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File No.:	EA-2025-0087
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EA-2025-0087

DIRECT TESTIMONY

OF

GREG GUDEMAN

ON

BEHALF OF

AMEREN TRANSMISSION COMPANY OF ILLINOIS

St. Louis, Missouri

December, 2024

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DIRECT TESTIMONY

OF

GREG GUDEMAN

FILE NO. EA-2025-0087

I. INTRODUCTION AND BACKGROUND

Q. Please state your name and business address.

A. My name is Greg Gudeman. My business address is 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom are you employed and in what capacity?

A. I am employed by Ameren Services Company (Ameren Services) as Director of Transmission Financial & Regulatory Services. Ameren Services is the services company subsidiary of Ameren Corporation (Ameren) and provides professional services to Ameren's transmission-owning subsidiaries, including Ameren Transmission Company of Illinois (ATXI) and Union Electric Company d/b/a Ameren Missouri (Ameren Missouri).

Q. What are your responsibilities as Director of Transmission Financial & Regulatory Services?

A. My duties and responsibilities include participating in the development of transmission policy and strategy, and performing related analysis for the transmission business, including the calculation of entity-specific transmission revenue requirements. My duties also include the preparation and review of internal and external financial reporting information for Ameren's transmission segment. In addition, I am also responsible for overseeing transmission billing and Alternative Retail Electric Supplier arrangements.

Q. Please describe your educational and professional background.

A. I graduated from Illinois State University with a Bachelor of Science degree in Finance in 1987. In 1993, I received my MBA, also from Illinois State University. I began working for Illinois Power Company (Illinois Power) in 1988. While employed by Illinois Power, I worked in the company's Rate Department, its Financial Services Group, and served as its Director of Investor Relations. Following Illinois Power's merger with Dynegy, I worked in Business Development Services, Customer Value Management, Transmission Analytics, and Energy Supply Management. Following Ameren's acquisition of Illinois Power, I began working in Ameren Services' Transmission Department as a Transmission Performance Specialist. I was promoted to Supervisor – Transmission Regulation and Policy in June 2007, and to Managing Supervisor – Transmission Regulation and Policy in January 2008. I was promoted to my current position in September 2013.

Q. Have you previously testified before the Missouri Public Service Commission?

A. Yes. I provided testimony on behalf of Ameren Missouri in Commission Docket ER-2011-0028 and on behalf of ATXI in Commission Dockets EA-2018-0327, EA-2022-0099, and EA-2024-0302. I have testified in several proceedings at the Illinois Commerce Commission (ICC) and at the Federal Energy Regulatory Commission (FERC).

II. PURPOSE OF TESTIMONY AND SCHEDULES

Q. What is the purpose of your direct testimony?

A. I support ATXI's request for a Certificate of Convenience and Necessity (CCN) and related Commission approvals authorizing ATXI to construct, acquire, and operate certain transmission assets as part of its Northern Missouri Grid Transformation Program (Program) described in the direct testimony of ATXI witness Mr. Shawn Schukar. The Program represents ATXI's Missouri jurisdictional portion of the Long Range Transmission Planning (LRTP) Tranche 1 Portfolio approved by the Midcontinent Independent System Operator, Inc. (MISO), as discussed in the direct testimony of MISO witness Mr. Jeremiah Doner.[1] The facilities included in this proceeding address the second phase of the overall Program in Missouri (Phase 2), which consist of one project: the Denny-Zachary-Thomas Hill-Maywood (DZTM) Project. While my testimony is specifically in support of the CCN for the Phase 2 DZTM Project, I am also including information on Phase 1 of the Program, which consists of the Fairport-Denny-Iowa/Missouri border (FDIM) Project in Worth, Gentry, and DeKalb counties, and the Maywood-Mississippi River Crossing (MMRX) Project in Marion County (collectively, the Phase 1 Projects), since the Phase 2 construction will overlap Phase 1 and requires ATXI to finance the entire Program, as well as its other LRTP investments in Illinois. Specifically, I explain how ATXI can finance the Program without adverse financial consequences for ATXI or Missouri customers.

