasting and weather normalization
12 activities, as well as developing prices for structured wholesale transactions.

13 In April 2015, I accepted a position with Ameren Illinois as its Director, Rates &
14 Analysis. In this role, I was responsible for the group that performed Class Cost of Service,
15 revenue allocation, and rate design activities for Ameren Illinois, as well as maintained and
16 administered that company's tariffs and riders. In December 2016, I accepted a position
17 with the same title at Ameren Missouri. In July of 2022, I was promoted to Director,
18 Regulatory Affairs, and in January 2024 promoted to Senior Director, Regulatory Affairs.
19 In this role, I oversee the teams responsible for contributing to all aspects of the Company's
20 state regulated activities, including the Rates and Analysis team I previously directed.

21 **II. PURPOSE OF TESTIMONY**

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

¹ Now known as the Midcontinent Independent System Operator, Inc.

1 A. The purpose of my testimony is to provide an overall summary of the
2 Company's proposed \$39.6 million revenue requirement increase for natural gas service,
3 outlining the main drivers of the filing, introducing the Company's other witnesses, and
4 explaining why an increase is necessary to establish just and reasonable rates. Additionally,
5 I discuss the Company's request to include a discrete forward-looking adjustment (i.e.,
6 beyond the requested true-up date but not beyond the effective date of new rates in this
7 case) to the rate base to be used to establish the revenue requirement on which rates will
8 be based for this case. The adjustment is to reflect investment in a major pipeline project
9 to upgrade the Company's northeast gas delivery system as described in the testimony of
10 Company witness Pamela Harrison.

11 **Q. Can you summarize Ameren Missouri's request in this case?**

12 A. As set forth in detail in the direct testimony of Ameren Missouri witness
13 Benjamin Hasse, the Company has filed tariffs that reflect an increase of \$39.6 million in
14 its overall revenue requirement. The change in revenue requirement represents an
15 approximately 22.9% increase in Ameren Missouri's customers' total bill, including the
16 cost of the natural gas commodity.² This amount reflects significant capital investments to
17 ensure the safety and reliability of our natural gas system.

18 **Q. What initiatives is the Company advancing in this case with respect to**
19 **rate design, tariff issues, and customer programs?**

20 A. The Company is proposing an expansion of the scope of its gas energy
21 efficiency program offerings (while maintaining existing gas efficiency annual budgets) to
22 include income eligible programs for single and multi-family residential customers. These

² The proposed revenue requirement represents an average increase of approximately 50.7% in the delivery service portion of customer bills excluding the cost of the gas commodity.

1 programs would operate alongside the existing gas Pay as You Save ("PAYS") program
2 and be co-delivered with Ameren Missouri's income eligible electric energy efficiency
3 programs, similar to existing co-delivery that the Company currently undertakes in
4 partnership with Spire. The updated energy efficiency offerings are described in more
5 detail in Company witness Shelly Harmon's testimony.

6 **III. DRIVERS OF THIS CASE AND CUSTOMER IMPACTS**

7 **Q. Please summarize Ameren Missouri's filing and the main drivers for**
8 **this case.**

9 A. As set forth in detail in witness Hasse's direct testimony, the Company has
10 filed tariffs that reflect an increase of \$39.6 million in its overall revenue requirement. The
11 significant capital investments in our gas system are described in detail in the direct
12 testimony of witness Pamela Harrison. Those investments include our Main Replacement
13 Program, which is targeted to identify risk areas based on the Company's Distribution
14 Integrity Management Program ("DIMP") and prioritizes replacement projects. The Main
15 Replacement Program is an additional or accelerated action under the DIMP to address
16 threats such as excavation damage (due to polyethylene pipe that cannot be easily located),
17 Aldyl-A plastic pipe material flaws (susceptible to brittle-like cracking), and mechanical
18 couplings.

19 The revenue requirement also reflects the capital investment to reinforce the
20 northeast distribution system that serves Wentzville, Missouri and surrounding areas.
21 Witness Harrison also discusses the rapid customer growth that is being experienced in that
22 area and the significant project being undertaken to address the need for additional capacity
23 to ensure reliable service to the customers on that part of the system.

