Exhibit No.: 039P
Issue(s): Capital Structure
Witness: Darryl T. Sagel
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: ER-2019-0335
Date Testimony Prepared: Jan. 21, 2020

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2019-0335

REBUTTAL TESTIMONY

OF

DARRYL T. SAGEL

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

****DENOTES CONFIDENTIAL INFORMATION****

St. Louis, Missouri
January, 2020

P

TABLE OF CONTENTS

REBUTTAL TESTIMONY

OF

DARRYL T. SAGEL

FILE NO. ER-2019-0335

I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of my rebuttal testimony is to respond to the Missouri Public Service Commission Staff ("Staff") Cost of Service Report ("Staff Report") submitted in this proceeding as it relates to Staff's recommended capital structure for Ameren Missouri ("Company") presented by Staff witness Jeffrey Smith. In addition, my rebuttal testimony responds to the direct testimony of David Murray on behalf of the Office of Public Counsel ("OPC"), also regarding the recommended capital structure for the Company.

Separately, my rebuttal testimony responds to the direct testimony of Robert Schallenberg, submitted on behalf of the OPC, as it pertains to the potential economic impact of his recommendation that the Missouri Public Service Commission (the "Commission") should disallow recovery of $218,239,556 of Ameren Services Company ("AMS") affiliate transaction charges for ratemaking purposes. Finally, I respond to the direct testimony of Avi Allison, submitted on behalf of Sierra Club, as it pertains to the potential economic impact of his recommendation that the Commission should not allow recovery of capital costs incurred at the Rush Island, Labadie, or Sioux plants in 2018 or later until Ameren Missouri has presented requested analyses.

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 – Historical Ameren Corporation Consolidated Capital Structure (2011-2018)
- Schedule DTS-R2 – Ameren Corporation Holding Company Historical Long-Term Debt Balances (2011-2018)
- Schedule DTS-R3 – Peer Utility Regulatory Capital Structures
- Schedule DTS-R4 – Ameren Corporation Stock Price Performance Versus Regulated Utility Peers (May 31, 2018 – December 31, 2019)
- Schedule DTS-R5 – Ameren Corporation NTM P/E Multiples Versus Regulated Utility Peers (May 31, 2018 – December 31, 2019)
- Schedule DTS-R6 – Ameren Corporation Stock Historical Beta Versus Regulated Utility Peers (May 31, 2018 – December 31, 2019)

III. PURPOSE OF TESTIMONY

SUMMARY RESPONSE TO STAFF WITNESS JEFFREY SMITH'S AND OPC WITNESS DAVID MURRAY'S TESTIMONY RECOMMENDATION

Q. In the Staff Report, Mr. Smith suggests that Ameren Missouri's proposed capital structure is not the most cost effective way to provide utility services to Missouri ratepayers.[1] Separately, Mr. Murray states that "the most objective and practical measure of the capital structure... is that of Ameren Corp on a consolidated basis."[2] Do you agree with either of their positions?

A. I strongly disagree with both Mr. Smith's and Mr. Murray's positions. 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 Corporation, and long-term debt issued by Ameren Missouri and secured by Ameren Missouri's assets.
- Despite Ameren Corporation having employed more leverage in its capital structure over the past several years, its capital allocation strategy and its funding approach across each of its regulated utility businesses have

[1] Staff Report, page 20.
[2] Direct Testimony of David Murray, pages 40-41.

actually improved Ameren Corporation's consolidated credit profile and, perhaps 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 have 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.
- Ameren Missouri's actual common equity ratio for ratemaking purposes of 51.93% projected as of December 31, 2019, 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's customers. The arbitrary use of a "hypothetical" capital structure that incorporates an equity ratio below Ameren Missouri's actual equity ratio 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. Smith provide for disregarding Ameren Missouri's actual capital structure?

A. Mr. Smith justifies his proposed 50% ceiling on the Company's common equity ratio by suggesting that the most "cost effective" way to capitalize Ameren Missouri is by utilizing more debt than the Company's actual capital structure. Yet, he provides no assumptions or analysis to support his position that utilizing a hypothetical capital structure is more cost effective than Ameren Missouri's actual capital structure. Mr. Smith specifically ignores the fact that arbitrarily utilizing a hypothetical capital structure that contains lower common equity content than Ameren Missouri's actual capital structure could actually result in an increase to the Company's cost of capital, and by consequence, higher customer rates. The only evidence he offers (and mischaracterizes) is a regulatory agreement between Ameren Illinois, the Illinois Commerce Commission ("ICC") Staff and the Illinois Industrial Energy Consumers, which is not an appropriate or relevant basis for comparison in this proceeding.

