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Witness:	Darryl Sagel
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2024-0369

REBUTTAL TESTIMONY

OF

DARRYL SAGEL

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
April 2025

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REBUTTAL TESTIMONY

OF

DARRYL SAGEL

FILE NO. GR-2024-0369

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Darryl Sagel. My business address is One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri.

Q. Are you the same Darryl Sagel that submitted direct testimony in this case?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. To what testimony or issues are you responding?

A. I am responding to the direct testimony of David Murray on behalf of the Office of Public Counsel ("OPC") submitted in this proceeding as it relates to recommended capital structure for Ameren Missouri (the "Company").

Q. Are you sponsoring any schedules in connection with your testimony?

A. Yes, I am sponsoring, and have attached to my rebuttal testimony, the following schedules, which have been prepared under my direction:

- Schedule DTS-R1 – Ameren Corporation Stock Price Performance Versus Utility Peers (May 31, 2018 – December 31, 2024)
- Schedule DTS-R2 – Ameren Corporation NTM P/E Multiples Versus Utility Peers (May 31, 2018 – December 31, 2024)

- Schedule DTS-R3 – Authorized Common Equity Ratio – Gas Utility Proxy Group Utility Operating Companies
- Schedule DTS-R4 – Capital Structure /Weighted Average Cost of Capital

III. SUMMARY RESPONSE TO OPC WITNESS DAVID MURRAY'S TESTIMONY RECOMMENDATION

Q. Mr. Murray states that "the most objective and practical measure of the capital structure, that captures the debt capacity of Ameren Corp's regulated utility assets, is that of Ameren Corp. on a consolidated basis."[1] Do you agree with his position?

A. I strongly disagree with Mr. Murray's position. Ameren Missouri's actual capital structure is appropriate, objective and reasonable for purposes of setting rates in the proceeding for the following reasons, each of which I will specifically address later in my rebuttal testimony:

- Ameren Missouri's financial profile, including its capital structure, is independently evaluated, developed and managed over time in a manner that appropriately considers its stand-alone financial health and risk profile, while ensuring timely access to both equity and debt capital at reasonable costs.
- Ameren Missouri's capital structure specifically and exclusively finances Ameren Missouri's rate base, with parent company common equity infusions sourced from actual third-party common equity raised by Ameren

[1] File No. GR-2034-0369, Direct Testimony of David Murray, p. 47, ll. 6-8.

Corporation, and long-term debt issued by Ameren Missouri and secured by Ameren Missouri assets.

- Despite Ameren Corporation having employed more parent company debt over the past several years to fund its business activities, this has been balanced by significant equity issuance to maintain consolidated capitalization ratios and credit strength. Specifically, Ameren Corporation's capital allocation strategy and its funding approach across each of its regulated utility businesses have assisted in maintaining Ameren Corporation's consolidated credit profile and, more pertinent to this proceeding, have not resulted in any negative impact on Ameren Missouri's stand-alone credit profile.
- Recent improvements in Missouri's regulatory framework, specifically the enactment of partial plant-in-service accounting ("PISA") in 2018, the passage of securitization legislation in 2021, and the introduction of a weather normalization adjustment rider ("WNAR") in 2021, have had no demonstrable positive impact on the Company's credit ratings, its credit profile or its access to, and cost of, debt and equity capital.
- Ameren Missouri's projected common equity ratio for ratemaking purposes of 52.00% as of December 31, 2024, is consistent with common equity ratios maintained by its utility peers and consistent with the Company's actual common equity ratios over the past several years.

Ameren Missouri's capital structure supports strong and stable investment grade credit ratings, allowing the Company to access debt capital at a competitive cost through various market cycles, to the benefit of Ameren Missouri customers. The arbitrary use of Ameren Corporation's capital structure would weaken the Company's credit profile, including cash flows and key credit metrics, thereby increasing the likelihood of Ameren Missouri suffering a ratings downgrade and experiencing the impact of stock price pressure on Ameren Corporation's shares, both of which would increase the Company's cost of capital and potentially result in higher customer rates.

Q. What rationale does Mr. Murray provide for disregarding Ameren Missouri's actual capital structure?

A. Mr. Murray justifies his proposed capital structure that consists of approximately 42% common equity as the capital structure that "… best represents the amount of debt capacity Ameren Corp. considers reasonable and appropriate for its regulated utility assets, including those of Ameren Missouri."[2] To the contrary, Ameren Corporation's consolidated capital structure, net of short-term debt, is neither reasonable nor appropriate for the regulated utilities owned by Ameren Corporation, including Ameren Missouri. Each of the capital structures of Ameren Corporation and its regulated subsidiaries, including the Company, are managed independently in a manner that supports an appropriate balance between financial stability and customer affordability and considers discrete business, operational, regulatory and financial issues specific to the legal entity. My direct testimony in this proceeding, as well as the rebuttal testimony herein, explicitly support the use of Ameren Missouri's actual capital structure for the purpose of establishing rates in this proceeding.

In addition, Mr. Murray seems to conveniently ignore the risk that utilizing Ameren Corporation's capital structure, which contains lower equity content than Ameren Missouri's

[2] File No. GR-2024-0369, Direct Testimony of David Murray, p. 37, ll. 24-26.

actual capital structure, could actually result in an increase to the Company's cost of capital and by consequence, its customer rates. I discuss this concept later in my testimony.

IV. AMEREN MISSOURI'S CAPITAL STRUCTURE IS INDEPENDENTLY MANAGED AND EXCLUSIVELY FINANCES AMEREN MISSOURI RATE BASE

Q. Mr. Murray suggests that Ameren Corporation is "… managing its regulated utility subsidiary capital structures primarily for purposes of ratemaking."[3] How do you respond?

A. I struggle to understand what Mr. Murray means or insinuates by suggesting that Ameren Corporation manages the capital structure of Ameren Missouri, "for the purposes of ratemaking." Perhaps he is implying that the Company's capital structure is controlled exclusively for the benefit of Ameren Corporation shareholders, which could not be further from the truth. To respond to this assertion, however, I will reiterate that Ameren Missouri's capital structure is independently evaluated, developed and managed over time in a manner that appropriately considers its stand-alone financial health and risk profile, while ensuring timely access to both equity and debt capital at reasonable costs. This independent management supports the continued use of Ameren Missouri's actual capital structure for the purpose of setting rates in this proceeding. Contrary to Mr. Murray's assertion, Ameren Corporation's and Ameren Missouri's financing decisions and objectives do not "… primarily concentrate on the amount of leverage Ameren Corp. can carry on a consolidated basis."[4] Because Ameren Corporation does not expressly dictate Ameren Missouri's capital structure, but rather works

[3] *Id.* at p. 38, ll. 2-3.
[4] *Id.* at p. 49, ll. 6-7.

mutually with Ameren Missouri to identify objective considerations for establishing a prudent capital structure (as discussed below), there is no conflict of interest between Ameren Corporation and Ameren Missouri, as Mr. Murray insinuates.

Mr. Murray points to the fact that Ameren Missouri's capital structure having remained in close proximity to its authorized ratemaking capital structures over time (e.g., "Ameren Missouri's common equity ratios for rate cases since 2010 have been in the range of 51.26% to 52.30%...")[5] as evidence that Ameren Corporation is managing the Company's capital structure for the benefit of Ameren Corporation shareholders. I disagree with Mr. Murray's assessment. In fact, such historical balance sheet performance reflects prudent capital management, taking into consideration appropriate financial, operational and regulatory factors.

Q. How does Ameren Missouri independently manage its capital structure?

A. The Company's capital structure is independently managed through an approach that supports maintaining the Company's financial strength and integrity at a reasonable cost to its customers. Ameren Missouri finances itself through its own public debt issuances, maintains its own credit ratings and produces separate filings for the Securities and Exchange Commission ("SEC"). Evaluation and management of a suitable Ameren Missouri capital structure over time involves sensible consideration of Ameren Missouri-specific business and financial risk, including key rating agency-defined credit metrics required to support its strong and stable investment grade credit ratings. Despite Ameren Corporation's owning and financing other regulated businesses not directly related to Ameren Missouri, Ameren Missouri's capital structure is specifically managed over time to ensure continued financial strength, as well as to maintain a credit profile that provides the Company timely access to required capital to fund

[5] *Id.* at p. 45, ll. 7-8.

Ameren Missouri operations and to support its obligation to provide safe and adequate service to all customers in its service territory, at a competitive cost for the benefit of Ameren Missouri customers.

Mr. Murray states that Ameren Corporation's, "… subsidiaries do not have the capability to manage their own capital needs"[6] as they rely in part on Ameren Services Company, which provides various corporate support services to Ameren's subsidiaries related to certain accounting, financial, treasury, and legal services. This structure, with the Commission's blessing, was put in place to take advantage of economies of scale available through centralized functions – with such efficiencies passed on to Ameren Missouri and other subsidiaries' customers in the form of lower costs that in turn result in lower rates. Just because Ameren Corporation has established a support services' organization does not mean that Ameren Missouri and other subsidiaries lack discrete financial capabilities or independence.

From a governance standpoint, Ameren Missouri has in place a separate Board of Directors currently comprised of three individuals, all of whom are officers of Ameren Missouri and one of whom is jointly an officer of Ameren Corporation. The Board of Directors of Ameren Missouri meets at least quarterly and exerts oversight of key regulatory, legal, managerial, and financial matters. As part of its responsibilities for financial oversight and fiscal discipline, the Board of Directors of Ameren Missouri approves the Company's capital budget and financings, as well as all cash distributions (i.e., dividends) from Ameren Missouri to Ameren Corporation. Through the exercise of

[6] *Id.* at p. 46, l. 15.

the subsidiary Board's fiduciary duties, the Company exerts significant independent control of its capital structure.

Q Why is the actual capital financing Ameren Missouri's rate base relevant?

A. Ameren Missouri's actual capital structure is relevant and appropriate for ratemaking purposes because it is the *only* capital that is financing Ameren Missouri's jurisdictional rate base to which the overall rate of return set in this proceeding will be applied. In contrast, the hypothetical capital structure proposed by Mr. Murray contains capital that does not finance Ameren Missouri's jurisdictional rate base and is not available for investment in Ameren Missouri by Ameren Corporation. Thus, Ameren Missouri should be evaluated as a stand-alone entity, including with regard to its capital structure. To do otherwise violates the basic financial principle that the use of funds invested gives rise to the risk of the investment. It is fundamental that individual investors expect a return commensurate with the risk associated with where their capital is invested. In this proceeding, that capital is both provided by and invested in Ameren Missouri. Therefore, Ameren Missouri must be viewed on its own merits, including the actual capital structure financing its rate base.

Q. Can you specifically identify the sources of Ameren Missouri's independently-managed capital?

A. Ameren Missouri's capital structure represents the actual dollars that are financing the jurisdictional rate base to which the rate of return authorized in this proceeding will be applied. In contrast, the hypothetical capital structure proposed by Mr. Murray contains capital that does not finance Ameren Missouri's jurisdictional rate base.

Ameren Missouri's entire long-term debt balance consists of long-term debt marketed and issued by Ameren Missouri to third-party investors. Ameren Missouri's long-term debt is secured exclusively by its own assets and not the assets of Ameren Corporation or the other Ameren Corporation utility subsidiaries, Ameren Illinois Company ("Ameren Illinois" or "AIC") and Ameren Transmission Company of Illinois ("ATXI"). In addition, Ameren Missouri's assets do not guarantee Ameren Corporation's, AIC's, or ATXI's long-term debt. Moreover, whenever Ameren Missouri seeks to raise long-term external capital, it must navigate a defined process to achieve financing authority from the Commission, whereby the Company must demonstrate that such financing is being utilized to fund long-term assets and the regulated operations of the business.