1 **Q. Why is the Company proposing what appears to be a significant rate**
2 **increase at this time?**

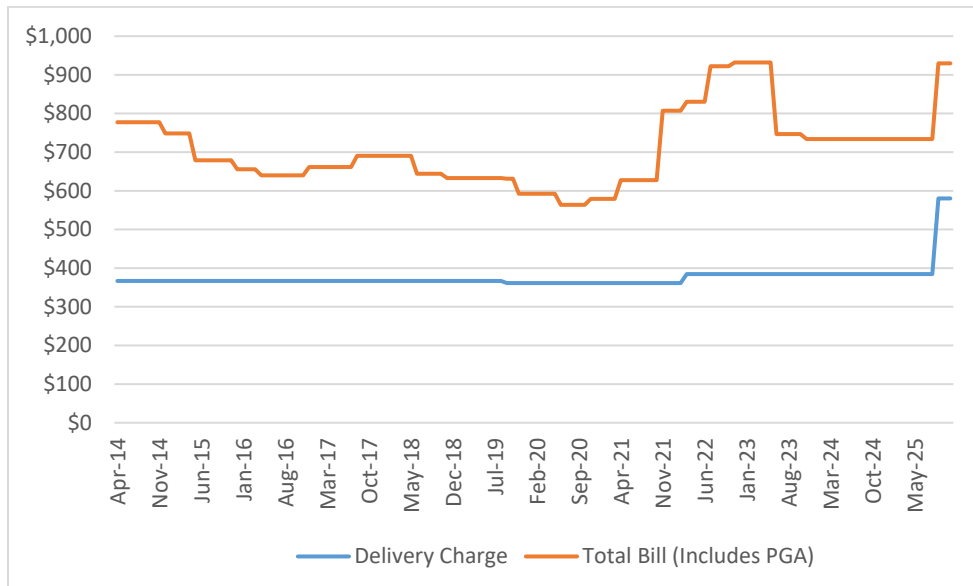
3 A. We are certainly cognizant of the impact that higher rates have on our
4 customers and seek to maintain the most affordable rates possible that are still consistent
5 with providing the safe and reliable service that our customers depend on. The investments
6 that are driving this increase are critical investments in upgrading and reinforcing the
7 system to ensure that gas will be available to our customers when they need it most. In
8 particular, the Company's upgrades to its system in and around the Wentzville area are
9 critical to keep pace with the rapid growth being experienced in the area. The upgrades will
10 help to ensure that under extremely cold weather conditions when our customers' need for
11 natural gas to heat their homes is at its greatest, that gas will be available. Other investments
12 address replacement of existing system components to increase the safety and reliability of
13 the system as a whole. The Company strives to carefully balance the investments in its
14 system that are needed to maintain it with the costs that we know will cause higher bills
15 for our customers. The investments reflected in this case are key to the continued safe and
16 reliable operation of our system for the benefit of our customers.

17 **Q. Please provide some historical context regarding the stability of**
18 **Ameren Missouri's gas rates over time.**

19 A. When rates take effect from this case in September of 2025, it will have
20 been three and a half years since the last time delivery service rates changed, and it will
21 only have been the third delivery rate change in over a decade for Ameren Missouri's retail
22 gas service (one of which implemented a rate decrease). As this case is filed today, the
23 Company's delivery service rates have grown at a compound annual rate of just 0.5% over

1 that decade, and customers' total bills when including the commodity cost of gas that is
2 charged through the Purchased Gas Adjustment ("PGA") tariff are lower today than they
3 were a decade ago. While the commodity cost of gas is set on national and international
4 markets and is therefore beyond the Company's control, such a comparison still illustrates
5 the relative stability of the cost of gas service in recent years. Figure 1 below shows the
6 typical residential bill (both on a delivery only basis and including the commodity cost of
7 gas) based off of historical rates and average usage of approximately 48 ccf of gas per
8 customer per month over that decade, projected forward to illustrate the impact if the
9 Commission grants the requested increase in this case.³

10 **Figure 1 – Ameren Missouri Residential Gas Typical Annual Bills (2014 – 2025**
11 **Projected)**
12



13

³ Current PGA rates are assumed to persist going forward to the effective date of new rates in this case. The Company will be updating PGA rates later this year, but the values for those rates are not yet available.

1 **IV. FORWARD LOOKING DISCRETE ADJUSTMENT TO RATE**
2 **BASE**

3 **Q. What is the test year and true up period being proposed by the**
4 **Company in this case?**

5 A. The Company proposes an historical test year covering the twelve-month
6 period ended March 2024, with a true up of significant items through December 31, 2024,
7 as discussed in the direct testimony of witness Hasse.

8 **Q. Is the Company proposing any adjustments for investments that will**
9 **be placed into service after the true up date of December 31, 2024?**

10 A. Yes. In order for the Company to have a reasonable opportunity to recover
11 its prudently incurred costs and earn a fair return on its investments needed to provide safe
12 and reliable natural gas service to its customers, it is appropriate to recognize in the rate
13 base in this case a significant investment in expanded capacity of the Company's delivery
14 infrastructure that is being undertaken to reinforce the area of the system serving in and
15 around the community of Wentzville, Missouri. While a significant portion of this project
16 will go into service after the true up date, a portion of the project will be providing service
17 to customers prior to rates becoming effective from this case and will therefore be
18 impacting the Company's cost of providing natural gas service when the rates established
19 in this proceeding are being used to charge customers for service.