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 48% common equity as the structure that "best represents the amount of debt capacity Ameren Corp considers reasonable and appropriate for its regulated utility assets, including Ameren Missouri."[3] To the contrary, neither Ameren Corporation nor Ameren Missouri believe that Ameren Corporation's consolidated capital structure, net of short-term debt, is reasonable or 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 Ameren Missouri, are managed

[3] Direct Testimony of David Murray, page 29.

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 setting rates in this proceeding.

In addition, like Mr. Smith, Mr. Murray fails to address the risk that arbitrarily utilizing a hypothetical capital structure that contains lower common equity content than Ameren Missouri's actual capital structure could actually result in an increase to the Company's cost of capital, and by consequence, higher customer rates.

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

Q. Mr. Smith states that "...Ameren Missouri's capital structure is being managed for regulatory purposes."[4] Do you agree?

A. Mr. Smith does not clearly articulate what it means for a capital structure to be managed "for regulatory purposes," so I cannot adequately respond to this assertion. However, I can 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.

[4] Staff Report, page 20.

Q. Mr. Murray similarly suggests that Ameren Corporation is "...managing its regulated utility subsidiary capital structures primarily for purposes of ratemaking."[5] How do you respond?

A. My response echoes that of the previous question. Ameren Missouri's capital structure is independently managed and is neither dictated by the parent company nor controlled for the benefit of Ameren Corporation shareholders. 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."[6] Because Ameren Corporation does not expressly dictate Ameren Missouri's capital structure, but rather works 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, Ameren Illinois' and Ameren Transmission Company of Illinois' ("ATXI's") capital structures having remained in close proximity to its authorized ratemaking capital structures over time as evidence that Ameren Corporation is managing its subsidiaries' capital structures for the benefit of Ameren Corporation shareholders. I characterize such historical balance sheet performance as prudent capital management.

[5] Direct Testimony of David Murray, page 29.
[6] Direct Testimony of David Murray, page 43.

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 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 risks, 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 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.

From a governance standpoint, Ameren Missouri has in place a separate Board of Directors currently comprised of five individuals, three of whom are officers of Ameren Missouri and two of whom are officers of Ameren Corporation. The Board of Directors of Ameren Missouri meet 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 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 structures proposed by Mr. Smith and Mr. Murray contain 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 structures proposed by Mr.

Smith and 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 and ATXI. In addition, Ameren Missouri's assets do not guarantee Ameren Corporation's, Ameren Illinois', 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 in 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 forward sale agreement, anticipated in late 2020, Ameren Corporation expects to secure proceeds of $540 million to $550 million, which will be entirely invested in Ameren Missouri at that time, which in turn Ameren Missouri can use to cover a portion of the Company's 700 megawatt wind generation investment.

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.

Q. Are any of Ameren Missouri's assets pledged to support obligations of Ameren Corporation or any of Ameren Corporation's 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, Ameren Illinois or ATXI, and Ameren Missouri does not rely upon any balance sheet support of Ameren Corporation to satisfy its debt obligations.

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. I actually believe that 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. It is true that Ameren Missouri has distributed more cash to Ameren Corporation on both an absolute and relative basis in recent years versus the other regulated subsidiaries (Ameren Illinois and ATXI), some of which has been used to support payment of Ameren Corporation's common dividend. Stated differently, Ameren Missouri's dividend payout ratio has been higher than both Ameren Illinois and ATXI in recent years, and has fluctuated significantly on a year-over-year basis. Had Ameren Missouri established an independent dividend policy that fixed its targeted payout ratio more in line with the other regulated subsidiaries or with Ameren Corporation, as Mr. Murray offers it should have as an independently-managed business, it would have paid out less dividends over time. The consequence of paying out less dividends would have been an Ameren Missouri common equity ratio that is higher today than the equity content in the Company's actual capital structure which we believe should be used in this proceeding, which runs counter to Mr. Murray's fundamental contention that Ameren Missouri is underleveraged. Rather, Ameren Missouri's independent financial oversight has allowed the Company to manage its capital structure in a responsible and prudent manner.

