

## Exhibit No. 74

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Exhibit No.:  
Issue(s): Rate Design  
Witness: Michael W. Harding  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Union Electric Company  
File No.: ER-2021-0240  
Date Testimony Prepared: March 31, 2021

**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. ER-2021-0240**

**DIRECT TESTIMONY**

**OF**

**MICHAEL W. HARDING**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY**

**D/B/A AMEREN MISSOURI**

**St. Louis, Missouri  
March 2021**

**DIRECT TESTIMONY**

**OF**

**MICHAEL W. HARDING**

**FILE NO. ER-2021-0240**

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**I. INTRODUCTION**

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**Q. Please state your name and business address.**

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A. Michael W. Harding, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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**Q. What is your position with Ameren Missouri?**

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A. I am employed by Ameren Missouri as the Manager of Rates & Analysis.

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**Q. Please describe your educational background and employment experience.**

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A. I received a Bachelor of Science in Business Finance from the University of Kansas in 2007. At the end of 2007, I accepted a Real-Time Trading Position with Union Electric Company, and I was subsequently promoted to Term Trader in May 2008. At the beginning of 2014, I was named General Executive of Renewable Energy within Ameren Services Company. I was promoted to my current position in April 2017, where I lead a team responsible for the Company's class cost of service, rate design, tariff administration, and various other regulatory projects. Prior to my employment at Ameren Missouri, I was employed by Westar Energy (now Evergy) in various roles within its trading and asset management department.

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**II. PURPOSE OF TESTIMONY**

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**Q. What is the purpose of your direct testimony?**

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A. The purpose of my direct testimony is to:

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**III. CLASS REVENUE PROPOSAL**

**Q. What would the base revenue requirement be for each customer class if rates were set based solely on the equal rate of return class cost of service study ("CCOSS") performed by Company witness Thomas Hickman?**

A. The table below summarizes the class base revenue requirements necessary to give the Company an opportunity to achieve an equal rate of return from each of its customer classes, based upon test-year figures with the pro forma adjustments made by Company witness Mitchell Lansford. A more detailed summary can be found in Schedule TH-D2 attached to the direct testimony of Mr. Hickman.

**Table 1 – Cost-Based Revenue Requirements by Customer Class (\$MM)**

<b>Customer Class</b>	<b>Base Revenue Requirement</b>	<b>Return on Rate Base</b>
Residential Service	\$1,533.1	6.995%
Small General Service	\$303.1	6.995%
Large General & Small Primary Service	\$737.6	6.995%
Large Primary Service	\$188.8	6.995%
Company-Owned Lighting	\$33.7	6.995%
Customer-Owned Lighting	\$4.9	6.995%
<b>Total</b>	<b>\$2,801.4</b>	<b>6.995%</b>

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**Q. Why are equal rates of return for all customer classes an appropriate starting point when designing electric utility rates?**

A. There are several reasons why reflecting equal rates of return for all customer classes are an appropriate starting point in the consideration of rate design. First and foremost is the consideration of equity and fairness to all electric customers. Purely from a cost perspective,

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**Table 2 – Cost-Based Rate Changes by Customer Class**

<b>Customer Class</b>	<b>Equal Rate of Return Base Rev Requirement</b>	<b>Current Return Base Rev Requirement</b>	<b>Required Change to achieve equal return Rev Requirement</b>
Residential Service	\$1,533.1	\$1,273.1	20.4%
Small General Service	\$303.1	\$274.3	10.5%
Large General & Small Primary Service	\$737.6	\$727.5	1.4%
Large Primary Service	\$188.8	\$188.5	.2%
Company-Owned Lighting	\$33.7	\$35.6	-5.2%
Customer-Owned Lighting	\$4.9	\$2.8	73.8%
<b>Total</b>	<b>\$2,801.4</b>	<b>\$2,501.9</b>	<b>12.0%</b>

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**Q. Is the Company proposing that only these cost-based class revenue requirements be utilized in developing class rates in the case?**

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**A. No, rather the Company is proposing a modest departure from establishing class revenue requirements solely on the basis of equal class rates of return as shown in its CCOSS.**

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**Q. What is the Company's proposal for allocating the revenue increase requested in this case?**

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**A. The Company proposes the use of a two-step process similar to that used to set rates in its last electric rate case:<sup>2</sup>**

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**Step 1: Increase/decrease the current base retail revenue on a revenue-neutral basis to various classes of customers. The Company has made a small revenue neutral adjustment in this step within the Lighting class, discussed later within this testimony, and shown in Table 3.**

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<sup>2</sup> File No. ER-2019-0335.