

Missouri Public Service Commission

Respond Data Request

Data Request No.	0478
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	Efficient Equity Ratio
Description	<p>On page 41, line 27 through page 42, line 1, in his Direct Testimony, Mr. Murray stated, "Despite operating with less risk, Ameren Corp has not adjusted its targeted capital structure for Ameren Missouri to reflect the lower cost of capital that Ameren Missouri's customers support through the certainty of funding of investments subject to PISA." (1) Please provide any evidence of this statement. (2) Please provide any evidence that even if Ameren Missouri decreases its equity ratio as much as Ameren Corp. that Ameren Missouri's credit rating would not be downgraded. Please provide evidence based on credit rating agency analyst reports, not Mr. Murray's guess. (3) If there is no such evidence please say so. Requested by: Seoung Joun Won (Seoungjoun.won@psc.mo.gov)</p>
Response	<p>(1) See Mr. Murray's response to Staff Data Request No. 476. Ameren Corp has increased the amount of leverage it incurs at the consolidated level over the past several years. Ameren Corp only owns its regulated utility subsidiaries, of which Ameren Missouri is approximately half of Ameren Corp's total rate base. Moody's relaxed its credit metric (FFO/debt) threshold (allowing more debt as a percentage of cash flow) for Ameren Corp subsequent to its ability to elect PISA ratemaking in 2018. This allows Ameren Corp to issue more debt despite the fact that the lower business risk is associated with Ameren Missouri's utility assets. (2) Mr. Murray did not guess that Ameren Missouri could utilize more leverage in its capital structure. Please read and analyze Mr. Murray's testimony, which critically analyzes the fact that Ameren Corp bargained for a lower credit metric threshold for Ameren Corp because of lower regulatory risk at its Ameren Missouri subsidiary (see Murray's Direct Testimony at page 42, line 13 through page 43, line 1). Despite Ameren Missouri's lower business risk, its credit metric threshold was not relaxed. However, this is because Ameren Corp's management bargained on behalf of Ameren Corp, not Ameren Missouri. Because Ameren Corp's management is bargaining on behalf of Ameren Corp's shareholders interest, it is necessary for regulators to bargain on behalf of ratepayers. This includes setting a balanced ratemaking capital structure informed by Ameren Corporation's financing strategy. Ameren Corp's business risk profile is based on a pure-play regulated electric and gas utility. Ameren Missouri is a pure-play electric utility with less than 1% of its assets comprised of its gas utility operations. S&P assigns both Ameren Corp and Ameren Missouri "Excellent" business risk profiles. Therefore, each company should be able to incur similar amounts of financial risk (i.e. debt) and be rated similarly. The evidence is the fact that Ameren Corp's S&P issuer credit rating is 'BBB+' and its Moody's issuer credit rating is 'Baa1' despite having an equity ratio in the low 40% range. (3) See answers to (1) and (2) as well as Mr. Murray's testimonies in this case, the 2021 rate case, Case No. ER-2021-0240 and the 2019 rate case, Case No. ER-2019-0335.</p>
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