Similarly, Ameren Missouri's entire preferred stock balance consists of preferred stock marketed and issued by Ameren Missouri to third-party investors. Ameren Missouri's common equity balance consists of common equity contributions from Ameren Corporation and retained Ameren Missouri earnings. The common equity invested over time by Ameren Corporation into Ameren Missouri has been specifically financed with common equity raised by Ameren Corporation from third-party investors. For example, in August 2019, Ameren Corporation issued 7.5 million common shares under a forward sale agreement. Upon settlement of the shares sold forward, which occurred at two distinct times in December 2020 and February 2021, Ameren Corporation received net proceeds of $538 million. That amount was entirely and immediately contributed to Ameren Missouri and Ameren Missouri, in turn, used it to finance a portion of the Company's 700-megawatt ("MW") wind generation investment. In 2024, Ameren Corporation contributed $470 million of equity to Ameren Missouri through two separate infusions in the second quarter ($350 million) and the fourth quarter ($120 million), with such funds derived from common equity issued by Ameren Corporation in 2023 and 2024 through forward sale agreements and through its dividend reinvestment program.

Furthermore, all of Ameren Missouri's capital supports Ameren Missouri's rate base, and no portion of the Company's rate base is supported by capital outside of Ameren Missouri. Mr. Murray suggests that, "… there is no way to trace the capital once Ameren Corp. receives and redeploys it..."[7] That statement is false, because the capital that Ameren Missouri receives from Ameren Corporation is quite easily traceable as it is sourced exclusively from common equity raised by Ameren Corporation from third-party investors.

Q. Are any of Ameren Missouri's assets pledged to support obligations of Ameren Corporation or any of Ameren Corporation's other subsidiaries, or does Ameren Missouri rely on Ameren Corporation to support any Ameren Missouri long-term debt obligations?

A. As discussed above, Ameren Missouri's assets are not used in any way to provide support for, or guarantee obligations of, Ameren Corporation, AIC or ATXI, and Ameren Missouri does not rely upon any balance sheet support of Ameren Corporation to satisfy its debt obligations.

Q. Mr. Murray calls into question Ameren Missouri's capital structure having remained relatively constant in recent years. Does the fact that Ameren Missouri has maintained a capital structure with approximately 52% common equity over the last several years, and in this proceeding has filed to preserve this common

[7] GR-2024-0369, Direct Testimony of David Murray, p. 43, ll. 11-12.

equity ratio, provide evidence that Ameren Corporation is managing Ameren Missouri's capital structure for the benefit of Ameren Corporation's shareholders?

A. No. It only evidences the fact that Ameren Missouri believes that the approximately 52% common equity ratio has been, and continues to be, the appropriate amount of equity content to preserve its healthy financial profile while ensuring timely access to both equity and debt capital at reasonable costs.

Q. Mr. Murray suggests that Ameren Missouri's lack of a dividend policy, similar to Ameren Corporation's targeted dividend payout ratio, supports the fact that Ameren Missouri's capital structure is not managed independently. How do you respond?

A. Ameren Missouri's failure to individually adhere to Ameren Corporation's published dividend policy over time further evidences Ameren Missouri's independent financial management. As previously indicated, Ameren Missouri's Board of Directors exercises discretion over the amount of dividends paid to Ameren Corporation over time, considering, among other factors, its own capital reinvestment needs and maintaining a prudent capital structure. Prior to 2020, Ameren Missouri distributed a significant portion of its earnings to Ameren Corporation, which Ameren Corporation used in large part to support its dividend payments to common shareholders. However, subsequent to the passage of Senate Bill 564 ("SB 564") in 2018 and the related implementation of PISA, Ameren Missouri significantly increased its annual capital deployment to support its Smart Energy Plan (with investments to effectuate a modernized energy grid that will be more reliable, resilient and secure, to the benefit of Missouri families and businesses) and its energy transition investments. With the accelerated capital spending, the Company's cash flow position changed meaningfully, and Ameren Missouri determined, in consideration of its distribution policy (a responsibility of the Ameren Missouri Board of Directors) that it would be financially imprudent and detrimental to the Company's financial position to continue to distribute a material portion of its earnings to Ameren Corporation. In fact, in 2020 and 2021, Ameren Missouri did not dividend any funds to Ameren Corporation, and during calendar years 2022 through 2024, Ameren Missouri distributed a total of only $55 million of dividends to Ameren Corporation. Rather, during those five years, the Company received net almost $1.1 billion of capital infusions from Ameren Corporation to support its capital investment program and the acquisition of renewable energy generation, sourced exclusively from common equity capital Ameren Corporation issued in 2020 through 2024. Because Ameren Missouri ceased to provide material dividends to Ameren Corporation during 2020-2024, Ameren Corporation had to lean more on parent company debt issuance to support its common dividend requirements and fund parent company debt service. The result of this phenomenon, as I will cover later in my testimony, was the incursion of slightly higher Ameren Corporation leverage levels in recent years. The very fact that Ameren Missouri has taken actions to alter its dividend policy in recent years in order to address the changing cash needs of the Company (though, to the detriment of Ameren Corporation's cash position), is persuasive evidence of Ameren Missouri's financial independence. Specifically, Ameren Missouri's independent financial oversight has allowed the Company to manage its capital structure in a responsible and prudent manner even as its cash flow position has profoundly changed.

Q What would have been the impact to Ameren Missouri's financial position if Ameren Missouri had a dividend policy consistent with that of Ameren Corporation (e.g., targeted dividend payout ratio of 55% - 65%)?

A. If Ameren Missouri consistently distributed 55% to 65% of its earnings to Ameren Corporation in the form of dividends without any countervailing action, the Company's capital structure would have degraded, relevant credit metrics would have declined and eventually the Company would have suffered rating agency downgrades, resulting in a higher relative cost of debt capital borne by its customers. To address this financial deterioration, it is likely the Company would have required equity contributions from its parent company – essentially the parent contributing the same cash that it originally received from Ameren Missouri in the form of dividends. This would have been a highly inefficient round-tripping of capital.

V. AMEREN CORPORATION'S CAPITAL STRUCTURE IS INDEPENDENTLY MANAGED AND HAS NOT NEGATIVELY IMPACTED AMEREN MISSOURI'S FINANCIAL AND CREDIT POSITION

Q. Why does Ameren Missouri's capital structure contain a higher equity ratio than Ameren Corporation's capital structure?

A. As noted previously in my testimony, Ameren Missouri's capital structure is independently managed, based on consideration of Ameren Missouri-specific business and financial risks, with the objective to maintain Company financial health and integrity at a reasonable cost of capital. In addition to Ameren Missouri, Ameren Corporation also owns and operates other regulated businesses, principally AIC and ATXI. Therefore, Ameren

Corporation's consolidated capital structure is meaningfully influenced by the respective capital structures of each of Ameren Corporation's regulated subsidiaries and their respective funding approaches. Like Ameren Missouri's capital structure, the capital structure of Ameren Corporation is managed independently based on the relevant business and financial risks applicable to the consolidated enterprise, while also supporting the earnings per share ("EPS") growth and total return objectives of Ameren Corporation's common shareholders. In the case of Ameren Corporation's capital structure, specific consideration is given to common shareholder dividend requirements, anticipated cash distributions from operating subsidiaries, holding company debt obligations, and financial support of AIC's and ATXI's capital investment programs, while maintaining targeted credit ratings and strong stock price performance that support access to debt and equity capital on attractive terms.

Q. Mr. Murray also suggests that the capital structures of Ameren's other subsidiaries, AIC and ATXI, are managed for ratemaking purposes. How do you respond?

A. Though the capital structures of ATXI and AIC are not subject to this Commission's jurisdiction, nor are ATXI's and AIC's management of their respective capital structures a matter for this Commission's scrutiny, I feel compelled to correct Mr. Murray's erroneous assertions. Similar to Ameren Missouri and Ameren Corporation, both ATXI's and AIC's capital structures are managed independently based on consideration of their respective business and financial risks and objectives, while considering distinct regulatory motivations (e.g., the Federal Energy Regulatory Commission ("FERC") has historically attempted to incent new transmission investment, supporting renewable energy development and regional electricity grid reliability, through authorization of returns and equity ratios that are relatively higher than state-regulated utility assets). And, importantly, in managing their capital structures, both ATXI and AIC support an appropriate balance between financial stability and customer affordability while considering discrete business, operational, regulatory and financial issues specific to the legal entity.

Mr. Murray references some of the history in Illinois regarding the regulation of capital structure in recent electric and gas rate proceedings, and in certain respects, his description does not exactly align with reality. But, more importantly, Mr. Murray ignores a couple of key considerations.

First, Mr. Murray does not account for some of the salient differences in business activities and business risks between Ameren Missouri and Ameren Illinois – namely that Ameren Missouri operates a fully integrated electric utility business, including ownership of coal-fired and nuclear generation, while Ameren Illinois is principally involved in energy delivery activities. Energy delivery activities are viewed by the broad financial community (rating agencies and investors), as well as by Ameren management, as being less risky in nature than generation activities (particularly coal and nuclear, but also generation in general), which, all else being equal, supports a higher level of financial leverage. For instance, in Moody's Investors Service ("Moody's") most recent (May 15, 2024) credit opinion of Ameren Corporation, the rating agency states:

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Second, while the passage of the Future Energy Jobs Act ("FEJA") in 2016 codified a prior agreement with the Illinois Commerce Commission ("ICC") Staff and the Illinois

Industrial Energy Consumers stipulating that an equity ratio up to and including 50% is deemed reasonable for ratemaking purposes, Ameren Illinois had not been precluded from filing for capital structures that apply an equity ratio greater than 50% if Ameren Illinois were able to justify such a capital structure. In addition, under the current multi-year rate plan framework for Illinois electric utilities that took effect in 2024 and codified under the Illinois Energy Transition Legislation enacted in September 2021, a capital structure up to and including 50% common equity is deemed prudent and reasonable, though the ICC has discretion to authorize a higher equity ratio. Thus, in order to preserve that important balance between financial stability and customer affordability, Ameren Illinois has some flexibility to independently manage its capital structure with equity content above 50%.

I would highlight one other important element that is consistent in the regulatory oversight of ATXI's and AIC's capital structure – neither the FERC nor the ICC employ the use of Ameren Corporation's capital structure for ratemaking purposes.

VI. PASSAGE OF SENATE BILL 564 AND THE MISSOURI ELECTRICITY BILL REDUCTION ASSISTANCE ACT (THE "SECURITIZATION STATUTE"), AS WELL AS THE ABILITY TO UTILIZE A WEATHER NORMALIZATION ADJUSTMENT RIDER, HAS NOT DIRECTLY IMPACTED THE COMPANY'S CREDIT RATINGS, ITS KEY RATING AGENCY CREDIT METRIC THESHOLDS, OR ITS RELATIVE COST OF CAPITAL

Q. Does Ameren Missouri's business risk position factor into the Company's independent management of its capital structure?

A. Ameren Missouri's overall business risk position does influence how the Company manages its capital structure. For example, the Company may support a change to its proposed capital structure to the extent any actual or perceived change in its business risk impacts the Company's financial position, its credit ratings and credit profile, and its cost of accessing debt and equity capital.

Q. Are there objective ways to determine whether a change in the Company's business risk has impacted the Company's financial position and credit profile?