Q. Please describe the Phase 2 DZTM Project.

A. The DZTM Project includes the construction of slightly over 200 miles of new 345 kV transmission lines with three transmission line segments across ten Missouri counties: DeKalb, Daviess, Grundy, Sullivan, Adair, Knox, Lewis, Marion, Macon, and Randolph. The first new line segment will run approximately 102 or 107 miles (depending on the design option approved by the Commission) from ATXI's new Denny Substation in DeKalb County to ATXI's

[1] It is ATXI's understanding that MISO intends to move to intervene and file the direct testimony of Mr. Jeremiah Doner in support of the Application shortly after ATXI's filing of its Application and direct testimony. All references to the direct testimony of MISO witness Mr. Jeremiah Doner reflect ATXI's understanding of his forthcoming testimony.

existing Zachary Substation near Kirksville, Missouri (the DZ Segment). The DZ Segment consists of two configuration options: a single circuit option (the DZ Single Circuit Option), which will mostly be routed along existing or planned Associated Electric Cooperative, Inc. (AECI) transmission line corridors; or a double circuit option (the DZ Double Circuit Option), which will rebuild a section of an existing AECI 161 kV transmission line in a double circuit configuration and build a greenfield section in a double circuit configuration with a planned AECI 161 kV transmission line, in order to collocate the new 345 kV circuit on a single set of structures for the vast majority of the DZ Segment. The second line segment will be approximately 60 miles in length and will connect the existing Zachary Substation to ATXI's existing Maywood Substation near Palmyra, Missouri (the ZM Segment), routed along existing ATXI transmission line corridors. The third line segment consists of a new 345 kV circuit, approximately 44 miles long, and will be rebuilt on an existing Ameren Missouri 161 kV transmission line from the Zachary Substation to AECI's existing Thomas Hill Substation in Randolph County (the ZT Segment) and will almost entirely be collocated on the same structures with Ameren Missouri facilities.

Q. Please describe the Phase 1 Projects.

A. The FDIM Project includes a new ATXI substation, Denny Substation, in northwest Missouri near Fairport, Missouri. The FDIM Project also includes a new 345 kV transmission line approximately 1 mile long from Denny Substation to AECI's existing Fairport Substation in DeKalb County, Missouri, and a new single-circuit 345 kV transmission line approximately 43 miles long from Denny Substation to the Iowa/Missouri Border. The MMRX Project includes an approximately 9 mile 345-kV transmission line from ATXI's existing Maywood Substation near Palmyra, Missouri, to the Mississippi River Illinois/Missouri border, constructed along existing transmission line corridors, including a 6 mile rebuild to collocate with an existing Ameren Missouri 161 kV transmission line, and upgrades to the Maywood Substation. ATXI is requesting a CCN for the Phase 1 Projects before the Commission in Docket EA-2024-0302.

Q. Are you sponsoring any schedules with your direct testimony?

A. No.

Q. Are you providing any legal opinions in your direct testimony?

A. No. Although I refer to several regulatory requirements, as I understand them, related to construction and financing of the Program, I am not an attorney and none of my testimony is intended to offer any legal opinions.

III. PROGRAM COSTS

Q. What is your understanding of the total cost to construct the three projects constituting the Program?

A. The total estimated cost to construct the three projects in the Program in their entirety, is approximately $568.4 million. The costs to construct includes approximately $83.8 million for FDIM, $31.7 million for MMRX, and $452.8 million for DZTM. I would also note that Mr. Rudis' estimated Project and Program costs generally include Allowance for Funds

Used During Construction (AFUDC) that will be added to the cost to construct, resulting in a total cost to be included in transmission rates of approximately $611.1 million.[2]

While ATXI will initially fund all of the cost to construct the Program, ATXI partnered with the Missouri Joint Municipal Electric Utility Commission (MJMEUC) on the FDIM Project and the competitive portion of the DZTM Project and will transfer to MJMEUC a 49% ownership interest in the FDIM Project and the competitive portion of the DZTM Project shortly before each project is placed into service. Mr. Rudis provides additional details concerning the partnership with MJMEUC.

Q. What amount of the total estimated Program cost, including for the Phase 2 DZTM Project, will be funded by ATXI?

A. As shown in the table below, ATXI will initially fund $611.1 million of the entire Program's estimated cost. As noted above, prior to being placed in-service, ATXI will transfer a 49% interest in the FDIM Project and a 49% interest in the competitive portion of the DZTM Project to MJMEUC, leaving 51% to ultimately be funded by ATXI long-term, or $397.9 million across all three projects that comprise the Program.

[2] The costs used herein are consistent with ATXI's Phase 1 Application (Docket No. EA-2024-0302), and which utilize the higher of the estimated Program costs as a conservative approach, and therefore assumes a double circuit configuration on the Denny-Zachary Segment. In addition, the amounts used herein do not reflect the cost sharing arrangement between AECI and ATXI under the Joint Use Agreement, to demonstrate that ATXI is capable of funding or financing even the highest estimated costs for the Project and Program under the most conservative assumptions. ATXI witness Mr. Rudis elaborates in is direct testimony on the cost details under each configuration and under each commercial arrangement.

