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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2019-0077

DIRECT TESTIMONY

OF

WARREN WOOD

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
December, 2018**

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I. INTRODUCTION

1

Q. Please state your name and business address.

2

3 A. My name is Warren Wood and my business address is One Ameren Plaza,
4 1901 Chouteau Avenue, St. Louis, Missouri 63103.

3

4

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

5

6 A. I am employed by Union Electric Company d/b/a Ameren Missouri
7 ("Ameren Missouri" or "Company") as Vice President, Legislative and Regulatory Affairs.

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7

**Q. Please describe your duties and responsibilities as Vice President,
9 Legislative and Regulatory Affairs.**

8

9

10 A. I oversee state legislative and regulatory policy development and
11 compliance for the Company.

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Q. Please describe your qualifications.

12

13 A. In December 1987, I received a Bachelor of Science degree in Civil
14 Engineering with honors from University of Missouri at Columbia, Missouri. Upon
15 graduation, I accepted employment with Black & Veatch and worked in the Energy and
16 Environmental Divisions for a little over ten years.

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17 While at Black & Veatch, I designed a wide range of power generation and water
18 treatment facilities, acted as an engineering liaison between the design office and joint
19 venture partner offices, developed specifications, drafted engineering drawings, designed

17

18

19

1 mechanical equipment supports, and wrote customer computer programs to assist in
2 solving many types of engineering problems. My work while at Black & Veatch focused
3 on new and retrofit work on coal, combustion turbine, and nuclear power plant projects.

4 I worked for Questec Engineering in Columbia, Missouri in 1997 and 1998. While
5 at Questec, I was a project manager in charge of site development and completion of
6 numerous engineering projects for industrial, commercial, and residential customers.

7 I worked for the Missouri Public Service Commission ("Commission") for a little
8 over eight years. Initially, I was hired as a Regulatory Engineer in the Procurement
9 Analysis Department of the Commission. While working in the Procurement Analysis
10 Department, I investigated the natural gas purchasing practices of Missouri's natural gas
11 utilities and filed testimony in the procurement analysis and actual cost adjustment audit
12 cases. Later, I was employed as the Natural Gas Department Manager, promoted to the
13 newly created Energy Department Manager position, and was later promoted to Utility
14 Operations Division Director. As the Natural Gas Department Manager, I oversaw regular
15 tariff filings at the Commission of the natural gas utilities in the state, the Commission's
16 activities in interstate natural gas pipeline cases at the Federal Energy Regulatory
17 Commission, and the activities of the Commission's natural gas safety section. As the
18 Energy Department Manager, I oversaw the activities of the natural gas department
19 sections listed above in addition to the activities of the engineering and economic analysis
20 sections, which dealt primarily with electric utilities in the state. As the Utility Operations
21 Division Director, I oversaw the day-to-day activities of the Operations Division, regularly
22 participated in Commission policy development efforts, participated in discussions and

1 gave presentations to stakeholder groups and legislative committees, conducted
2 roundtables, and facilitated rulemaking workshops.

3 While at the Commission, I filed testimony in the following cases: Ozark Natural
4 Gas Co., Inc., Case No. GA-96-264; Laclede Gas Company, Case No. GR-96-193;
5 Missouri Gas Energy, Case No. GR-96-285; The Empire District Electric Company, Case
6 No. ER-97-81; Missouri Public Service, Case No. GR-95-273; Missouri Gas Energy, Case
7 No. GO-97-409; Associated Natural Gas Company, Case No GR-97-272; United Cities
8 Gas Company, Case No. GO-97-410; Kansas City Power & Light Company, Case No.
9 EO-2005-0329; Aquila Inc. electric divisions MPS and L&P, Case No. EO-2005-0293;
10 The Empire District Electric Company, Case No. EO-2005-0263; and Aquila Inc., Case
11 No. EA-2006-0309. I was employed by the Missouri Public Utility Alliance in 2007 and
12 later employed as President of the Missouri Energy Development Association ("MEDA").
13 I left MEDA in 2010 to work for Ameren Missouri as Vice President, Legislative and
14 Regulatory Affairs. While working for Ameren Missouri, I have filed testimony on behalf
15 of the Company in Case No. EO-2011-0271.