A. Perhaps the most transparent way to determine whether a perceived change in the Company's business risk impacts its financial position and credit profile is to review how the rating agencies have reacted to the perceived change in business risk. Specifically, have the rating agencies: (1) changed their ratings of the Company; (2) changed their ratings outlook on the Company; or (3) changed the Company's downgrade thresholds of key credit metrics? As a secondary, and perhaps less determinate, measure, we can look at the performance of Ameren Corporation common stock over time as well as the change to the stock's price-to-earnings ("P/E") ratio, both relative to Ameren Corporation peers, to determine whether the equity investor universe has disproportionately rewarded Ameren Corporation, and by result, its cost of equity, for any perceived change in its business risk position.

Q. How are credit ratings determined?

A. The two primary credit rating agencies are Moody's and Standard & Poor's Ratings Services ("S&P"). In assessing a company's ability to meet its financial obligations, Moody's and S&P generally – but each to varying degrees – consider both qualitative factors affecting the company's business risk and quantitative factors affecting its financial risk.

Q. Why do credit ratings matter?

A. Credit ratings have a significant effect on a company's ability to attract debt capital, and in extreme cases, whether the company can access debt capital at all. Credit ratings also impact the pricing and contractual terms at which a company may issue debt securities. This affects the cost of capital and, in Ameren Missouri's case, the rates customers must pay for utility service. In general, stronger credit ratings typically enable a utility to obtain debt capital at a lower cost, to the benefit of customers.

Q. How do a company's credit metrics affect its credit ratings?

A. Certain financial metrics factor significantly into the credit rating agencies' evaluations of a company's credit profile and the rating agencies' assignment of credit ratings.

Q. What credit metrics do the rating agencies rely upon in assignment of credit ratings for regulated electric and gas utilities?

A. The rating agencies evaluate a number of financial credit metrics in order to determine a regulated utility's financial strength. However, the financial metric that receives the most weight by both of the rating agencies is a company's funds from operation ("FFO") to debt ratio.[8] The FFO to debt ratio measures a company's ability to pay its debts using its operating cash flow alone, with lower ratios signifying a weaker credit position. This metric is of particular significance because it is perhaps the most common cause of downgraded credit quality for regulated utilities.

Q. Does Ameren Missouri target credit ratings when it maintains its capital structure?

[8] S&P specifically evaluates the FFO to debt ratio while Moody's evaluates a similar metric – cash flow from operations pre-working capital to debt ratio. For simplicity, I will refer to each as the FFO to debt ratio.

A. Yes. As previously discussed, access to sufficient capital is critical to Ameren Missouri's financial health and stability and, in turn, to the service its customers receive and the rates customers pay for that service. Therefore, in my opinion, Ameren Missouri's issuer credit ratings should be securely investment grade (at least two notches stronger than Moody's and S&P's weakest investment grade issuer credit rating) to continue to support the financial integrity of the utility and ensure its access to necessary capital at a reasonable cost and on reasonable terms in both strong and weak markets.

Q. What are Ameren Missouri's current issuer credit ratings?

A. Currently, Ameren Missouri's issuer credit ratings at Moody's and S&P are Baa1 and BBB+, respectively, each two notches stronger than Moody's and S&P's weakest investment grade issuer credit ratings. Both credit ratings agencies report stable outlooks for Ameren Missouri credit ratings.

Q. What are Ameren Corporation's current issuer credit ratings?

A. Currently, Ameren Corporation's issuer credit ratings at Moody's and S&P are Baa1 and BBB+, respectively, the same issuer ratings as Ameren Missouri. Both credit ratings agencies report stable outlooks for Ameren Corporation's credit ratings.

Q. What are Ameren Missouri's and Ameren Corporation's current FFO to debt ratio downgrade thresholds at Moody's and S&P?

A. In its most recent May 13, 2024 credit opinion on Ameren Missouri, Moody's indicated that **____

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____** For Ameren Corporation, Moody's most recent May 15, 2024 credit opinion cited an

FFO to debt ratio downgrade threshold of 17%. Due to its "family" approach to rating Ameren Corporation and its regulated utilities, including Ameren Missouri, S&P does not distinguish between the FFO to debt ratio downgrade thresholds at Ameren Missouri and Ameren Corporation. Rather, S&P only cites the metric downgrade threshold of Ameren Corporation, which, under its "family" approach, would also result in a downgrade of Ameren Missouri. In its most recent March 20, 2024 credit opinion on Ameren Corporation, S&P cited an FFO to debt ratio downgrade threshold of 13%.

Q. Mr. Murray states that "the business risk for utility investments in Missouri is lower… Ameren Missouri's reduced business risk allows for greater debt capacity…"[9] Do you agree with his assessment?

A. I believe that SB 564 enhanced Missouri's electric regulatory framework, providing support for incremental investment in the state. In addition, the Securitization Statute passed in 2021 provides an efficient and cost-effective tool for Ameren Missouri to recover energy transition costs. And, the allowance of a WNAR helps to reduce customer bill and Ameren Missouri cash flow volatility. Yet, Mr. Murray alludes to an ability for the Company to "carry more leverage"[10] and benefit from a "lower cost of capital"[11] resulting from a reduced business risk position, which are just not supported by the facts.

Q. Since the passage of SB 564 in May 2018, have either of the rating agencies changed the ratings or ratings outlook of either Ameren Missouri or Ameren Corporation?

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[9] File No. GR-2024-0369, Direct Testimony of David Murray, p. 4, ll. 11-12, and ll. 15-16.
[10] File No. GR-2024-0369, Direct Testimony of David Murray, p 40, ll. 7.
[11] *Id, l. 10.*

A. No. Neither Moody's nor S&P have taken any action on Ameren Missouri's or Ameren Corporation's ratings or ratings outlook since the passage of SB 564. In fact, the rating agencies have taken a relatively balanced (rather than purely constructive) stance in their credit opinions on Ameren Missouri and Ameren Corporation regarding the PISA framework, particularly due to the rate cap that is in place.

Q. What have the rating agencies communicated recently about Ameren Missouri's PISA framework?

A. Moody's continues to believe that Ameren Missouri operates within a supportive legislative and regulatory environment in Missouri following the passage of SB 564. However, the agencies have also reflected their concerns about some of the limiting features of the framework. In its May 13, 2024 credit opinion, Moody's states:

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Similarly, S&P, in its April 30, 2021 credit opinion notes:

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S&P also noted more recently in its March 20, 2024 credit opinion that **____________
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While Mr. Murray wants to characterize the rating agency reaction following passage of SB 564 as being entirely supportive, in practice the rating agencies have taken a more neutral view of the regulatory mechanism.

Q. Since the passage of the Securitization Statute in July 2021, have either of the rating agencies changed the ratings or ratings outlook of either Ameren Missouri or Ameren Corporation?

A. No.

Q. Since the authorization of a WNAR in Case No. GR-2021-0241, have either of the rating agencies changed the ratings or ratings outlook of either Ameren Missouri or Ameren Corporation?

A. No.

Q. Since the passage of SB 564 in May 2018, the Securitization Statute in July 2021, or the authorization of a WNAR in December 2021, have the rating agencies changed the FFO to debt ratio downgrade thresholds of Ameren Missouri or Ameren Corporation?

A. Since the passage of SB 564 and the Securitization Statute, as well as the authorization of a WNAR, S&P has taken no action to change the FFO to debt downgrade threshold of Ameren Corporation (and by extension under its family ratings approach, Ameren Missouri) of 13%. In its May 13, 2024 credit opinion, Moody's reduced its FFO to debt ratio downgrade threshold for Ameren Missouri to 18% from 19% identified in previous credit opinions. There is no specific discussion in the May 13, 2024 credit opinion that supported Moody's downgrade threshold reduction, but the agency did mention that Ameren Missouri has been operating recently with little to no cushion above its threshold. As Ameren Missouri's FFO to debt ratios were at or below the previous 19% threshold in three of the four years between 2020 and 2023 without the agency taking any action, it appears that Moody's is now willing to give the Company a bit more flexibility on this metric prospectively, though its credit outlook indicates that the Company **______________________________ ** These agency positions on the Company's credit metrics suggest that, in spite of any perceived reduced business risk, Ameren Missouri cannot incur incremental debt to fund its operations without having negative implications on its credit ratings and its cost of capital.

As indicated by Mr. Murray, in its March 29, 2019, credit opinion, Moody's did reduce the FFO to debt ratio downgrade threshold for Ameren Corporation from 19% to 17%. While Moody's did not cite the specific factors that led to a modest relaxation of this credit metric, I believe (counter to Mr. Murray's implication that it was due solely to improvements in Missouri's regulatory environment) it was based in part on the improvements to the Missouri regulatory framework and in part due to a strong track record of strategy execution within the then-supportive regulatory frameworks of Ameren Corporation's AIC and ATXI subsidiaries. **______________________________

____** Yet, in his entire line of argument, Mr. Murray ignores the fact that the reduction of Ameren Corporation's metric downgrade threshold at Moody's has limited practical implications on Ameren Missouri's access to debt capital or its cost of capital, since Ameren Missouri issues its own debt (with Ameren Missouri debt investors looking exclusively at Ameren Missouri's credit profile) and, as previously indicated, does not rely upon Ameren Corporation for balance sheet support of the Company's financial obligations. To clarify, the reduction of Ameren Corporation's FFO to debt ratio downgrade threshold at Moody's in 2019 improved Ameren Corporation's financing flexibility, permitting more financial leverage within the current rating category, but it did not directly impact Ameren Missouri financing flexibility, since the Company's metric downgrade threshold was not changed at that time.

Q. How would you define Ameren Missouri's debt capacity?

A. I would characterize Ameren Missouri's debt capacity as the maximum amount of debt that the Company could theoretically carry without adversely impacting its current credit ratings. I believe the most objective approach to identifying Ameren Missouri's debt capacity is imputing the level of debt at which the Company equals its FFO to debt ratio downgrade threshold at each of Moody's and S&P.

Q. What was Ameren's Missouri's FFO to debt ratio for 2024 as calculated by Moody's?

A. The Company has recently confirmed with Moody's that its FFO to debt ratio for 2024 was **______** which is expected to be cited in its impending credit opinion of Ameren Missouri. Interestingly, and in spite of the Company maintaining a fairly steady regulatory equity ratio over the past decade in proximity to 52%, Ameren Missouri has experienced a marked decline in its Moody's FFO to debt ratio in recent years. Over the most-recent five-year period (2020-2024), the Moody's FFO to debt ratio averaged 19.0% as compared to 25.7% for the previous five-year period (2015-2019). Much of the decline can be traced to the new regulatory framework under PISA, and Moody's specifically indicated in its September 29, 2022 credit opinion, that the Company's financial metrics **________________ ____ ____** This decline in the FFO to debt ratio metric over the past several years evidences some of the issues and limiting features of the PISA framework that the rating agencies have specifically identified.

Q. Based on Ameren Missouri's 2024 FFO to debt ratio as calculated by Moody's, does the Company have additional debt capacity?

A. By virtue of the fact that Ameren Missouri's 2024 FFO to debt ratio of 19.5% was modestly above Moody's new downgrade threshold of 18%, I would suggest that the Company has limited to no additional debt capacity without facing significant risk of a ratings downgrade at Moody's. I would also note that it is financially prudent to maintain some degree of financial cushion above its FFO to debt ratio downgrade threshold so as to be able to withstand any unanticipated negative impact to its financial performance without risk of an immediate negative reaction by Moody's. Therefore, Ameren Missouri would not be a proponent of maintaining its capital structure at its maximum calculated debt capacity (i.e., its FFO to debt ratio downgrade threshold). Just as it may be true that an individual family could "afford" to borrow more money to buy a bigger home if certain common metrics exist (e.g., the percentage of housing costs to overall income) does not mean that borrowing the absolute highest amount of money the metric suggests is possible is a sound financial decision.