I would note that following the passage of Senate Bill 564 ("SB 564") in 2018 and the related implementation of partial plant-in-service accounting, Ameren Missouri announced its intention to accelerate its capital spending in the state under its Smart Energy Plan filed with the Commission in February 2019. As a result of this program to modernize the energy grid and add renewable resources for the benefit of Ameren Missouri's customers, Ameren Missouri expects to reinvest a larger percentage of its internal cash flow and therefore to reduce its prospective annual cash distributions to Ameren Corporation.

V. AMEREN CORPORATION'S MORE LEVERAGED CAPITAL STRUCTURE RELATIVE TO AMEREN MISSOURI HAS NOT NEGATIVELY IMPACTED AMEREN MISSOURI'S FINANCIAL AND CREDIT POSITION

Q. In the Staff Report, Mr. Smith identifies a diverging trend between the equity ratios at Ameren Corporation as compared to those at Ameren Missouri. Why does Ameren Missouri's capital structure contain more equity than Ameren Corporation's capital structure?

A. As I noted above, Ameren Missouri's capital structure is independently managed, based on consideration of Ameren Missouri-specific business and financial risks, to support continued Company financial health and integrity at a reasonable capital cost. In addition to Ameren Missouri, Ameren Corporation also owns and operates other regulated businesses, principally Ameren Illinois and ATXI, and 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 structures of Ameren Corporation, Ameren Illinois and ATXI, respectively, are managed independently based on relevant business and financial risks applicable to the parent company and those other subsidiaries. In the case of Ameren Corporation's capital structure, specific consideration is given to common shareholder dividend requirements, anticipated cash distributions from the operating subsidiaries, holding company debt obligations, and financial support of Ameren Illinois' 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.

Given the higher-risk nature of Ameren Missouri's vertically-integrated business, (with numerous energy centers including one nuclear center) relative to the risk of Ameren Corporation's other primary subsidiaries (Ameren Illinois operates electric transmission and distribution facilities and natural gas delivery facilities, while ATXI operates exclusively electric transmission facilities), it stands to reason that Ameren Missouri would support and maintain a common equity ratio that is higher than Ameren Corporation's consolidated equity ratio.

Q. Mr. Smith suggests that recent use of Ameren Corporation holding company debt has caused Ameren Corporation to be more leveraged, referencing in Schedule JS-6-2 the growing divergence between the Ameren Corporation's equity ratio and Ameren Missouri's equity ratio between 2011 and 2018. Do you agree with this statement?

A. Not entirely. I do concur that Ameren Corporation's consolidated equity ratio has declined over the 2011-2018 period, consistent with the calculations in Schedule JS-6-2, though as discussed below, I question Mr. Smith's approach to exclude goodwill as an assumed 100% equity component and his failure to include certain adjustments typically used to calculate the regulatory capital structure. However, the use of Ameren Corporation's holding company long-term debt is only one of many drivers of the decline and cannot be characterized as the primary driver.

Per Schedule DTS-R2, Ameren Corporation's holding company long-term debt has increased from $425 million at year-end 2011 to $700 million at year-end 2018, of which

$425 million that historically supported now-divested (2013) Ameren Energy Resources Company ("AER") activities was retained and refinanced by Ameren Corporation.

During that same period, Ameren's consolidated long-term debt has increased from $6,856 million at year-end 2011 to $8,439 million at year-end 2018. As a percentage of consolidated long-term debt, Ameren Corporation holding company long-term debt has not increased significantly, representing 6.2% of consolidated long-term debt at year-end 2011 and 8.3% of consolidated long-term debt at year-end 2018. Given this moderate proportionate increase in Ameren Corporation's holding company long-term debt, it is not accurate to characterize the recent use of Ameren Corporation holding company debt as the primary driver of the declining equity ratio at Ameren Corporation over the past several years.

