

Exhibit No. 2

Exhibit No.: 002P
Issue(s): Rate Design; Class Cost
of Service
Witness: Warren Wood
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: ER-2021-0240
Date Testimony Prepared: November 5, 2021

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2021-0240

SURREBUTTAL TESTIMONY

OF

WARREN WOOD

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

**St. Louis, Missouri
November 5, 2021**

P

TABLE OF CONTENTS

I.	PURPOSE OF TESTIMONY	1
II.	COVID-19 RESPONSE.....	1
III.	CUSTOMER AFFORDABILITY.....	4
IV.	COALITION PROPOSALS	4
V.	REGULATORY RISK	6

1 a true consumer advocate during this difficult time. Our efforts to assist customers dealing with
2 COVID-19 impacts continue today, even if the form of some of the assistance has changed.

3 **Q. What do you mean when you say these efforts continue?**

4 A. As set forth in Dr. Marke's rebuttal testimony, Ameren Missouri still has all of the
5 information shown in his screenshots of the Ameren Missouri website highlighted by Dr. Marke
6 available to direct customers to provide potential assistance. Most recently, as discussed in the
7 rebuttal testimony of Ameren Missouri witness Page Selby, the Company announced it was
8 making \$1.5 million available to support its Clean Slate program, which forgives past due amounts
9 for qualifying customers.

10 Ameren Missouri believes its efforts have made a difference. And, while things are not yet
11 back to "normal", I would note that the level of disconnections and late payments that the Company
12 is currently experiencing is similar to pre-pandemic, 2019 levels.

13 **Q. Dr. Marke discusses an article from UtilityDive, which lists Ameren Missouri**
14 **as having received \$8.5 million dollars in federal funds. He points to a data request response**
15 **where Ameren Missouri indicated these dollars had not been received, leaving Dr. Marke**
16 **concerned that the credit went to Ameren Corporation or Ameren Illinois rather than**
17 **Ameren Missouri.¹ Can you clarify this confusion?**

18 A. Certainly, Dr. Marke sent Ameren Missouri a data request that asked what tax
19 benefits the Company had received. Our response to the question was, appropriately, that we had
20 not received any tax benefits from the COVID-19 economic relief package because we had not,
21 which remains true today. Dr. Marke did not ask whether we had applied for any funds. The answer
22 to the second question is yes, we have applied for, but have not yet received, a payroll tax credit

¹ File No. ER-2021-0240, Geoff Marke Rebuttal Testimony, p. 6, l. 4 through p. 8, l. 2.

1 that was made available as part of the government's response to COVID-19. The Company filed
2 the amended payroll tax return, requesting around \$8.5 million in payroll credits on September 21,
3 2021. We will not know if we will receive this credit and, accordingly, will not record anything
4 related to this request until after the Internal Revenue Service ("IRS") reviews the amended return.
5 The IRS review likely will not occur until sometime in 2022. Of the \$8.5 million credit claimed,
6 approximately \$6 million relates to Ameren Missouri.

7 **Q. Please explain the purpose of this credit.**

8 A. The Employee Retention Credit under the CARES Act is a payroll tax credit made
9 available to businesses with the purpose of encouraging those businesses to retain employees on
10 the payroll. Ameren Missouri believes it qualified for this credit and accordingly has made a claim
11 for the credit with the IRS.

12 **Q. Is this a permanent reduction to the amount of payroll tax paid in the future?**

13 A. It is not. We will likely file another amended return in November in order to claim
14 the final months of this credit through February. The final claim is anticipated to be around
15 \$650,000 and similarly will be split between Ameren Missouri and its affiliates, but the payroll
16 tax credit is not available beyond that date.

17 **Q. If the credit is received, does Ameren Missouri intend to flow the credit back**
18 **to customers in a future rate case?**

19 A. Yes. We plan to work out the details of how that would happen in the appropriate
20 rate case.

1 support, without indicating which of the items on the list he supports, which he would support in
2 a different form, and which he does not support. Additionally, he did not provide any rationale or
3 basis for why any of these suggestions would solve the alleged underlying problems. He certainly
4 did not address how the utility should deal with problems these proposals would cause the utility
5 and its customers to experience. The Commission should not adopt a proposal that is nothing more
6 than a list of desires.

7 There have always been customers who have difficulty in paying their bills. I say that not
8 to minimize it, but to recognize it as a fact. In trying to deal with this reality, one must remember
9 that utilities are not a state or a federal legislative body with the authority to set social policy for
10 the state or to redirect and fund relief efforts with the rate revenues paid by the general body of its
11 customers. Ameren Missouri can and does provide some relief but that relief is necessarily limited
12 in scope and cannot be expected to solve societal issues on its own.