Q. Do you believe that Mr. Murray's proposed capital structure which includes 57.40% long-term debt falls within your definition of Ameren Missouri's debt capacity?

A. No, the capital structure proposed by Mr. Murray contains an excessive amount of debt and would place the Company at significant risk of a credit ratings downgrade, particularly at Moody's. As an illustration, we have calculated what Ameren Missouri's FFO to debt ratio in 2024 at Moody's would have been had the Company (including both its electric and natural gas businesses) utilized Mr. Murray's proposed capital structure, including 57.40% long-term debt. ** ______ [12] ______ ** This financial weakening, along with potential rating agency concerns about the supportiveness of the regulatory environment should the Commission apply a hypothetical capital structure for ratemaking purposes (which I will discuss later), would put the Company at meaningful risk of credit rating downgrades.

Q. Are there any other material factors that have influenced Ameren Missouri's credit quality over the past several years since the passage of SB 564 and the passage of the Securitization Statute?

A. Yes. I would specifically point to the negative credit quality implications of the change in the federal corporate tax rate in the Tax Cuts and Jobs Act ("TCJA") that became effective on January 1, 2018. The TCJA brought significant benefits to Ameren Missouri's customers in the form of reductions in current taxes and excess deferred taxes that they received and are continuing to receive through new base rates established in the Company's subsequent

[12] Assumes similar capital structure treatment across both electric and gas utility rate base.

ratemaking proceedings. However, realization of these benefits by customers carries with it certain potentially significant adverse financial impacts to Ameren Missouri. Because of the change in the federal corporate tax rate, Ameren Missouri collects a lower amount of tax from its customers, resulting in reduced cash flows and, consequently, a lower prospective FFO to debt ratio. The TCJA also excluded public utility property from bonus depreciation eligibility, which further reduced cash flow contributions from deferred taxes. In addition, since the passage of SB 564, the Company has significantly increased its annual capital expenditures to support its Smart Energy Plan, a credit challenge that Moody's specifically highlighted in its May 2024 credit opinion. Furthermore, I would call out the Company's revised plan to manage carbon transition risk as underscored by its most recent integrated resource plan filing in the state (and the revised preferred resource plan filed in February 2025), which included accelerating the retirement date of the Company's Rush Island coal-fired energy center and hastening investment in additional renewable generation, energy storage and gas-fired generation as the Company transitions to a cleaner energy portfolio. These corporate strategies have resulted in incremental near-term operating and financial risks, though the Company views these as prudent measures to address and mitigate longer-term operating and financial risks associated with climate change and the changing nature of the Company's industrial customer growth profile.

Q. Did Mr. Murray consider these additional factors that have influenced Ameren Missouri's credit quality over the past several years?

A. Not to my knowledge. He certainly did not reference any of these material factors in his direct testimony.

Q. Mr. Murray stated that, "the Missouri regulatory and legislative environment is becoming more investor friendly, the business risk for utility investments in Missouri is lower"[13] and "before the ICC's December 2023 decision on Ameren Illinois' electric utility rate case, Ameren Corp. had been viewed as a premium utility by investors because of the anticipated growth in its investment and investors' confidence in the probability of recovery of [and] a return of and on this investment."[14] How do you respond?

A. Mr. Murray appears to be attempting to correlate Ameren Corporation's stock price trading levels relative to corporate peers to its underlying equity cost of capital. Yet Mr. Murray does not provide any compelling evidence to support his assertion that Ameren Corporation's stock performance, and by implication, Ameren Missouri's equity cost of capital, has been meaningfully impacted by the lower business risk environment in Missouri following the passage of SB 564 or the Securitization Statute. How Ameren's stock trades relative to its peers is based on a multitude of comparative factors, including its relative earnings-per-share and dividend growth rate, the quality of its earnings and cash flow, the investor community's perception of Ameren management's track record of execution, and the investor community's perception of Ameren's regulatory frameworks as supportive of the company's growth objectives. To justify a "premium" trading position (i.e., a higher relative P/E multiple), the investor community must view Ameren Corporation, on average across all of its business lines, as better positioned with respect to these discrete factors (and others) relative to its comparable peer companies. So, for Mr. Murray to claim that Ameren Missouri's regulatory frameworks are supportive of premium trading multiples, he must demonstrate not that the stock trading

[13] File. No. GR-2024-0369, Direct Testimony of David Murray, p. 4, ll. 10-12.
[14] *Id.* at p. 41, ll. 20-23

premium is due to Ameren Missouri's regulatory risk having changed after the implementation of a cost recovery mechanism, but rather that the regulatory risk profile of Ameren Missouri is comparably superior to the peer group against which Ameren's common stock is benchmarked.

Q. Did Mr. Murray discuss the relative regulatory risk profile of Ameren Missouri versus other comparable utilities to support his theory that the availability of the PISA mechanism and the ability to securitize energy transition costs facilitate higher corporate leverage and a premium stock trading multiple?

A. No, he did not. The comparable return standards established in *Hope* and *Bluefield* require that the overall return for the subject company be comparable to the return that could be obtained on alternative investments of comparable risk. Mr. Murray's conclusion that increased leverage is reasonable because Ameren Missouri has implemented PISA and has utilized securitization, without consideration of the relative risk profile of proxy peer companies, is inconsistent with the fundamental principle of comparability established in *Hope* and *Bluefield*[15], and therefore should be rejected. If Mr. Murray had considered the regulatory risk profile of the Company, including rate design, capital cost recovery mechanisms, and overall regulatory supportiveness, he would be hard pressed to conclude that Ameren Missouri possesses a lower regulatory risk profile than comparable utility companies.

Q. Can you share how Ameren's stock price and P/E multiple have performed since the passage of SB 564 and the implementation of the PISA mechanism?

In Schedule DTS-R1, I compare Ameren Corporation's stock price performance versus a group of identified integrated utility and gas utility peers from May 31, 2018 (the day before

[15] Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944) ("Hope"); Bluefield Waterworks & Improvement Co., v. Public Service Commission of West Virginia, 262 U.S. 679 (1923) ("Bluefield").

SB 564 was signed into law) to December 31, 2024. Over the designated period, Ameren Corporation's stock price did outperform the integrated utility peer group average by 19.2% and the gas utility peer group by 42.4%. Relative to the integrated utility peer group, which is arguably the more relevant comparison set given that less than 15% of Ameren Corporation's consolidated regulatory rate base is comprised of natural gas distribution activities, I would not necessarily characterize such outperformance over a 79-month timeframe as statistically significant and would further highlight that Ameren Corporation's outperformance relative to this peer set really occurred in 2020 and 2021, well after the point at which SB 564 was passed and presumably factored into Ameren Corporation's stock price, as well as in late 2024, recovering some of the stock price underperformance in late 2023 / early 2024 traceable to the outcome of Ameren Illinois' electric and gas regulatory orders in December 2023. The underperformance of the gas utility peer set really played out in early 2020 when this distinct part of the utility sector fell out of favor due to financial community questions about the value and growth propositions of the industry. In both comparison cases, it appears that factors other than the PISA framework have contributed to the stock price outperformance over the identified period.

In Schedule DTS-R2, I compare Ameren Corporation's forward year P/E multiple versus the same corporate peer groups from May 31, 2018 to December 31, 2024. Ameren Corporation's common stock has recently traded at a next-12-months ("NTM") P/E multiple that is in line with both the averages of the integrated utility peers and the gas utility peers (18.0x vs. 17.8x and 17.7x as of December 31, 2024). However, for much of the measured period prior to the December 2023 Ameren Illinois orders in its electric and gas rate proceedings, Ameren Corporation's common stock consistently traded at a P/E multiple premium to the peer groups.

At the time of the passage of SB 564 (May 31, 2018) and in the months before, Ameren traded at a premium to the more-relevant peer integrated utilities (19.0x for Ameren Corporation versus 17.9x for integrated peers), but at a marked discount to gas utility peers (19.0x vs. 20.8x as of May 31, 2018). As we cannot trace any direct cause and effect on Ameren Corporation's stock price and relative trading multiples from the passage of SB 564, it is not reasonable to suggest that investors have placed more premium value on Ameren Corporation's common stock due specifically to the passage of SB 564 and its impact on business risk.

Q. Mr. Murray references Ameren Corporation's "reallocated intended capital spend for its Illinois electric utility systems to its Missouri electric utility systems and ATXI"[16] as a consequence of the December 2023 ICC order in Ameren Illinois' multi-year rate proceeding. Did this occur?

A. In December 2023, the ICC issued an order in Ameren Illinois' multi-year rate proceeding (the "ICC Order"), which rejected Ameren Illinois' proposed four-year grid plan and rate plan and imposed one of the nation's lowest authorized returns on equity (ROE) at 8.72%. Ameren Illinois viewed the ICC Order as disappointing given its significant deviation from the input of key stakeholders regarding central issues of the case. As a result, Ameren Illinois took action in early 2024 to reduce its projected capital expenditures within its Illinois electric distribution business by approximately $500 million[17] over the 2024-2028 timeframe to be more in line with a revised grid plan that it ultimately expected the ICC to authorize through a refiling process. With the reduced capital outlay in Illinois electric distribution, Ameren Corporation then theoretically had some additional flexibility within its overall capital-constrained business

[16] File. No. GR-2024-0369, Direct Testimony of David Murray, p. 41, ll. 24-25, and p. 42, l. 1.
[17] Reflects the change to the capital plan approved by Ameren Corporation's board of directors in February 2024 versus the original capital plan proposed by Ameren Corporation in December 2024.

to accelerate capital spending at Ameren Missouri and ATXI over the balance of its five-year (2024-2028) plan to achieve earlier customer benefits. However, the five-year plan eventually communicated to the financial community in February 2024 only contained about $40 million of incremental capital spending at each of Ameren Missouri and ATXI relative to the formulated capital plan prior to the ICC Order. In the future, given the relatively poor regulatory return on investment in its Illinois electric distribution business, Ameren Corporation may appropriately choose to allocate comparatively more of its discretionary capital to its Ameren Missouri and ATXI business units. Yet, any such decision would be a function of Ameren Corporation's perceived relative investment return opportunities across its business segments, the impact on customer affordability of such investment allocation, and a view that the financial community (i.e., equity analysts, investors, and the rating agencies) would be more supportive of this capital allocation approach.

Q. In summary, do you believe that the lower business risk environment in Missouri following passage of SB 564 and the Securitization Statute supports reducing Ameren Missouri's regulatory common equity ratio below its actual equity ratio?

A. No. The change in Ameren Missouri's business risk following passage of SB 564 and the Securitization Statute has had no demonstrable positive impact on the Company's financial position, its credit profile and its access to, and cost of, debt and equity capital. Furthermore, as I mentioned before, there have been other market and operational factors that have negatively influenced Ameren Missouri's credit profile in recent years. As a result, a reduction of Ameren Missouri's regulatory equity ratio below its actual level is certainly not justified on this basis. In addition, any action to reduce Ameren Missouri's common equity ratio in this proceeding, in combination with the recent degradation of credit metrics due to the customer rate reductions culminating from the TCJA and the regulatory lag associated with Ameren Missouri's PISA framework, would serve to significantly reduce Ameren Missouri's credit quality, potentially negatively impacting its credit ratings and increasing the cost of serving Missouri customers. I discuss this concept further in the next section of my testimony.