As indicated above, I believe that Mr. Smith inappropriately excluded $411 million of goodwill as an assumed 100% equity component in his calculations of Ameren Corporation consolidated equity ratios in Schedules JS-6-1 and JS-6-2. The goodwill represents the excess of the purchase price of Illinois regulated utility acquisitions Ameren Corporation completed in 2003 and 2004 versus the fair market value of the net assets acquired. During the 2011-2018 timeframe covered by Schedules JS-6-1 and JS-6-2, Ameren Missouri held no goodwill on its balance sheet. Ameren Corporation and Ameren Illinois perform an annual qualitative assessment for their goodwill impairment test and, to date, the results of such assessments indicate that it is more likely than not that the fair value of Ameren Illinois and its reporting units significantly exceed their carrying values, resulting in no impairment of Ameren Corporation's or Ameren Illinois' goodwill over time. As Ameren Illinois is not currently recovering goodwill through rates charged to customers, any future impairment, despite being highly unlikely based on recent impairment tests, would have no impact on the financial health and integrity of Ameren Illinois and Ameren Corporation, and certainly would have no bearing on the financial health and integrity of Ameren Missouri. In addition, Ameren Corporation financed the $3.7 billion of acquisitions using a combination of debt and equity. Therefore, it is inappropriate to exclude goodwill as an assumed 100% equity component when the causal transactions were funded with a mix of both debt and equity. Per Schedule DTS-R1, if goodwill were not adjusted from the calculation of Ameren Corporation consolidated equity, the eight-year (2011-2018) average equity ratio for Ameren Corporation would be 50.2%.

Finally, Ameren Corporation's consolidated equity ratios as calculated in Schedules JS-6-1 and JS-6-2 in the Staff Report are based on financials included in Ameren Corporation's SEC filings, and therefore are not entirely consistent with the methodology utilized to determine Ameren Missouri's regulatory capital structure, which typically applies various adjustments to SEC-reported financial statements. While Schedules JS-6-1 and JS-6-2 do appropriately exclude certain amounts related to Ameren Missouri capital lease obligations throughout the period, they don't have the correct balance of capital lease obligations in each year and fail to make additional regulatory capital structure adjustments for Ameren Missouri and Ameren Illinois. If these additional regulatory capital structure adjustments for Ameren Missouri and Ameren Illinois were also applied to Ameren Corporation's consolidated capital structure, as we have shown in Schedule DTS-R1, Ameren Corporation's equity ratios over the 2011-2018 period averaged 51.9%. I would also note that Mr. Murray similarly fails to incorporate all appropriate regulatory adjustments in his capital structure calculations for both Ameren Missouri and Ameren Corporation in Schedule DM-D-8.

Q. Please explain what the drivers of the declining equity ratio at Ameren Corporation were over the 2011-2018 timeframe.

A. The significant decline in the Ameren Corporation consolidated equity ratio between 2011 and 2012 is predominantly due to the impact of the divestiture of Ameren Corporation's merchant energy business, AER. In connection with the planned exit from the merchant energy business, in 2012, Ameren Corporation recognized a $2.6 billion pre-tax loss, which reduced Ameren's consolidated common equity balance by an equivalent tax-effected amount

I would point to several other factors that have contributed in part to the recent decline in Ameren Corporation's equity ratio over the 2014-2018 timeframe:

1) Non-cash charges, taken primarily at the parent company, for the revaluation of deferred taxes resulting from the December 2017 passage of Public Law 115-97, known as the Tax Cuts and Jobs Act ("TCJA"), that decreased the federal corporate income tax rate (the benefit of which was proportionately passed through to Ameren Missouri customers), which reduced Ameren Corporation retained earnings by $154 million in 2017 and an additional $13 million in 2018. Ameren Missouri's related non-cash expenses related to TCJA were disproportionately smaller, totaling $32 million in 2017 and $3 million in 2018.
2) Ameren Corporation declaring and paying dividends to its common shareholders over the past several years at levels that are well in excess of

dividend distributions received from its 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. The result of this under-collection by Ameren Corporation has caused Ameren Corporation's retained earnings, after paying dividends to common shareholders, to decline by a disproportionately larger percentage than its regulated subsidiaries' retained earnings.

3) Ameren Corporation funding increasing investment to support ATXI equity needs and, to a lesser degree, Ameren Illinois equity needs.

IV. AMEREN MISSOURI'S IMPROVED BUSINESS RISK POSITION FOLLOWING PASSAGE OF SENATE BILL 564 HAS NOT DIRECTLY IMPACTED THE COMPANY'S CREDIT RATINGS, ITS KEY RATING AGENCY CREDIT METRIC THRESHOLDS, 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 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 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 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 the 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 Investors Services ("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, a stronger credit rating typically enables 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. Credit 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.[7] 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?

A. Yes. As explained, 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

[7] 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.

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 rating. Both credit ratings agencies report stable outlooks for Ameren Missouri's credit ratings.