13 In general, most of the recommendations set forth in Dr. Marke's testimony are not self-
14 explanatory and it is unclear exactly what is being requested. The ones that are clear (no bill
15 increase, no disconnections) would result in rates that are unjust and unreasonable because they
16 would undermine Ameren Missouri's ability to have a reasonable opportunity to earn a fair return,
17 which would negatively impact both the cost and availability of the capital it needs to provide
18 service to all of its customers. Moreover, eliminating disconnections would likely send the wrong
19 signal and cause harm to the very customers he wants to help, as we saw over last summer when
20 some customers did not seek assistance in paying their bills until the threats of late fees and
21 disconnections were reinstated.

22 Finally, I would say that adoption of any of these types of changes (if lawful) would
23 represent a fairly radical change in ratemaking policy by the Commission. The legislature has not

1 made any changes to utility law in Missouri to indicate its desire to move in this direction. Changes
2 as significant as this should be done by the legislature so that they are applied equally by all
3 utilities. Instead, Dr. Marke is recommending huge changes to be adopted in a piecemeal fashion
4 in an individual utility's general rate review, instead of utilizing a forum where these ideas can be
5 examined in a larger arena (such as the legislature) where all interested parties could voice their
6 support or concerns.

7 V. REGULATORY RISK

8 **Q. Are you familiar with the rebuttal testimony of Mr. Cassidy and his claim of**
9 **regulatory lag mitigation, and how that impacts the Company's business risk?**

10 A. I am familiar with his testimony but do not agree with his conclusions.

11 **Q. Please explain.**

12 A. For the most part, the business risk discussion and the impact on the return on equity
13 to be used to set the revenue requirement will be addressed by Ameren Missouri witness Ann
14 Bulkley, but there is an aspect that I wish to address.

15 Mr. Cassidy listed various cost recovery mechanisms that are or have become available
16 over the past several years and noted which ones Ameren Missouri uses. He also makes several
17 conclusory statements that various mechanisms mean that "Ameren Missouri's business risk has
18 been reduced." First, I note that Mr. Cassidy oversimplifies the concept of business risk by
19 equating it solely with regulatory lag.⁴ Business risk is much more complicated than that and is
20 driven by other factors – the risks of reliance on coal generation, the risks of operating a single
21 nuclear generation plant, to name a few examples. I will leave the topic of better defining business

⁴ File No. ER-2021-0240, John P. Cassidy Rebuttal Testimony, p. 11, ll. 3-4; p. 17, ll. 3-4; p. 24, ll. 1-3; p. 25, ll. 8-10.

1 risk to Ms. Bulkley, but one should be aware of this mischaracterization of the term when
2 reviewing Mr. Cassidy's rebuttal testimony.

3 Even if we were to only focus on regulatory lag, Mr. Cassidy's argument overlooks a central
4 point. In essence, Mr. Cassidy is comparing Missouri's current regulatory practices to its practices
5 in the past. That portion of his argument is true – there are cost recovery mechanisms adopted
6 through legislation –that exist today that did not exist a decade or more ago. However, the question
7 for the Commission is not whether or not current regulatory practices have mitigated some of the
8 regulatory lag utilities experience as compared to 10-20 years ago. The question is how Missouri's
9 regulatory environment today compares to the regulatory environment of *other utilities* with whom
10 the Company competes for the large amount of capital necessary to operate a utility, especially
11 those utilities in the peer group used by Ms. Bulkley in her return on equity analysis.

12 As ranked by S&P Global, in its RRA Regulatory Focus evaluation of state regulatory
13 environments, Missouri's regulatory structure is in the ** _____ **
14 when compared to all states. Attached as Schedule WW-S1, this ranking shows Missouri as ** __
15 _____ **

16 In fact, ** __ ** jurisdictions are ranked as having a better regulatory climate for energy utilities
17 than Missouri. That said, Ameren Missouri recognizes that the regulatory climate is mostly a
18 product of state law but the changes cited by Mr. Cassidy do not show up as a drastic improvement
19 in the regulatory environment rankings. Mr. Cassidy's assertion that Ameren Missouri has so many
20 mechanisms available to it that the Commission should consider our regulatory risk to be low
21 (implying that our return on equity should be reduced) does not match reality.

22 **Q. Does this conclude your surrebuttal testimony?**

23 A. Yes, it does.

****ER-2021-0240**
SCHEDULE WW-S1
IS CONFIDENTIAL
IN ITS ENTIRETY**