VII. THE USE OF A PARENT COMPANY OR HYPOTHETICAL CAPITAL STRUCTURE FOR AMEREN MISSOURI IN THIS PROCEEDING IS NOT JUSTIFIED

Q. Mr. Murray proposes using a parent company/hypothetical capital structure with common equity ratios that are lower than Ameren Missouri's actual common equity ratio. Is using a parent company/hypothetical capital structure in this proceeding appropriate?

A. No.

Q. Are there ever situations when it would be appropriate to use a parent company/hypothetical capital structure to set rates for a regulated subsidiary?

A. There may be situations under which it would be more appropriate to use a parent/hypothetical capital structure, but this case is not one of those situations.

Q. What factors should typically be considered when determining whether to use a regulated subsidiary's or parent company's hypothetical capital structure for ratemaking purposes for the regulated subsidiary?

A. The factors typically considered in determining whether the use of a regulated subsidiary's actual capital structure or a parent company's capital structure for ratemaking are provided by David C. Parcell in *The Cost of Capital – A Practitioner's Guide* ("CRRA Guide") prepared for the Society of Utility and Regulatory Financial

Analysts ("SURFA") and provided as the study guide to candidates for SURFA's Certified Rate of Return Certification Examination. The CRRA Guide notes that these factors will "help determine whether the utility vs. parent capital structure is appropriate."[18] They are:

1) Whether the subsidiary utility obtains all of its capital from its parent, or issues its own debt and preferred stock;
2) Whether the parent guarantees any of the securities issued by the subsidiary;
3) Whether the subsidiary's capital structure is independent of its parent (i.e., existence of double leverage, absence of proper relationship between risk and leverage of utility and non-utility subsidiaries); and
4) Whether the parent (or consolidated enterprise) is diversified into non-utility operations.

Mr. Murray specifically recommends using Ameren Corporation's approximate capital structure for purposes of this proceeding. Consequently, the CRRA Guide factors are relevant for consideration of Mr. Murray's recommendations.

Q. Does the application of these factors to Ameren Missouri support the use of Ameren Missouri's actual capital structure for ratemaking purposes?

A. Yes. Application of each of the factors highlighted in the CRRA Guide listed above to Ameren Missouri supports the use of Ameren Missouri's actual capital structure for ratemaking purposes. As previously discussed, Ameren Missouri does not obtain any long-term debt or preferred stock from Ameren Corporation, but rather issues its own long-term debt and preferred stock to outside investors. In addition, Ameren Missouri's long-term debt is secured by its own assets and not the assets of Ameren

[18] David C. Parcell, *The Cost of Capital – A Practitioner's Guide.* Prepared for the Society of Utility and Regulatory Financial Analysts, 2010 Edition.

Corporation. Ameren Missouri and its issued debt securities and preferred stock securities have separate and distinct credit ratings from Ameren Corporation, as provided by both Moody's and S&P. Double leverage does not exist since no proceeds of Ameren Corporation long-term debt issuances have been used as an equity infusion into Ameren Missouri. Finally, Ameren Corporation is not meaningfully diversified into non-utility operations.

In view of the foregoing, Ameren Missouri has an independently determined capital structure. Therefore, the only conclusion to be drawn is that Ameren Missouri's stand-alone capital structure is appropriate for ratemaking purposes.

VIII. AMEREN MISSOURI'S PROPOSED COMMON EQUITY RATIO IS CONSISTENT WITH UTILITY PEERS AND SUPPORTS STRONG AND STABLE CREDIT RATINGS

Q. How does Ameren Missouri's projected common equity ratio of 52.00%, as of December 31, 2024, compare to the common equity ratios recently authorized by comparable utilities?

A. Ameren Missouri has gathered information on gas utility companies' authorized common equity ratios effective between 2015 and 2024. Ameren Missouri's projected December 31, 2024 common equity ratio is consistent with those authorized, on balance, by the regulated, gas operating subsidiaries of publicly-traded utilities in that identified peer group. As highlighted in Schedule DTS-R3, the median authorized effective common equity ratio[19] for the Company's identified peer set in 2024 was 53.57% and the mean was 55.05%, within a range between 50.00% and 62.29%. Expanding the data set to include 2020-2023 provides similar results, as does the data dating back to 2015. Ameren Missouri's projected common equity ratio of 52.00% as of December 31, 2024, is below both the median and mean levels derived by the data set.

Q. Does this consistency support the reasonableness of Ameren Missouri's proposed capital structure for purposes of setting rates in this proceeding?

A. Yes. I'd call specific attention to a citation from Charles Phillip's *The Regulation of Public Utilities – Theory and Practice,*[20] which suggests "a hypothetical capital structure is used only where a utility's actual capitalization is clearly out of line with those of other utilities in its industry or where a utility is diversified." Ameren Missouri meets neither of these criteria: the Company's capital structure is in line with those of its peers, and the Company (as well as its parent company, Ameren Corporation) is not meaningfully diversified into non-regulated activities or businesses.

Q. Mr. Murray highlights the fact that Ameren Corporation has incurred additional parent company debt over the past several years resulting in an increase of Ameren Corporation parent debt as a proportion of consolidated debt. For what purposes were the proceeds of recent Ameren Corporation parent debt issuances used?

A. Proceeds from recent parent company debt issuance were used for a number of purposes, including:

[19] The authorized effective common equity ratio is the authorized regulatory common equity ratio in place for an operating utility for a particular year, even if the underlying party did not have a rate proceeding outcome in that year. For instance, if a peer utility was authorized a 50.0% equity ratio in 2015 and later authorized a 52.0% equity ratio in 2018, our analysis assumes that utility has an equity ratio of 50.0% in 2016 and 2017.
[20] Charles F. Phillips, Jr., *The Regulation of Public Utilities – Theory and Practice,* 1993, Public Utility Reports, Inc., Arlington VA, at 391.

- Paying dividends to its common shareholders over the past several years at levels that are well in excess of dividend distributions received from regulated subsidiaries, including Ameren Missouri. This is a function of the regulated subsidiaries reinvesting significant operating cash flow and retained earnings into their long-term regulated assets. In particular, and as I covered earlier in my testimony, Ameren Missouri has significantly reduced its cash distributions to Ameren Corporation since 2019, requiring Ameren Corporation to replace such cash sources in part through parent company debt issuance.
- Paying increasing amounts of debt service on Ameren parent long-term debt, which has been issued with more frequency in recent years given the lower distributions derived from Ameren Missouri.
- Ameren Corporation funding investment to support AIC equity needs and ATXI equity needs, though such contributions have slowed significantly in recent years.

While Ameren Corporation has raised debt capital in recent years to support the initiatives highlighted above, the parent company has also raised significant equity capital in order to support these same initiatives while retaining a strong consolidated financial profile and balance sheet. I would note here, as I did previously, that no proceeds from the issuance of Ameren Corporation parent long-term debt were used to infuse capital into Ameren Missouri.

Q. Earlier, you discussed Ameren Missouri's debt capacity. Has Ameren Corporation's debt capacity increased in recent years?

A. Previously, I suggested a concept that the debt capacity is the maximum amount of debt that a business could carry without adversely impacting its current credit ratings, with an objective approach to identifying the debt capacity as being the level of debt at which the company equals its FFO to debt ratio downgrade threshold at each of Moody's and S&P. With this concept in mind, I would suggest Ameren Corporation's debt capacity did increase in early 2019 when Moody's (in its March 29, 2019, credit opinion) reduced the FFO to debt ratio downgrade threshold of Ameren Corporation from 19% to 17%.[21] This change has permitted Ameren Corporation more flexibility to take on additional leverage or better absorb negative changes to the operating cash flow profile of its utility subsidiaries without negatively impacting its credit rating at Moody's.

Q Has the implied increase in debt capacity at Ameren Corporation impacted Ameren Missouri's debt capacity?

A. No. As previously referenced, Ameren Missouri's FFO to debt downgrade threshold at Moody's had remained at 19% for quite some time before Moody's reduced it in 2024 to 18%, so the additional financial flexibility afforded to Ameren Corporation by virtue of its lower FFO to debt ratio downgrade threshold at Moody's as of March 2019 really has not translated into direct additional financial flexibility for Ameren Missouri.

Q Has Ameren Missouri's financial health or access to debt and equity capital been adversely impacted by Ameren Corporation's recent incurrence of parent long-term debt?

A. No. Ameren Missouri's financial health, as evidenced by its credit ratings, which have been maintained at strong levels in recent years, provides timely access to both debt and equity capital at reasonable costs.

[21] S&P's FFO to debt ratio downgrade threshold is at a lower 13% level, so Ameren Corporation's debt capacity did not increase with respect to the S&P credit rating when Moody's took its action in March 2019.

Q. Is Ameren Corporation's parent debt as a percentage of consolidated debt out of line with identified peer holding companies?

A. Per the table below, Ameren Corporation's parent debt as a percentage of consolidated debt based on December 31, 2024 reported figures actually are in line with the adjusted mean and median of the identified peer group, which includes integrated electric and gas utility holding companies as well as gas LDC-concentrated holding companies.

Integrated Electric and Gas Utilities Peer Group
Holding Company Leverage Analysis

	Holding Company Debt as a % of Consolidated Debt[1]
Alliant Energy	28.3%
American Electric Power	29.3%
Avista	97.1%
CMS Energy	30.7%
DTE Energy	29.9%
Duke Energy	34.4%
Entergy	19.3%
Evergy	35.2%
IDACORP	0.0%
NextEra	49.2%
Northwestern Energy	100.0%
OGE Energy	8.0%
Pinnacle West	16.9%
Portland General Electric	100.0%
PPL Energy	22.5%
Southern Company	33.5%
Xcel Energy	24.6%
Ameren	**27.2%**
Peer Mean[2]	26.1%
Peer Median[2]	28.8%

[1]Data as of December 31, 2024.
Debt includes short-term debt.

[2]Mean and median excludes NextEra, since unregulated operations are financed at the holding company, as well as Avista, Northwestern and Portland General, who fund all or essentially all operations at the holding company. Also excludes IDACORP, which finances all operations at the subsidiary level.

Gas Utilities Peer Group
Holding Company Leverage Analysis

	Holding Company Debt as a % of Consolidated Debt[1]
Atmos Energy	100.0%
NiSource	97.7%
Northwest Natural Gas	20.1%
ONE Gas	100.0%
Southwest Gas	30.7%
Spire	34.7%
Ameren	**27.2%**
Peer Mean[2]	28.5%
Peer Median[2]	30.7%

[1]Data as of December 31, 2024.
Debt includes short-term debt.
[2]Mean and median excludes Atmos Energy, NiSource and ONE Gas, who fund all or essentially all operations at the holding company.

Q. What would be the consequence to Ameren Missouri's credit profile and credit ratings of approving common equity content that is consistent with Ameren Corporation's consolidated equity ratio for ratemaking purposes and below Ameren Missouri's actual equity ratio, as suggested by Mr. Murray?

A. Applying a common equity ratio that is consistent with Ameren Corporation's consolidated common equity ratio to establish rates in this proceeding would significantly weaken Ameren Missouri's credit metrics, including key metrics evaluated by the rating agencies for purposes of assigning credit ratings. While it is difficult to predict the ultimate impact of weaker credit metrics on the Company's credit ratings, as such ratings are a function of a number of qualitative and quantitative factors, it is without a doubt that weaker credit metrics would contribute to increased financial risk and higher likelihood of a ratings downgrade. Additionally, rejection by the Commission of Ameren

Missouri's actual capital structure, absent compelling evidence that the actual capital structure is inappropriate or unreasonable, could result in rating agency concerns regarding the supportiveness of the Missouri regulatory environment, which would pressure Ameren Missouri's credit ratings. To the extent that Ameren Missouri's credit ratings were downgraded, Ameren Missouri's access to required debt capital to finance its operations could become more challenging and likely more expensive, which would be harmful to Ameren Missouri customers.

