



3. Neither Staff nor OPC address the merits of the Company's request. The issue before the Commission is whether to allow the parties to update the record to allow the known and measurable in service date for the Northeast Territory Phase 2 prior to the effective date of the new rates. The Commission has used this approach in other dockets and this approach allows for the record to include information allowing for the adjustment.

4. As the Company noted in its Motion, the Commission has held 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."<sup>1</sup> In the recent Missouri Ameren Water rate review, the Commission adopted a historical test year with adjustments, allowing the parties to propose such adjustments.<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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. WR-2024-0320, SR-2024-0321 (July 31, 2024); See also WR-2020-0344; WR-2017-0285; WR-2022-0303.

5. Staff and OPC ignore the fact that if this discrete adjustment is allowed, it has the potential to eliminate the effort of reviewing another rate review in the near future. Accordingly, 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.

6. Staff indicates it does not oppose the use of discrete adjustments, but notes that they are used sparingly as they technically violate the matching principle.<sup>3</sup> OPC also argues that the matching principle would be violated.<sup>4</sup> Neither Staff nor OPC address the merits of the request or point to any testimony cited and rebutted the testimony. In short, Staff and OPC dismiss the review without addressing the merits of the request. Instead of dismissing the request through motions, the parties should be allowed to address the issue through testimony.

7. Moreover, the Commission already addressed this issue in previous cases and has allowed for additional time in the procedural schedule to allow all parties to propose adjustments. Indeed, in File No. WR-2024-0320, the Commission allowed the parties to "propose specific (discrete) adjustments to the known and measurable revenue requirement calculation"<sup>5</sup> and allowed additional dates in the procedural schedule.<sup>6</sup>

8. The northeast gas system's need for investments to support the capacity in the area is a sufficient trigger to allow for a discrete adjustment in this case.<sup>7</sup> All of the concerns raised by

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<sup>3</sup> Staff Motion at 2, para. 5.

<sup>4</sup> OPC Motion at 1-2, para. 2 and 3.

<sup>5</sup> 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. WR-2024-0320, Order Regarding Test Year, issued July 31, 2024, at 3.

<sup>6</sup> *Id.* Order Setting Procedural Schedule, August 7, 2024.

<sup>7</sup> As noted in the Company's Motion, this area provides service in the Wentzville, Missouri area and the area is experiencing customer growth and 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. 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.

Staff and OPC are alleviated by allowing **all** the parties to make discrete adjustments for the Northeast Territory Phase 2 project. This is consistent with the Company's initial request and it is an efficient use of resources by eliminating the need for another rate case shortly after this case ends. The Company expects 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. Accordingly, the Company respectfully requests the Commission allow for a discrete adjustment and associated true-up dates in the procedural schedule.

**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**

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing was served on the service list via electronic mail (e-mail) on this 30<sup>th</sup> day of October, 2024.

*/s/ Jennifer S. Moore*  
Jennifer S. Moore