16 **II. PURPOSE OF TESTIMONY**

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

18 A. The purpose of my testimony is to:

19 (a) Provide a summary of what the Company is seeking to accomplish through
20 this rate request;

21 (b) Provide the Commission with an overview of Ameren Missouri's natural
22 gas operations;

1 (c) Describe some of the challenges facing the Company and the key drivers of
2 the Company's rate request; and

3 (d) Provide an introduction of the other Ameren Missouri witnesses who are
4 filing direct testimony in this case and the topic(s) each witness will address.

5 **Q. Please summarize what Ameren Missouri is seeking to accomplish in**
6 **this proceeding.**

7 A. The first thing we are seeking in this case is to quickly reduce rates, during
8 the winter months when such a reduction is most needed, to reflect the reduction in federal
9 income taxes under the 2018 Tax Cuts and Jobs Act ("TCJA"). The proposed decrease is
10 based upon a full revenue requirement, annualizing the TCJA impacts for the full year,
11 with a test year of the twelve months ending March 2018. Although ultimately the
12 Company's revenue requirement dictates a rate increase, that is in regard to its permanent
13 rates that will result from this proceeding and uses a different test year. Until those
14 permanent rates go into effect, the Company has included tariffs for the implementation of
15 interim rates with an effective date of January 1, 2019. It is our hope that with this interim
16 rate decrease, we can help mitigate, for many of our customers, the higher natural gas bills
17 typical during the winter months. If our proposal is approved by the Commission, rates
18 would drop for customers by approximately 1.43% during the pendency of the Company's
19 case. We intend for these interim rates to remain in effect until either new permanent rates
20 become effective or this rate request is withdrawn, whichever is first.

21 Our request for permanent rates represents a more traditional rate case, in which we
22 are updating our rates to reflect ongoing changes in our cost of service. Ameren Missouri
23 is seeking an overall increase in its annual base rate revenue of approximately \$4.26 million

1 from the Company's current revenue requirement, which means, if the increase is approved
2 by the Commission, typical customers will experience an increase of approximately 5.76%
3 in their base rates late in 2019.

4 **Q. Is Ameren Missouri requesting any changes beyond the revenue**
5 **requirement changes?**

6 A. Yes, we are proposing three additional changes from past practice. First, we
7 want to consolidate our Purchased Gas Adjustment ("PGA") into one zone, with no rate
8 differential between our Rolla and non-Rolla area customers. Company witness Michael
9 Harding addresses this issue in more detail in his testimony.

10 Additionally, Ameren Missouri is requesting the establishment of a Weather and
11 Conservation Adjustment Rider ("WCAR") to address the problem currently facing many
12 natural gas utilities related to declining usage and weather related fluctuations. Mr. Harding
13 also discusses this issue in more detail in his testimony.

14 Finally, we are proposing certain changes in the implementation of energy
15 efficiency measures, including a new low-income energy efficiency program and "red tag"
16 program, as well as recovery for the costs of those measures in a manner similar to that
17 which is currently implemented for Ameren Missouri's electric utility operations.
18 Company witness Laureen Welikson addresses these proposals in more detail in her
19 testimony.