Q. What would be the impact on Ameren Missouri's FFO to debt ratio at Moody's if Mr. Murray's recommended equity ratio of 42% were adopted?

A. Mr. Murray claims that Ameren Missouri's capital structure does not reflect its true debt capacity. Yet, as previously discussed, Ameren Missouri's FFO to debt ratios have trended down in recent years, diminishing its credit quality and curtailing incremental debt capacity at its current credit ratings. For instance, Moody's has calculated Ameren Missouri's 2024 FFO to debt ratio at **_____** which places the Company's performance modestly above its newly-established 18% downgrade threshold. **____[22]____

[22] Assumes similar capital structure treatment across both electric and gas utility rate base.

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** Consequently, I have serious concerns that using the parent company equity ratio proposed by Mr. Murray, with or without an associated reduction in the allowed ROE, would place Ameren Missouri at significant risk of a rating downgrade at Moody's.

Q. Do you have any evidence that the rating agencies would view the Commission acceptance and approval of a capital structure consistent with the parent company for ratemaking purposes as a credit negative outcome?

A. Yes. I would specifically highlight a credit opinion written by Moody's on February 5, 2018, shortly after the Commission conducted an initial Agenda discussion in the Laclede Gas and Missouri Gas Energy (collectively, "Spire Missouri") rate proceedings (File Nos. GR-2017-0215 and GR-2017-0216) suggesting that parent company Spire Inc.'s ("Spire") equity ratio should be used for ratemaking purposes rather than the actual equity ratio of Spire Missouri. In the report, Moody's stated that the Commission's use of Spire's capital structure in the rate cases would be ** **

Moody's further added that ** **

Furthermore, following the February 21, 2018 order in the Spire Missouri rate cases, in which the Commission ultimately approved the use of Spire Missouri's actual capital structure rather than Spire's (the parent's) capital structure, Moody's, in a March 1, 2018 credit opinion, stated that **____ ____ ____ ____________________** Moody's negative reaction to both the initial discussion and the positive reaction to the final Commission order in Spire Missouri's rate cases demonstrates that the rating agencies would likely view Commission approval of a hypothetical equity ratio below Ameren Missouri's actual equity ratio as a credit negative outcome.

Q. What would be the consequence on Ameren Corporation's stock price and inherent cost of equity of using an equity ratio consistent with Ameren Corporation's consolidated equity ratio for ratemaking purposes that is below Ameren Missouri's actual equity ratio, as suggested by Mr. Murray?

A. Using the approximate parent company common equity ratio that is below Ameren Missouri's actual common equity ratio to establish rates in this proceeding would likely place pressure on Ameren Corporation's share price. A lower relative share price makes it more challenging and expensive for Ameren Corporation to deploy equity capital to fund operations at Ameren Missouri, with such higher cost of equity capital ultimately passed along to Ameren Missouri customers in the form of higher rates.

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Q. Do you have any evidence that Ameren Corporation's stock price would face pressure if the Commission approved the targeted parent company equity ratio below Ameren Missouri's actual equity ratio?

A. Yes. On January 31, 2018, the date that the Commission initially discussed the Spire Missouri rate cases, suggesting that parent company Spire's equity ratio should be used for ratemaking purposes rather than the actual equity ratios of Spire Missouri, Spire's share price declined 3.3% as compared to a 1.0% increase in the PHLX Utility Sector Index (the "UTY"). On the following day, February 1, 2018, Spire's stock price declined an additional 5.0% as compared to a 1.6% decline in the UTY.

The stock price decline during that period was in part a response to commentary published by several prominent Wall Street equity analysts that was negative in tone. For instance, Wells Fargo analysts Sarah Akers and Neil Kalton stated in a report published on February 1, 2018, that "we view this stance by the Commission as somewhat punitive considering customers are benefitting from deal-related cost savings, which may not have been possible absent Spire's ability to use leverage to make the acquisitions economically viable." Another equity analyst from Guggenheim Securities, Shahriar Pourreza, wrote on February 1, 2018 that "MoPSC's deliberations on the pending rate case sent a concerning message. Investors likely expected management to send a stronger message to MoPSC that they would not hesitate to direct capital elsewhere if they are not afforded the mechanisms to necessitate adequate recovery of that capital."

The negative share price reaction to the initial Commission discussion in Spire Missouri's rate cases demonstrates that Ameren Corporation's stock price could face similar pressure if the Commission approves the parent company equity ratio below Ameren

Missouri's actual equity ratio. The effect of a lower relative share price is a more challenging and expensive outlook for Ameren Corporation to deploy equity capital to fund operations at Ameren Missouri.

Q. In recommending that the Commission utilize the parent company capital structure for ratemaking purposes, Mr. Murray alludes to Ameren Missouri's commitment "to investing significant amounts of capital in Ameren Missouri's system"[23] and posits that his recommended hypothetical capital structure is the more efficient capital structure for Ameren Missouri. How does Mr. Murray's position line up with your discussion regarding potential negative credit ratings and stock price consequences in the event the Commission approved an equity ratio below Ameren Missouri's actual equity ratio?

A. Mr. Murray ignores the fact that arbitrarily utilizing the parent company capital structure, and the potential for negative rating agency reactions and stock price pressure, could actually result in an increase to the Company's cost of capital, and by consequence, higher relative customer rates. Furthermore, taking such action to arbitrarily alter the Company's capital structure as it executes a significant capital expenditure program, creates risk around the financing costs of the capital program to enhance customer service and reliability, with Ameren Missouri's customers ultimately bearing those risks.

Q. Does Mr. Murray offer an alternative recommendation if the Commission does not adopt his more leveraged capital structure recommendation?

[23] File. No. GR-2024-0369, Direct Testimony of David Murray, p. 40, ll. 27-28.

A. Yes. If the Commission does not adopt Mr. Murray's more leveraged capital structure recommendation, Mr. Murray recommends the Commission should at least reduce the ratemaking common equity ratio by 1 percentage point.

Q. What basis does Mr. Murray provide for this recommendation?

A. Mr. Murray appears to base his recommendation on the fact that Ameren Missouri's natural gas inventories make up approximately 1%[24] of total rate base in this case and his assertion that "pure-play LDC companies typically finance natural gas inventories with short-term debt."[25]

Q. Does Mr. Murray provide any evidence that the Company's natural gas inventories are financed separately from the rest of the Company's rate base and strictly using short-term debt?

A. No. Mr. Murray provides no evidence behind these unsubstantiated claims, other than his vague assertion that such practices are "customary" for pure-play LDC companies. Further, Mr. Murray even goes on to acknowledge that "this customary practice is not apparent when analyzing Ameren Missouri's capital structure."[26] Consequently, the Commission should reject Mr. Murray's alternative recommendation and approve the actual capital structure as of December 31, 2024.

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[24] There appears to be a math error in Mr. Murray's recommendation, as removing the common equity associated with 1% of the Company's rate base would only reduce the Company's common equity ratio by approximately half a percent, given that each dollar of the Company's rate base is only 52.00% common equity financed.
[25] File No. GR-2024-0369, David Murray Direct Testimony, p. 37 ll. 12-13.
[26] File No. GR-2024-0369, David Murray Direct Testimony, p. 37 ll. 14-15.

IX. TRUE-UP CAPITAL STRUCTURE

Q. The Company provided a projected capital structure and weighted average cost of capital in its direct testimony. Please update with actual results as of December 31, 2024.

A. The Company's weighted average cost of capital updated for actual results as of December 31, 2024 is 7.389% based on a common equity ratio of 51.957%. Please refer to Schedule DTS-R4 for the supporting calculation and further details.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

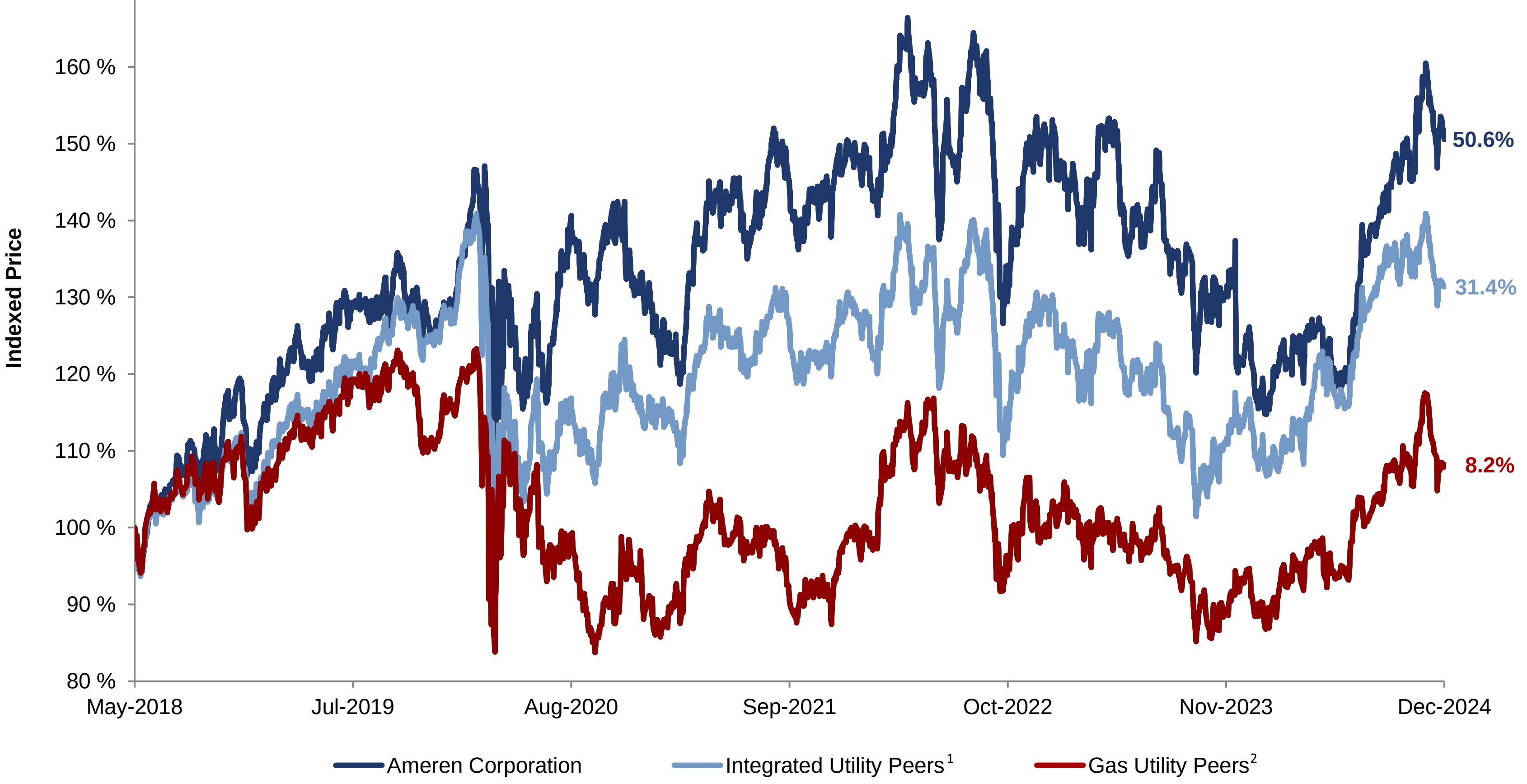
Ameren Corp. Stock Price Performance Vs. Utility Peers

Schedule DTS-R1

May 31, 2018 to December 31, 2024

DTS-R1

Performance (%)	5Y	3Y	2Y	1Y	6M
AEE	17.2 %	0.1 %	0.2 %	23.2 %	26.0 %
Integrated Utility Peers[1]	3.8	0.5	2.3	15.4	13.7
Gas Utility Peers[2]	(6.3)	9.0	9.5	16.6	15.2



Source: Bloomberg market data as of 31-Dec-2024 | Note: Represents peer average for indices.