Program Costs in Thousands of Dollars

Year	Phase 1 FDIM	Phase 1 MMRX	Phase 1 Total	Phase 2 DZTM	Total
2023	$ 394	$ 137	$ 531	$ 879	$ 1,411
2024	$ 5,748	$ 1,658	$ 7,405	$ 15,797	$ 23,202
2025	$ 7,144	$ 1,378	$ 8,522	$ 14,655	$ 23,177
2026	$ 7,085	$ 12,461	$ 19,546	$ 48,405	$ 67,951
2027	$ 56,388	$ 13,196	$ 69,583	$ 150,272	$ 219,855
2028	$ 2,700	$ 2,183	$ 4,883	$ 145,424	$ 150,307
2029	$ -	$ 713	$ 713	$ 58,300	$ 59,014
2030	$ 4,386	$ -	$ 4,386	$ 19,102	$ 23,489
Cost to Construct	$ 83,844	$ 31,727	$ 115,571	$ 452,834	$ 568,405
AFUDC	$ 4,926	$ 1	$ 4,927	$ 37,767	$ 42,694
Total Cost	$ 88,770	$ 31,728	$ 120,498	$ 490,601	$ 611,099
Cost Shared with MJMEUC	$ 88,770	$ -	$ 88,770	$ 346,274	$ 435,045
ATXI Share %	51%			51%	
ATXI Share $	$ 45,273	$ -	$ 45,273	$ 176,600	$ 221,873
100% ATXI Funded	$ -	$ 31,728	$ 31,728	$ 144,327	$ 176,055
Total ATXI Funded	$ 45,273	$ 31,728	$ 77,000	$ 320,927	$ 397,927

IV. ATXI'S FINANCING PLAN

Q. Has ATXI determined the expected cash flow required to finance the Program?

A. Yes. Again, the total expected Program cost that ATXI will need to finance during construction is approximately $568 million. As ATXI witness Mr. Rudis explains, ATXI is targeting an in-service date for all Phase 1 facilities by June 2028 and for all Phase 2 facilities by December, 2029. The table above provides estimated construction costs for ATXI by year. The cost to construct amounts exclude AFUDC. The total Program costs with AFUDC to be included in ATXI's and MJMEUC's revenue requirements is approximately $611 million. Note that the MMRX project, as well the Maywood Substation upgrades under the DZTM Project, were included as part of ATXI's FERC filing in Docket No. ER23-2487 where FERC approved the CWIP in rate base incentive. Therefore, the associated work orders are not accruing AFUDC. As I previously noted, MJMEUC will own 49% of FDIM and the competitive portion of DZTM once these Projects are complete which will reduce ATXI's long-term financing of the Program to $397.9 million.

Q. Generally, how will ATXI finance the Program?

A. ATXI will finance initial capital cash flow requirements for the construction of the Program with either cash on hand, retained earnings, or short-term borrowings, which would be available under the Ameren entities' Utility Money Pool arrangement. Over time, as the level of short-term borrowings increase, ATXI will replace short-term borrowings with a permanent source of capital that includes a balanced blend of long-term debt and common equity.

Q. Is this consistent with how ATXI typically finances its capital needs?

A. Yes. ATXI, like most utilities, frequently uses short-term debt initially to fund construction of new projects and subsequently replaces the short-term debt with long-term financing, which includes long-term debt and equity. ATXI specifically and continuously manages the balance of debt and equity in its capital structure to minimize its overall cost of capital and, at the same time, maintain financial strength and stability.

Q. What is ATXI's current capital structure?

A. The most recent publicly available information is as of the end of the third quarter of 2024. Based on September 30, 2024 balances, ATXI's total capital structure was 59% equity, 41% long term debt, and 0% short-term debt. ATXI's current capital structure comprises debt from all sources, which include lending under the short-term intercompany borrowing arrangements with other Ameren utilities that I mentioned and any long-term external debt that ATXI issued on its own. ATXI's current capital structure also includes equity from retained earnings from on-going operations and accumulated paid-in capital from equity infusions made by Ameren. ATXI's capital structure may be periodically rebalanced with infusions of equity to maintain a long-term target capital structure of 60% equity and 40% debt. This target is an average over the year and, therefore, excludes short-term debt, which varies from month to month and is excluded from the FERC capital structure used to set rates.