20 **Q. What are the main drivers for the Company's requested rate**
21 **proceeding?**

22 A. The main drivers for this case are threefold; the need to promptly reflect the
23 TCJA decrease in rates, the need to update our permanent rates to reflect ongoing changes

1 in the cost of service, and the Company's desire to restart its Infrastructure System
2 Replacement Surcharge ("ISRS"). As I previously noted, the TCJA significantly reduced
3 our income tax cost, and that benefit should flow back to customers as quickly as possible,
4 hence the request for interim rates. Since there is not a statutory provision to allow the flow
5 back of this benefit on its own (as there is on the electric side), an examination of all aspects
6 of the revenue requirements is required to bring this benefit to customers. My attorneys tell
7 me that to do otherwise would violate the prohibition against single issue ratemaking.
8 Second, the Company has experienced changes in its cost of service since its last rate case
9 arising from rate base additions and changes to expenses, as well as changes in depreciation
10 rates from its most recent depreciation study and the aforementioned decrease in tax rates
11 under the TCJA. All of these changes should be reflected in its permanent rates. Finally,
12 the Company projects significant ISRS investment in the future. As the Commission is
13 aware, the statute authorizing an ISRS requires a utility to file a rate case every three years.
14 It has been more than three years since the Company's last natural gas rate case, which was
15 filed in 2010 and resulted in new rates effective in 2011. Accordingly, Ameren Missouri
16 has not been authorized to collect ISRS revenues since 2014. While this has not been an
17 issue since the Company did not have significant ISRS qualifying investment during that
18 time period, we believe that will change going forward.

19 In summary, Ameren Missouri is filing this rate request, and has chosen this time
20 for that filing, to grant its customers winter bill relief through interim rates that will begin
21 flowing back the TCJA benefits, to fully reflect its current cost of service in permanent
22 rates, and to allow it to re-implement an ISRS to allow the recovery of the cost of qualifying
23 plant addition.

1 **III. AMEREN MISSOURI GAS OPERATIONS**

2 **Q. Please describe Ameren Missouri's gas operations.**

3 A. Ameren Missouri serves approximately 130,000 gas customers in 91
4 communities throughout Missouri and operates approximately 3,300 miles of gas
5 transmission and distribution mains, with an annual system throughput of approximately
6 18 billion cubic feet. Our customers, who are primarily residential and commercial, are
7 served by four distinct and separate, non-interconnected distribution systems. These
8 systems transport natural gas on five separate interstate natural gas pipelines: MoGas
9 Pipeline LLC, Natural Gas Pipeline Company of America, Panhandle Eastern Pipe Line
10 Company L.P., Southern Star Central Gas Pipeline, and Texas Eastern Transmission L.P.
11 None of the Ameren Missouri distribution systems have on-system gas storage facilities.
12 Instead, the Company leases storage capacity from interstate pipelines or from third-party
13 storage providers. The customer load requirements for each system are highly weather
14 sensitive with sharp variations in demand occurring during the peak winter season.

15 **IV. CHALLENGES FACING THE COMPANY AND**
16 **KEY DRIVERS FOR THIS CASE**

17 **Q. Please describe the challenges currently faced by the Company.**

18 A. As is true for all utilities, the normal costs of doing business continue to
19 increase each year, and the Company must continue to invest in its system to maintain
20 system reliability and safety and to provide service to its natural gas customers. Indeed,
21 since the last rate case almost eight years ago, the Company has made significant
22 investments, with over \$134 million dollars of natural gas infrastructure placed into
23 service, compared to a net plant amount from the last gas rate case of approximately \$250
24 million. The Company has also installed approximately 231 miles of new distribution

1 mains, and has constructed a new natural gas distribution line between Columbia and
2 Ashland, Missouri, in order to aid it in serving an expansion of its territory in Boone
3 County. Ameren Missouri also built a new natural gas operating center/training center in
4 Columbia that accommodates gas operations, engineering, and support staff, and is used as
5 a training facility with classrooms, a gas town training field, and an appliance training area
6 in which hands-on training and simulations occur. These, along with the other capital
7 investments the Company has made since the last rate case and its increased operating
8 expenses, must now be recognized on a going forward basis. These factors provided the
9 basis for the requested increase in our revenue requirement.

10 **Q. When was the Company's last natural gas rate case?**

11 A. It has been more than eight years since Ameren Missouri filed a natural gas
12 rate case. The Company's last natural gas rate case was initiated on June 11, 2010, in Case
13 No. GR-2010-0363. That case was resolved by the Commission's Order Approving
14 Stipulation and Agreement issued January 19, 2011. The Commission ultimately approved
15 the Company's compliance tariffs effective for service provided on and after February 20,
16 2011.