[1] Integrated Utility Peers consist of Alliant Energy, American Electric Power, Avista, CMS Energy, DTE Energy, Duke Energy, Entergy, Evergy, IDACORP, NextEra Energy, NorthWestern, OGE Energy, Pinnacle West, Portland General Electric, PPL, Southern Company, and Xcel Energy. [2] Gas Utility Peers consist of Atmos Energy, NiSource, Northwest Natural, One Gas, Southwest Gas, and Spire.

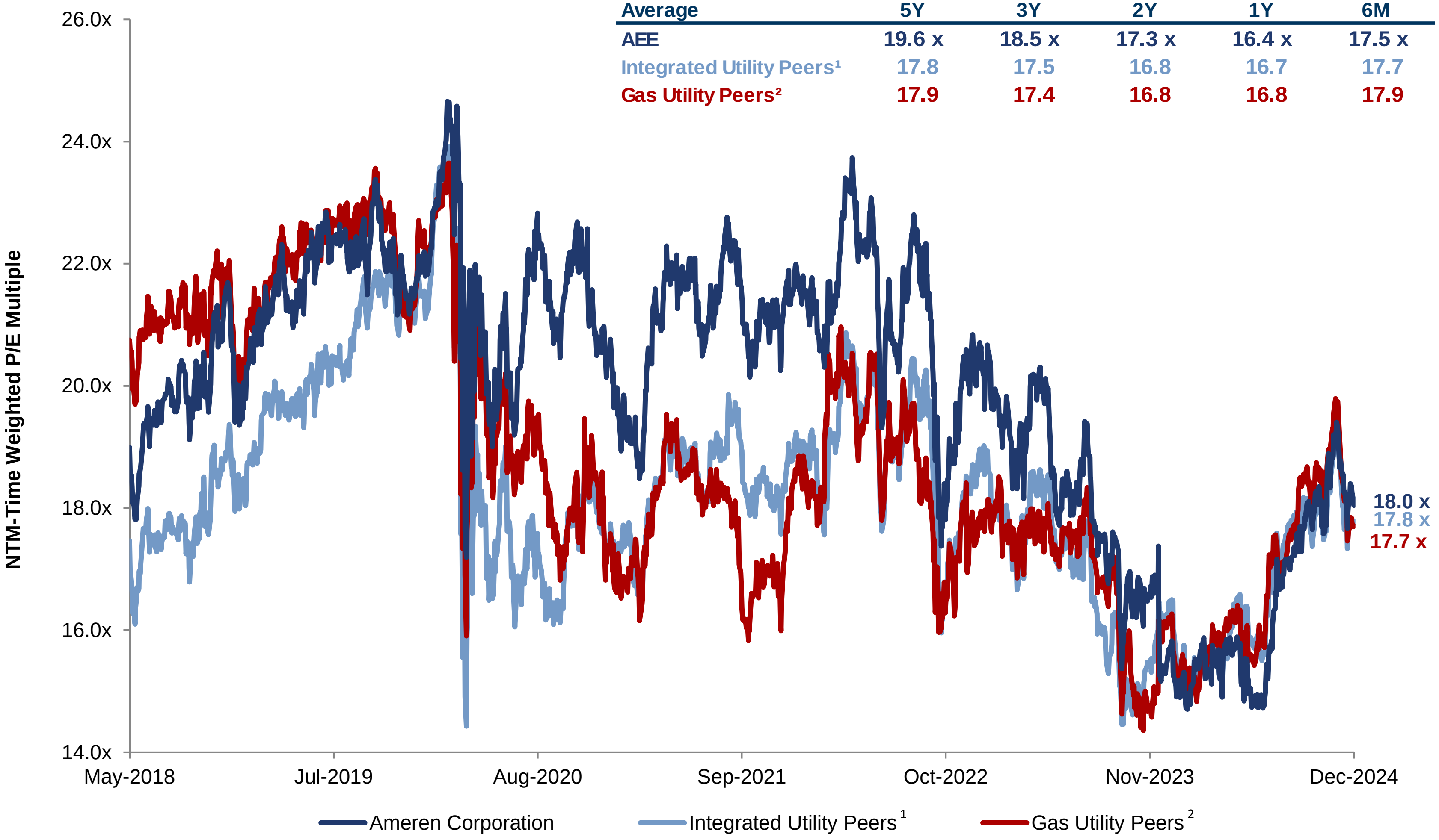
Ameren Corp. NTM P/E Multiples Vs. Utility Peers

Schedule DTS-R2

May 31, 2018 to December 31, 2024

DTS-R2

Average	5Y	3Y	2Y	1Y	6M
AEE	19.6 x	18.5 x	17.3 x	16.4 x	17.5 x
Integrated Utility Peers[1]	17.8	17.5	16.8	16.7	17.7
Gas Utility Peers[2]	17.9	17.4	16.8	16.8	17.9



Source: Bloomberg market data as of 31-Dec-2024 | Note: Represents peer median for indices.

[1] Integrated Utility Peers consist of Alliant Energy, American Electric Power, Avista, CMS Energy, DTE Energy, Duke Energy, Entergy, Evergy, IDACORP, NextEra Energy, NorthWestern, OGE Energy, Pinnacle West, Portland General Electric, PPL, Southern Company, and Xcel Energy. [2] Gas Utility Peers consist of Atmos Energy, NiSource, Northwest Natural, One Gas, Southwest Gas, and Spire.

AUTHORIZED COMMON EQUITY RATIO - GAS PROXY GROUP UTILITY OPERATING COMPANIES
Schedule DTS - R3

				EFFECTIVE EQUITY RATIO									
Company Name	**State of Operation**	**Docket No.**	**Authorized Equity Ratio**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Atmos Energy Corp.	Colorado	D-22AL-0348G	58.00%	52.00%	52.00%	52.00%	56.00%	56.00%	56.00%	56.00%	56.00%	55.29%	58.00%
Atmos Energy Corp.	Kansas	D-23-ATMG-359-RTS	NA	53.00%	53.00%	NA	NA	NA	56.32%	56.32%	56.32%	56.32%	NA
Atmos Energy Corp.	Kentucky	C-2021-00214	54.50%	49.16%	49.16%	NA	52.57%	55.32%	58.06%	58.06%	56.28%	54.50%	54.50%
Atmos Energy Corp.	Tennessee	D-24-00006	62.38%	52.23%	53.13%	53.13%	52.27%	54.89%	58.38%	59.13%	60.24%	61.40%	62.29%
Atmos Energy Corp.	Texas (Mid Tex)	D-GUD-10779 (Mid-Tex Division)	60.18%	51.69%	NA	NA	NA	60.18%	60.18%	60.18%	60.18%	60.18%	60.18%
Atmos Energy Corp.	Texas (West Texas)	D-GUD-10900	60.12%	NA	NA	NA	NA	NA	60.12%	60.12%	60.12%	60.12%	60.12%
Columbia Gas of Kentucky Inc	Kentucky	C-2024-00092	52.64%	NA	NA	NA	NA	NA	NA	52.64%	52.64%	52.64%	52.64%
Columbia Gas of Maryland Inc	Maryland	C-9701	NA	53.84%	53.84%	NA	NA	52.90%	52.77%	52.79%	52.96%	52.97%	NA
Columbia Gas Ohio Inc.	Ohio	C-21-0637-GA-AIR	50.60%	NA	NA	NA	NA	NA	NA	NA	NA	50.60%	50.60%
Columbia Gas of Pennsylvania	Pennsylvania	D-R-2024-3046519	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Columbia Gas of Virginia Inc	Virginia	C-PUR-2022-00036	NA	42.36%	42.01%	42.01%	NA	NA	NA	NA	NA	NA	NA
Northwest Natural Gas Co.	Oregon	D-UG-490	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Northwest Natural Gas Co.	Washington	D-UG-200994	NA	NA	NA	NA	NA	49.00%	49.00%	49.00%	NA	NA	NA
Kansas Gas Service Co.	Kansas	D-24-KGSG-610-RTS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Oklahoma Natural Gas Co	Oklahoma	Ca-PUD2024-000010	58.55%	55.30%	57.90%	60.50%	60.50%	60.50%	60.50%	59.53%	58.55%	58.55%	58.55%
Texas Gas Service Co.	Texas (Central Gulf)	D-OS-24-00017471(Central-Gulf)	59.58%	NA	NA	NA	NA	NA	59.00%	59.00%	59.00%	59.00%	59.29%
Texas Gas Service Co.	Texas (Rio Grande)	D-OSS-23-00014399(Rio Grande)	59.07%	55.36%	55.36%	55.36%	61.29%	61.29%	61.29%	61.29%	61.29%	61.29%	59.07%
Texas Gas Service Co.	Texas (West Texas)	D-OSS-22-00009896 (WTXNorth)	59.74%	59.24%	59.67%	60.10%	60.10%	60.10%	60.10%	60.10%	60.10%	59.92%	59.74%
Spire Missouri Inc.	Missouri	C-GR-2022-0179	NA	NA	NA	NA	54.16%	54.16%	54.16%	52.01%	49.86%	NA	NA
Southwest Gas Corp.	Arizona	D-G-01551A-21-0368	50.00%	52.30%	52.30%	52.00%	51.70%	51.70%	51.40%	51.10%	51.10%	50.55%	50.00%
Southwest Gas Corp.	California (SoCal)	A-19-08-015 (SoCal)	52.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	53.50%	52.00%	52.00%	52.00%
Southwest Gas Corp.	California (NoCal)	A-19-08-015 (NoCal)	52.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	53.50%	52.00%	52.00%	52.00%
Southwest Gas Corp.	California (LkTah)	A-19-08-015 (LkTah)	52.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	53.50%	52.00%	52.00%	52.00%
Southwest Gas Corp.	Nevada (Northern)	D-23-09012 (Northern)	50.00%	59.06%	59.06%	59.06%	54.36%	49.66%	49.46%	49.26%	49.63%	50.00%	50.00%
Southwest Gas Corp.	Nevada (Southern)	D-23-09012 (Southern)	50.00%	42.74%	42.74%	42.74%	46.20%	49.66%	49.46%	49.26%	49.63%	50.00%	50.00%
MEAN				52.55%	52.82%	53.22%	54.58%	54.73%	55.56%	55.06%	54.99%	54.97%	55.05%
LOW				42.36%	42.01%	42.01%	46.20%	49.00%	49.00%	49.00%	49.63%	50.00%	50.00%
HIGH				59.24%	59.67%	60.50%	61.29%	61.29%	61.29%	61.29%	61.29%	61.40%	62.29%
MEDIAN				53.00%	53.49%	55.00%	54.68%	55.00%	55.50%	53.50%	54.48%	53.74%	53.57%

Notes:
[1] Source: S&P Capital IQ Pro
[2] Includes operating companies of the companies in the proxy group
[3] Operating Subsidiaries with rate cases not covered by S&P Capital IQ Pro were excluded from the analysis.
[4] Analysis excludes operating companies that operate in jurisdictions that include zero cost capital items in the capital structure, including Arkansas, Florida, Indiana, and Michigan.
[5] Analysis excludes operating companies for which the company's latest rate case was decided in 2010 or prior, i.e., only companies with a rate case in 2010 or later are included.
[6] The equity ratio for Atmos Energy Corp. Colorado between 2015 and 2022 is inputted from the Company's 10-K as the rate cases were not covered by S&P Capital IQ Pro.
[7] The equity ratio for Texas Gas Service - Rio Grande between 2015 and 2023 is inputted from prior rate case orders because the rate cases were not covered by S&P Capital IQ Pro.