20 **Q. Please describe the project that the Company is proposing to include in**
21 **rate base, despite its in service date being beyond the requested true up date.**

22 A. The project is more fully detailed in the direct testimony of Company
23 witness Harrison. As she describes, the Company's northeast gas system that provides
24 service in the Wentzville, Missouri area is experiencing rapid customer growth and is

1 currently operating near maximum capacity and the load modeling shows that the system
2 is at risk for operational issues to provide adequate service to customers on a peak day
3 during the winter of 2024-2025 without additional system capacity investment. The
4 additional capacity needed to reliably serve this growing area in the future is being added
5 in three discrete phases. The first phase ("Phase 1"), 11 miles of 16-inch direct buried steel
6 pipeline representing an investment of approximately \$39.6 million, is expected to be
7 placed into service in October 2024, prior to the requested true up date in this case.

8 The second phase of this project ("Phase 2"), which includes an additional 13 miles
9 of 16-inch steel pipeline, is expected to be placed into service by July 2025, prior to rates
10 taking effect from this case, but after the true up date. Phase 2 represents an investment of
11 approximately \$50.1 million and is the investment that the Company is proposing to reflect
12 in rate base in this case despite it going into service after the requested true up date.

13 A third phase of the project is expected to be completed after rates are in effect, and
14 is not contemplated for rate base treatment in this case.

15 **Q. Why is it appropriate to include the Phase 2 investment in rate base in**
16 **this case despite the fact that it will not be in service at the true up date?**

17 A. First and most simply, it is necessary to include this project in rate base in
18 this case in order for the Company to have a reasonable opportunity to recover its prudently
19 incurred costs and earn a reasonable return on its investment when rates take effect
20 following a Commission order in this case. The project at issue represents a very significant
21 portion of the Company's rate base. For context, the Company's proposed rate base in this
22 case is \$531 million. The Phase 1 and Phase 2 gross investments of \$39.6 million and \$50.1
23 million respectively individually represent 7.5% and 9.4% of the requested rate base in this

1 case. Taken together they equate to 16.9% of rate base, or approximately a sixth of the total
2 investment on which the Company seeks to earn a return. Failure to reflect these
3 investments in this case will not result in rates that can be expected to provide the Company
4 a reasonable opportunity to recover its costs and earn a return on these investments when
5 each of the first two Phases of this project are providing service to customers.

6 **Q. Couldn't the Company just time its rate cases more optimally to get**
7 **each of these Phases in rates close to the time they go into service using a traditional**
8 **true up cut off for determining the rate base?**

9 A. No. It is important to note the proximity of these Phases' in-service dates.
10 Phase 2 is expected to go into service just approximately nine months after Phase 1. Given
11 the eleven-month statutory timeline for rate proceedings, it is impossible to have separate
12 rate cases for each phase in a manner that approaches a reasonable minimization of
13 regulatory lag on these investments. Note that, as it is, the Phase 1 investment will be
14 subject to almost a full year of regulatory lag as this case is processed (i.e., project in service
15 in October 2024, with rates not effective until September 2025). If the Company were to
16 have waited to include Phase 2 in rates in a subsequent case, this case may have been able
17 to be filed a couple of months earlier in order to reduce regulatory lag on Phase 1 by a
18 small amount, but by virtue of the typical true up conventions in Missouri's eleven-month
19 process, it would still have experienced at least around five to six months of lag. And then,
20 the Company would have needed to turn around and *immediately* file another case to reflect
21 the Phase 2 investment, resulting in the better part of a year of regulatory lag on that

1 project.⁴ Under that circumstance, we would have twice the volume of rate case activity
2 that would impact the resources of the Commission, parties to the cases, and the Company,
3 and yet still had significantly less of an opportunity to actually earn a reasonable return on
4 these investments *while they are providing service to customers*. Based on the Company's
5 proposal in this case, it will still experience almost a year of regulatory lag on Phase 1 and
6 a short period of a month or two of lag on Phase 2.

7 **Q. Are you saying that inclusion of the Phase 2 investment in rate base in**
8 **this case has the potential to eliminate an entire utility rate case from the**
9 **Commission's caseload in 2025?**

10 A. Yes, that's exactly what I am saying. Not only is discretely reaching
11 forward to reflect this investment in rates in this case the right thing to do in terms of
12 regulatory policy (i.e., is the only way to provide the most reasonable opportunity for the
13 Company to recover its prudently incurred costs and earn a reasonable return on its
14 investment), but it is also a far more efficient use of the resources of this Commission and
15 all of the parties that participate in the Company's rate proceedings. This adjustment has
16 the very real potential to completely eliminate duplication of the massive effort that is a
17 large utility rate case in the near future. The Company's expectation is that, if Phase 2 is
18 included in this case, and the rate outcome in this case is otherwise constructive and
19 reasonable, it will be able to defer its next rate case from potentially being filed as soon as
20 possible after this case by up to a couple of years.