Q. Does ATXI presently have access to short-term debt?

A. Yes. In addition to cash on hand, ATXI has the ability to access short-term funds pursuant to FERC authorization in Docket No. ES23-9. Again, ATXI can exercise this authorization by accessing funds under the Ameren Utility Money Pool Arrangement, up to a $300 million limit. The related amount of ATXI borrowings outstanding as of September 30, 2024 was zero, leaving ATXI a remaining capacity of $300 million. I would note that FERC's authorization to issue short-term debt expires after two years which will be in January 2025. Therefore, on October 29, 2024, ATXI filed a petition at FERC seeking an increase in its requested limit to $500 million (See FERC Docket No. ES25-11). This higher authorization will provide additional funding flexibility as ATXI increases its capital spending on MISO LRTP projects over the next several years.

Q. Does ATXI presently have access to long-term debt?

A. Yes. ATXI has had several long-term debt issuances over the last several years. In June 2017, ATXI issued a $150 million principal amount of senior unsecured notes and, in August

2017, issued an additional $300 million principal amount of senior unsecured notes, to investors through private placement offerings. As part of this process, ATXI sought an investment credit rating from Moody's. ATXI received a strong A2 credit rating, based in large part on the supportive FERC regulatory framework and the strength of ATXI's credit metrics. In November 2021, ATXI closed on the issuance of a $75 million principal amount of senior unsecured notes through a second private placement offering. The proceeds were used to pay down a portion of a $75 million promissory note due in 2025 and to repay Money Pool short-term debt. A second $95 million tranche of senior unsecured notes was also issued in August 2022, with the proceeds used to refinance the remaining portion of the $75 million promissory note, to repay the $49.5 million principal payment due on the senior notes on August 31, 2022, and to repay Money Pool short-term debt. ATXI plans to issue additional long-term debt in the future as it continues managing its capital structure with a balanced blend of debt and equity. More recently, in August 2024, ATXI closed on the issuance of a $140 million principal amount of senior unsecured notes through a third private placement offering. The proceeds were used to repay Money Pool short-term debt and to repay the August 31, 2024, $49.5 million principal payment due on the 2017 senior notes.

Q. Does ATXI presently have sources of equity to finance the Program?

A. Yes. Continued operation of its regulated transmission business provides ATXI with on-going cash and equity in the form of retained earnings from transmission revenue. Retained earnings are a source of equity that builds on the balance sheet and will provide a source of financing for the Program. Additionally, as explained, Ameren may make periodic equity infusions into ATXI in support of ATXI's long-term capital structure target. That said, ATXI's retained earnings are a source of equity that offset the need for equity financing from Ameren.

Q. How will ATXI finance the Program during construction?

A. As discussed, ATXI will finance the initial capital cash flow requirements with either available cash on hand or short-term borrowings under Ameren's Utility Money Pool arrangement. During the approximately five additional years needed to complete the Program, ATXI will continue to evaluate its financing needs, including any maturing debt and short-term debt levels, and manage its long-term capital structure to maintain the targeted 60% equity ratio. Also, as noted earlier in my testimony, FERC approved the CWIP in rate base incentive for the MMRX project, as well as the Maywood Substation upgrades under the DZTM project. CWIP in rate base will provide real time funding for these projects through transmission rates.

Q. How will ATXI finance its portion of the Program after construction is complete?

A. As previously noted, after all three Projects are placed in-service, ATXI will only need to finance 51% of the final costs of FDIM and the competitive portion of DZTM, which lowers the total amount ATXI will need to finance to only $397.9 million. ATXI's financing plans are always being monitored with an eye toward upcoming project needs. Therefore, there is no particular identifiable end point to the financing of the Program as a standalone proposition. However, ATXI will eventually replace any short-term borrowings with a permanent source of capital that includes a balanced blend of long-term debt and common equity.

Q. Are these sources of capital sufficient to finance the Program?

A. Yes. In 2020, ATXI completed construction of its three large MISO Multi-Value Projects (MVPs): Spoon River, Mark Twain, and Illinois Rivers. Since that time, ATXI's total capital expenditures have been substantially lower than in previous years. Further, ATXI is now earning on those investments, which creates retained earnings. The combination of retained earnings, access to short-term debt through the Ameren Utility Money Pool Arrangement, the proven ability to issue external long-term debt, and the availability of equity infusions from Ameren provide ATXI sufficient capital to finance the Program as well as the additional LRTP projects that ATXI will be constructing in Illinois. ATXI's strong investment grade credit rating combined with an attractive transmission investment profile has historically created strong investor demand that is expected to continue with the Program.

Q. Will the estimated total cost of the Program to ATXI impact ATXI's access to the capital it needs to finance the Program?