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

A. Currently, Ameren Corp.'s issuer credit ratings at Moody's and S&P are Baa1 and BBB+, respectively. 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 March 29, 2019 credit opinions on Ameren Missouri and Ameren Corporation, Moody's cited an FFO to debt ratio downgrade threshold of 19% and 17%, respectively. 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

February 20, 2019 credit opinion on Ameren Corporation, S&P cited an FFO to debt ratio downgrade threshold of 13%.

Q. Mr. Murray states that Ameren Missouri's business risk has declined due to the passage of SB 564. 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. Yet, while Mr. Murray alludes to "financial benefits enabled by SB 564," I am hard pressed to trace such financial benefits and I certainly cannot point to specific evidence that the passage of SB 564 has itself resulted in a lower cost of capital for Ameren Missouri, as Mr. Murray suggests.[8]

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

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.[9]

Q. Since the passage of SB 564 in May 2018, 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, S&P has taken no action to change the FFO to debt downgrade threshold of Ameren Corporation of 13%. Similarly, Moody's has not changed its FFO to debt ratio downgrade threshold for Ameren Missouri of 19%. This

---

[8] Direct Testimony of David Murray, page 31.

[9] On July 1, 2019, S&P released a publication outlining a new global framework for rating entities that are part of a group, specifically its group methodology. As part of the new approach, Ameren Missouri's issuer rating was placed Under Criteria Observation ("UCO") for possible upgrade. On September 18, 2019, following further evaluation of Ameren's credit profile under its new methodology, S&P removed Ameren Missouri from its UCO designation and affirmed Ameren Missouri's issuer rating of BBB+.

suggests that, in spite of the reduced business risk, Ameren Missouri cannot incur incremental debt to fund its operations without having negative implications on its credit ratings.

However, and 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 assertion 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 supportive regulatory frameworks of Ameren Corporation's Ameren Illinois and ATXI subsidiaries. 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 improves Ameren Corporation's financing flexibility, but does not directly impact Ameren Missouri's financing flexibility, since the Company's metric downgrade threshold was not changed.

Q. Mr. Murray suggests that because Ameren Missouri's business risk has declined, it is afforded a lower debt cost of capital that should be passed on to customers in the form of a lower authorized common equity ratio. Do you agree?

A. Mr. Murray offers no supporting evidence that Ameren Missouri's debt cost of capital has declined since the passage of SB 564. As stated above, there has been no change to Ameren Missouri's credit ratings and credit outlooks since May 2018. Therefore, there is no objective basis to suggest that Ameren Missouri's debt cost of capital has been reduced as a result of the passage of SB 564.

Q. Are there any other material factors that have influenced Ameren Missouri's credit quality over the past several years?

A. Yes. I would specifically point to the negative credit quality implications of the change in the federal corporate tax rate in the TCJA that became effective on January 1, 2018. 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. On June 18, 2018, Moody's cited the change in the federal tax rate, loss of bonus depreciation, and the resulting increase in financial risk for utilities as the driver for changing its outlook on the regulated utility sector from "stable" to "negative." This was the first time Moody's gave the regulated public utility sector a "negative" outlook in its history of issuing sector outlooks, which underscores how serious this issue could become if not addressed by constructive regulation. The Moody's report specifically identifies the issuance of credit-supportive rate orders as an offset to this reduced cash flow issue. In this proceeding, approving Ameren Missouri's actual 51.93% equity ratio (projected as of December 31, 2019) can help ensure that the Company maintains an FFO to debt ratio that allows it to retain its current credit ratings.

Q. Mr. Murray stated that, as a result of the passage of SB 564, equity investors view Ameren Corporation as a "premium utility."[10] How do you respond?

A. Mr. Murray is apparently attempting to correlate Ameren Corporation's stock price trading levels and its stock beta 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 passage of SB 564.

In Schedule DTS-R4, I compare Ameren Corporation's stock price performance versus a group of identified corporate peers from May 31, 2018 (the day before SB 564 was signed into law) to December 31, 2019. Over the designated period of time (a period in which the regulated utilities sector broadly performed well), Ameren Corporation's stock price only modestly outperformed the peer group average by 4.2%, and I would not characterize such outperformance over a 19-month timeframe as statistically significant as compared to the regulated utility market performance.