17 **Q. Are any of the increases in the Company's capital investment and**
18 **annual operating expenses associated with the cost of gas supply?**

19 A. No. Prudently incurred gas supply costs are recovered dollar for dollar
20 through the application of the Company's PGA. Consequently, gas supply costs are not
21 included in the revenue requirement for this case.

22 **Q. How is the federal income tax rate decrease addressed in the**
23 **Company's rate case filing?**

1 A. It is addressed in two phases. As explained by Company witnesses Laura
2 Moore and Michael Harding, the Company has proposed an interim rate reduction that
3 would begin crediting the benefit of the tax decrease to customers' bills as early as
4 January 1, 2019, and through the pendency of this case. This decrease is based upon a full
5 revenue requirement as of March of 2018. The new revenue requirement presented by
6 Ms. Moore also reflects the tax decrease for rates to be in effect at the conclusion of this
7 rate case and prospectively.

8 **Q. Why is Ameren Missouri requesting an interim rate decrease in this**
9 **case?**

10 A. As of January 1, 2018, Ameren Missouri's income taxes were significantly
11 decreased by the TCJA. The Commission issued a Show Cause order and, last spring, held
12 oral argument on how to return this money to customers. Ameren Missouri believes, as it
13 stated at the Show Cause proceeding, that any reduction in rates to reflect the TCJA must
14 not be a single issue adjustment. A full review of all revenues and costs is required in order
15 to change rates (except in limited circumstances, none of which apply here). But, as the
16 Company told the Commission at the oral argument, we were committed to working with
17 parties to see if such a rate change could be completed in a short period of time. Ameren
18 Missouri and other parties had several discussions and exchanged revenue requirement
19 calculations in an attempt to reach an agreed-upon rate change, but ultimately were not
20 able to reach a resolution. Once it was clear that an agreement was not possible, Ameren
21 Missouri filed the 60-day notice for this rate determination and began putting together the
22 information needed to make this filing. We are requesting an interim rate decrease to flow
23 back the TCJA impact (offset by other costs and revenues through March of 2018) to

1 customers as quickly as possible. Otherwise, customers would have to wait until the end
2 of this case, potentially eleven months from now, for the tax reduction to be reflected in
3 their rates.

4 **Q. What does the Company consider to be a fair and equitable rate of**
5 **return on common equity?**

6 A. As discussed and supported by Ameren Missouri witness Mr. Hevert, the
7 Company considers 10.30% to be a fair and equitable return on equity ("ROE").

8 **Q. Why is the Company requesting an ROE of 10.30%?**

9 A. Customers expect and deserve reliable and safe service. To fund needed
10 construction expenditures, the Company competes for capital in the capital markets. In
11 those capital markets, investors choose the market segments and companies in which to
12 invest their funds. Obviously, if the Company is not earning a fair and equitable ROE,
13 investors will choose to invest elsewhere. As explained in more detail by Mr. Hevert, a fair
14 and equitable ROE is necessary to convince investors to continue to invest in the Company.

15 **V. OTHER WITNESSES**

16 **Q. Who are the other Company witnesses providing direct testimony in**
17 **this proceeding, and what are their areas of responsibility?**

Direct Testimony of
Warren Wood

- 1 A. Ameren Missouri presents the following witnesses to address the described
2 subjects:

Witness	Subject(s)
Laura Moore	Revenue Requirement, Ameren Services Company Costs, Tax Reform
Laureen Welikson	Energy Efficiency
Brenda Weber	Capital Structure, Lead/Lag Study
Robert Hevert	ROE
John Wiedmayer	Depreciation
Ryan Ryterski	Class Cost of Service Study, Weather Normalization of Billing Units
Mike Harding	Rate Design, WCAR

- 3 **Q. Does this conclude your direct testimony?**
4 A. Yes, it does.