A. No. This Program, along with the LRTP projects that ATXI is also constructing in Illinois, are slightly less than the cost of the three MVPs that ATXI began constructing approximately a decade ago when ATXI was newly formed. Today, however, ATXI is an established company with cash flows from existing earnings as well as a solid credit rating from Moody's, which allows it to access long-term external capital. ATXI's previous successful private placements have been easily filled and demonstrate that ATXI should have adequate funding available when it needs to pursue additional long-term debt.

Q. Will any individual customer or customer group directly reimburse ATXI for its cost for the Program?

A. No.

Q. How will ATXI recover its cost of the Program?

A. The total cost of the Program that ATXI will own will be included in ATXI's transmission revenue requirement, as calculated under the MISO Tariff, which has been reviewed and approved by FERC. Specifically, the revenue requirement for the Program will be calculated under MISO Attachment MM and collected through MISO Schedule 26-A from the MISO Midwest MVP Cost Allocation Subregion. This is essentially the same Subregion that currently pays for the existing MISO MVPs. The Program's cost will be recovered the same as all projects in MISO's LRTP Tranche 1 Portfolio. This includes MJMEUC's 49% that will be included in its MISO transmission revenue requirement. At a high level, each Transmission Owner constructing a portion of an LRTP Tranche 1 MVP will calculate its annual transmission revenue requirement (ATRR) under MISO Attachment MM. MISO will sum the ATRRs for all Transmission Owners with MVPs and Tranche 1 projects. A portion of the annual total will then be allocated to each month based on the monthly energy withdrawals for that month from the prior year. After a month is over, MISO will divide the monthly revenue requirement by the applicable Monthly Net Actual Energy Withdrawals (MNAEW) for that month to determine the rate for the month. This monthly rate will be the same across the entire Midwest MVP Cost Allocation Subregion and will be charged to the applicable MNAEW within that subregion. The revenue collected by MISO will then be allocated to the appropriate Transmission Owners based on their share of the total ATRR.

Q. Will ATXI's and MJMEUC's Program costs affect AMMO Pricing Zone customers' rates?

A. Yes. Transmission customers in the AMMO Pricing Zone will pay the Schedule 26-A rate for MISO Midwest MVP Cost Allocation Subregion for all LRTP Tranche 1

Portfolio projects based on their own MNAEW each month. In simple terms, transmission customers will pay based on their monthly energy usage. This includes wholesale customers in the AMMO Pricing Zone and Ameren Missouri's retail load served under its Schedule 9 Native Load Transmission Service Reservation. While the future AMMO Pricing Zone percentage of the total load in the Midwest MVP Cost Allocation Subregion is unknown and will vary from year to year, it was approximately 7.25% based on 2021 MWH withdrawals. This is based on information posted by MISO for the Schedule 26-A Indicative Annual Charges. Thus, it is fair to estimate that customers in the AMMO Pricing Zone will pay about 7.25% of all LRTP Tranche 1 Portfolio projects, including ATXI's and MJMEUC's own Program-related transmission revenue requirements. I understand that MISO's economic analysis, which is discussed by Ameren witness Dr. Schatzki, may incorporate different assumptions in modeling of the LRTP Tranche 1 costs.

V. IMPACT ON MISSOURI RETAIL CUSTOMERS

Q. How will the Program cost affect Ameren Missouri retail electric rates?

A. For Ameren Missouri retail customers, MISO will bill the Ameren Missouri's Native Load Transmission Service Reservation for Schedule 26-A, as well as all other applicable transmission charges. These transmission charges are included in setting Ameren Missouri retail rates in each rate case. To put these charges into context, the Program's year one cost per electric residential customer will be approximately 16 cents per month. This is approximately 3 cents for Phase 1 and 13 cents for Phase 2, although Phase 2 will be in-service one year later.

VI. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Ameren Transmission Company of Illinois for a Certificate of Convenience and Necessity under Section 393.170.1, RSMo. relating to Transmission Investments in North Central Missouri.	))))))	File No. EA-2025-0087

AFFIDAVIT

1. My name is Greg Gudeman. I am a Director of Transmission Financial & Regulatory Services for Ameren Services Company, which is a subsidiary of Ameren Corporation and an affiliate of Ameren Transmission Company of Illinois, the Applicant in the above-captioned proceeding.

2. I have read the above and foregoing Direct Testimony and the statements contained therein are true and correct to the best of my information, knowledge, and belief.

3. I am authorized to make this statement on behalf of Ameren Transmission Company of Illinois.

4. Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.

[/s/ Greg Gudeman]{.underline}
Greg Gudeman
Director of Transmission Financial & Regulatory Services for Ameren Services Company

On behalf of Ameren Transmission Company of Illinois

Date: December 11, 2024