⁴ 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.

1 **Q. Is there any recent Commission guidance on adjustments outside the**
2 **true up date in utility rate cases in Missouri that validates the Company's proposal**
3 **in this case?**

4 A. Yes. In the Commission's recent Order Regarding Test Year issued on July
5 31, 2024 in Missouri American Water Company's currently pending rate case ("MAWC
6 case"), File No. EW-2024-0320, the Commission stated:

7 As an alternative to the adoption of a future test year, MAWC requests the
8 Commission allow inclusion in its revenue requirement and rates discrete
9 adjustments to certain rate base and expense items beyond the requested true-up
10 date, through the operation of law date.

11
12 On July 2, the Commission issued its Order Directing Notice, Establishing Time to
13 Intervene, Setting Time to Respond, and Consolidating Cases, which, among other
14 things, gave parties until July 26 to respond to MAWC's motion.

15
16 On July 26, the Staff of the Commission (Staff) filed its Response to MAWC's
17 Motion to Establish Test Year in which it stated that it does not oppose the historical
18 test year and true-up period proposed by MAWC, but opposes the use of a future
19 test year. Should the Commission decide against the use of a future test year, Staff
20 is not opposed to the use of discrete adjustments, but requests that all parties be
21 permitted to present such adjustments beyond the true-up period to present a more
22 complete picture of MAWC's operations at the operation of law date.

23
24 On July 26, the Office of the Public Counsel (OPC), Missouri Industrial Energy
25 Consumers (MIEC), the Consumers Council of Missouri, Midwest Energy
26 Consumers Group (MECG), AARP, the City of St. Joseph, Missouri, and the City
27 of Riverside, Missouri filed a Joint Response to Motion to Establish a Future Test
28 Year (Joint Response). The Joint Response asks the Commission to deny MAWC's
29 motion and order the use of an historic test year with true-up, rather than a future
30 test year. The Joint Response acknowledges that the Commission has permitted
31 discrete adjustments in past cases and requests that, should the Commission do so
32 in this case, that the Commission allow all parties to propose such adjustments.

33
34 After reviewing the filings and arguments made by the parties, the Commission
35 concludes that the historic test year with adjustments should be adopted.

36
37 The Company's request to include the Phase 2 project in rate base in this case is
38 consistent with the Commission's order in the currently pending MAWC case.

1 **Q. Is the Company opposed to a condition that other parties may also**
2 **propose discrete adjustments after the true up date, as was ordered in the MAWC**
3 **case?**

4 A. No.

5 **V. OTHER WITNESSES**

6 **Q. Please introduce the other witnesses who will be providing testimony in**
7 **this proceeding.**

8 A. Certainly. The following witnesses provide testimony to support this case:

Witness	Title and Company	Testimony Subject
Ben Hasse	Manager, Regulatory Accounting Ameren Missouri	Revenue Requirement, including Lead-Lag Study
Pamela Harrison	Senior Director, Missouri Gas Operations and Services	Gas Operations, Capital Investment, Operations and Maintenance Expense
Laura Moore	Controller Ameren Missouri	Affiliate Transactions
Darryl T. Sagel	Vice President and Treasurer Ameren Missouri and Ameren Services Company	Capital Structure; Cost of Debt and Overall Rate of Return
John Spanos	President, Gannett Fleming Valuation and Rate Consultants, LLC	Depreciation and Depreciation Study
Mike Harding	Manager, Rates & Analysis Ameren Missouri	Tariff changes, Weather normalization, Revenues, Class Cost of Service, and Rate Design
Shelly Harmon	Manager, Energy Efficiency Ameren Missouri	Energy Efficiency
Joseph Weiss	Assistant Vice President, Concentric Energy Advisors, Inc.	Affiliate Transactions
Anne Bulkley	Principal, The Brattle Group	Return on Equity

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

2 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 Adjust Its) File No.: GR-2024-0369
Revenues for Natural Gas Service.)

AFFIDAVIT OF STEVEN M. WILLS

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

Steven M. Wills being first duly sworn on his oath, states:

My name is Steven M. Wills, and hereby declare on oath that I am of sound mind and lawful age; that I have prepared the foregoing *Direct Testimony*; and further, under the penalty of perjury, that the same is true and correct to the best of my knowledge and belief.

/s/ Steven M. Wills
Steven M. Wills

Sworn to me this 27th day of September 2024.