Union Electric Company d/b/a Ameren Missouri
Capital Structure/Weighted Average Cost of Capital

at 12/31/2024:

CAPITAL COMPONENT	AMOUNT	PERCENT OF TOTAL	COST	WEIGHTED COST
Long-Term Debt	$7,238,795,461	47.506%	4.296%	2.041%
Short-Term Debt	$0	0.000%	0.000%	0.000%
Preferred Stock	$81,827,509	0.537%	4.180%	0.022%
Common Equity	$7,917,158,442	51.957%	10.250%	5.326%
TOTAL	**$15,237,781,412**	**100.000%**		**7.389%**

Union Electric Company d/b/a Ameren Missouri
Embedded Cost of Long-Term Debt

at December 31, 2024

		PAYMENT				FACE AMOUNT	UNAMORTIZED BALANCES			CARRYING	ANNUALIZED	ANNUALIZED AMORTIZATION			ANNUALIZED
SERIES	**COUPON**	**DATES**	**ISSUED**	**MATURITY**	**PRINCIPAL**	**OUTSTANDING**	**DISC/(PREM)**	**ISSUE EXP.**	**LOSS**	**VALUE**	**COUPON INT.**	**DISC/(PREM)**	**ISSUE EXP**	**LOSS**	**EXPENSE**
C1	**C2**	**C3**	**C3**	**C4**	**C5**	**C6**	**C7**	**C8**	**C9**	**C10**	**C11**	**C12**	**C13**	**C14**	**C15**
Senior Secured Notes	2.950%	6/15, 12/15	15-Jun-17	15-Jun-27	$400,000,000	$400,000,000	$320,204	$841,560			$11,800,000	$130,400	$336,624		
First Mortgage Bonds	3.500%	3/15, 9/15	06-Mar-19	15-Mar-29	$450,000,000	$450,000,000	$160,461	$1,853,300			$15,750,000	$38,155	$444,792		
First Mortgage Bonds	2.950%	3/15, 9/15	20-Mar-20	15-Mar-30	$465,000,000	$465,000,000	$208,460	$2,063,124			$13,717,500	$40,046	$392,976		
First Mortgage Bonds	2.150%	3/15, 9/15	22-Jun-21	15-Mar-32	$525,000,000	$525,000,000	$384,265	$3,050,133			$11,287,500	$53,329	$420,708		
Senior Secured Notes	5.500%	3/15, 9/15	10-Mar-03	15-Mar-34	$184,000,000	$184,000,000	$610,049	$536,796			$10,120,000	$66,270	$58,032		
Senior Secured Notes	5.300%	2/1, 8/1	21-Jul-05	01-Aug-37	$300,000,000	$300,000,000	$399,567	$1,172,515			$15,900,000	$31,754	$93,180		
Senior Secured Notes	8.450%	3/15, 9/15	20-Mar-09	15-Mar-39	$350,000,000	$350,000,000	$552,141	$1,651,347			$29,575,000	$38,868	$115,884		
Senior Secured Notes	3.900%	3/15, 9/15	11-Sep-12	15-Sep-42	$485,000,000	$485,000,000	$1,505,065	$2,859,099			$18,915,000	$85,005	$161,076		
Senior Secured Notes	3.650%	4/15, 10/15	06-Apr-15	15-Apr-45	$250,000,000	$250,000,000	$398,083	$1,887,138			$9,125,000	$19,621	$93,192		
Senior Secured Notes	3.650%	4/15, 10/15	23-Jun-16	15-Apr-45	$150,000,000	$150,000,000	$527,696	$1,237,842			$5,475,000	$26,009	$61,128		
First Mortgage Bonds	4.000%	4/1, 10/1	06-Apr-18	01-Apr-48	$425,000,000	$425,000,000	$1,426,854	$3,513,726			$17,000,000	$61,370	$151,128		
First Mortgage Bonds	3.250%	4/1, 10/1	01-Oct-19	01-Oct-49	$330,000,000	$330,000,000	$933,818	$2,909,412			$10,725,000	$37,730	$117,552		
First Mortgage Bonds	2.625%	3/15, 9/15	09-Oct-20	15-Mar-51	$550,000,000	$550,000,000	$2,263,782	$4,919,670			$14,437,500	$86,385	$187,416		
First Mortgage Bonds	3.900%	4/1, 10/1	01-Apr-22	01-Apr-52	$525,000,000	$525,000,000	$1,173,113	$5,123,109			$20,475,000	$43,050	$188,004		
First Mortgage Bonds	5.450%	3/15, 9/15	13-Mar-23	15-Mar-53	$500,000,000	$500,000,000	$968,211	$5,091,682			$27,250,000	$34,327	$180,768		
First Mortgage Bonds	5.250%	1/15, 7/15	09-Jan-24	15-Jan-54	$350,000,000	$350,000,000	$2,481,931	$3,757,981			$18,375,000	$85,469	$129,096		
First Mortgage Bonds	5.200%	4/1, 10/1	04-Apr-24	01-Apr-34	$500,000,000	$500,000,000	$1,458,090	$4,025,698			$26,000,000	$157,631	$423,732		
First Mortgage Bonds	5.125%	3/15, 9/15	07-Oct-24	15-Mar-55	$450,000,000	$450,000,000	$531,374	$4,388,192			$23,062,500	$17,850	$145,264		
Environmental Improvement, Series 1998A	2.900%	3/1, 9/1	04-Sep-98	01-Sep-33	$60,000,000	$60,000,000		$404,144			$1,740,000		$46,632		
Environmental Improvement, Series 1998B	2.900%	3/1, 9/1	04-Sep-98	01-Sep-33	$50,000,000	$50,000,000		$339,560			$1,450,000		$39,180		
Environmental Improvement, Series 1998C	2.750%	3/1, 9/1	04-Sep-98	01-Sep-33	$50,000,000	$50,000,000		$339,664			$1,375,000		$39,192		
TOTAL LONG-TERM DEBT					**$7,349,000,000**	**$7,349,000,000**	**$16,303,164**	**$51,965,692**	**$41,935,683**	**$7,238,795,461**	**$303,555,000**	**$1,053,269**	**$3,825,556**	**$2,569,104**	**$311,002,929**

Carrying Value = Face Amount Outstanding less Unamortized Discount, Issuance Expenses, and Loss on Reacquired Debt
C10 = C6 - C7 - C8 - C9

Annualized Expense = Annual Coupon Interest plus Annual Amortization of Discount, Issuance Expenses, and Loss on Reacquired Debt
C15 = C11 + C12 + C13 + C14

Embedded Cost = Annualized Expense divided by Carrying Value
C16 = C15 / C10

Union Electric Company d/b/a Ameren Missouri
Cost of Short-term Debt

MONTH C1	BALANCE OF SHORT-TERM DEBT (a) C2	BALANCE OF TOTAL CWIP C3	BALANCE OF CWIP ACCRUING AFUDC C4	NET AMOUNT OUTSTANDING C5	INTEREST RATE C6
January 2024	$351,625,000	$1,153,179,724	$1,081,825,784	$0	--
February	$356,290,000	$1,227,213,444	$1,123,154,293	$0	--
March	$443,767,264	$1,305,354,751	$1,183,737,600	$0	--
April	$4,825,000	$1,374,763,078	$1,253,968,617	$0	--
May	$54,708,309	$1,364,440,994	$1,307,711,224	$0	--
June	$390,483,889	$1,700,846,287	$1,441,003,100	$0	--
July	$403,870,199	$1,752,979,210	$1,648,855,419	$0	--
August	$325,415,436	$1,813,728,244	$1,652,703,461	$0	--
September	$592,322,272	$2,140,752,747	$1,711,801,139	$0	--
October	$351,374,344	$2,472,587,557	$2,239,147,217	$0	--
November	$384,262,728	$2,536,970,920	$2,386,007,127	$0	--
December	$0	$1,269,371,234	$2,241,740,274	$0	--
AVERAGE	**$304,912,037**	**$1,676,015,682**	**$1,605,971,271**	**$0**	

C5 Net Amount Outstanding = Balance of Short-Term Debt less Balance of CWIP Accruing AFUDC

C5 = C2 - C4

Shaded figures represent estimates.

(a) Short-term debt amounts are net of cash and short-term investments. Negative amounts are excluded.

Union Electric Company d/b/a Ameren Missouri
Embedded Cost of Preferred Stock

at December 31, 2024

SERIES, TYPE, PAR C1	DIVIDEND C2	ISSUED C3	MATURITY C4	SHARES OUTSTANDING C5	PAR ISSUED/ OUTSTANDING C6	PREMIUM C7	ISSUANCE EXPENSE/DISCOUNT C8	NET PROCEEDS C9	ANNUAL DIVIDEND C10	EMBEDDED COST C11
$3.50 Series, Perpetual, $100 par	$3.500	01-May-46	-	130,000	$13,000,000	($910,000)	$252,772	$13,657,228	$455,000	
$3.70 Series, Perpetual, $100 par	$3.700	01-Oct-45	-	40,000	$4,000,000	($70,000)	$69,396	$4,000,604	$148,000	
$4.00 Series, Perpetual, $100 par	$4.000	01-Nov-49	-	150,000	$15,000,000	($384,000)	$326,896	$15,057,104	$600,000	
$4.30 Series, Perpetual, $100 par	$4.300	01-Jul-46	-	40,000	$4,000,000			$4,000,000	$172,000	
$4.50 Series, Perpetual, $100 par	$4.500	01-May-41	-	213,595	$21,359,500	($825,000)	$440,294	$21,744,206	$961,178	
$4.56 Series, Perpetual, $100 par	$4.560	01-Nov-63	-	200,000	$20,000,000	($266,000)	$297,633	$19,968,367	$912,000	
$4.75 Series, Perpetual, $100 par	$4.750	01-Oct-49	-	20,000	$2,000,000			$2,000,000	$95,000	
$5.50 Series, Perpetual, $100 par	$5.500	01-Oct-41	-	14,000	$1,400,000			$1,400,000	$77,000	
TOTAL PREFERRED STOCK					**$80,759,500**	**($2,455,000)**	**$1,386,991**	**$81,827,509**	**$3,420,178**	**4.180%**

Issuance expenses, discount/premium, and any loss incurred in acquiring/redeeming prior series are not amortized due to the perpetual nature of the company's preferred stock

Net Proceeds = Par Value Outstanding plus Premium less Issuance Expense and Discount
C9 = C6 + C7 - C8
Embedded Cost = Annual Dividend divided by Net Proceeds
C11 = C10 / C9

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 DARRYL T. SAGEL

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

Darryl T. Sagel, being first duly sworn on his oath, states:

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

*/s/ Darryl T. Sagel*____________
Darryl T. Sagel

Sworn to me this 4th day of April, 2025.