In Schedule DTS-R5, I compare Ameren Corporation's forward year P/E multiple versus the same corporate peer group from May 31, 2018 to December 31, 2019. While Ameren Corporation's common stock has recently traded at a next-12-months ("NTM") P/E multiple premium to the median of identified peer regulated companies (22.2X vs. 21.4X), it also happened to trade at a NTM P/E multiple premium at the time of (19.0X for Ameren Corporation versus 18.8X for peers as of May, 31, 2018), and in the months prior to, passage of SB 564. Therefore, it is not reasonable to suggest that investors are placing

[10] Direct Testimony of David Murray, page 32.

a premium on Ameren Corporation's common stock due specifically to the passage of SB 564 and its impact on business risk.

In Schedule DTS-R6, I compare Ameren Corporation's historical equity beta versus the same corporate peer group from May 31, 2018 to December 31, 2019. While Mr. Murray references a "decline in Ameren Corp's beta," my analysis actually shows an increase in Ameren Corporation's historical beta between May 31, 2018 (0.19) and December 31, 2019 (0.21).[11] During that same timeframe, the historical beta of identified peers declined from 0.29 to 0.23. Again, this analysis does not support any suggested relative de-risking of Ameren Corporation's common stock as a result of the passage of SB 564.

Based on the preceding analyses, which demonstrates that Ameren Corporation's common stock performance is not meaningfully differentiated from the broader regulated utility market over the past 19 months, it is clear that the passage of SB 564 has not created any direct reduction of Ameren Corporation's (and by implication, Ameren Missouri's) equity cost of capital.

Q. In summary, do you believe that the lower business risk environment in Missouri following passage of SB 564 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 has had no demonstrable positive impact on the Company's financial position, its

[11] Direct Testimony of David Murray, page 32.

credit profile and its access to, and cost of, debt and equity capital. 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, 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 HYPOTHETICAL CAPITAL STRUCTURE FOR AMEREN MISSOURI IN THIS PROCEEDING IS NOT JUSTIFIED

Q. Both Mr. Smith and Mr. Murray propose using parent company/hypothetical capital structures 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/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."[12] 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 capital structure for purposes of this proceeding. While Mr. Smith does not recommend using Ameren Corporation's capital structure, he does suggest using a hypothetical capital structure that meaningfully departs from Ameren Missouri's actual capital structure. Consequently, I believe that the CRRA Guide factors are relevant for consideration of both Mr. Murray's and Mr. Smith's recommendations.

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

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 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 Corporation. Double leverage cannot be said to 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 at the true-up date, December 31, 2019, is appropriate for ratemaking purposes.

Q. In the Staff Report, Mr. Smith suggests that a 50% ceiling on Ameren Missouri's common equity ratio would be reasonable for setting rates for Ameren Missouri as it resembles an agreement Ameren Illinois has with the ICC to limit the amount of equity to 50% in rate of return calculations for its gas and electric operations. How do you respond?

A. Staff's recommended common equity ratio ceiling is not appropriate for Ameren Missouri. By using a hypothetical capital structure and justifying such a capital structure by pointing to its application in other jurisdictions (i.e., Illinois), Mr. Smith suggests setting rates at Ameren Missouri based on the aggregate impact of financing decisions, capital requirements, operational decisions and regulatory practices undertaken in multiple jurisdictions through other business entities, and as the result of a settlement, which by definition reflects a compromise of various issues. As a result, Mr. Smith's approach would set rates based not on what the Commission has determined to be the discrete financing needs and requirements of the Company, but based on what utilities and/or their regulators in other jurisdictions have decided should be done to meet the financial requirements of their distinct operations (or, as noted, based on a compromise of various issues in a rate case in that jurisdiction). This approach is an inappropriate manner of protecting or insulating Ameren Missouri from the activities of its parent company and other affiliates, and is certainly not consistent with the Commission's obligation to make decisions for its own utilities rather than delegating the task out to other regulators.

As previously discussed, the respective capital structures for Ameren Missouri and Ameren Illinois are managed independently, based on, among many factors, relative business risk. In the case of Ameren Illinois, maintenance of a lower common equity ratio is reasonable based on a number of factors, including, notably, the lower inherent business risk associated with Ameren Illinois' transmission and delivery only business model and the lower financial risk associated with the more predictable and credit supportive frameworks for Ameren Illinois' electric delivery business (formulaic ratemaking), electric transmission business (formulaic ratemaking) and gas delivery business (forward test year and an interim rate adjustment mechanism for qualifying rate base additions). In contrast, Ameren Missouri's ownership and operation of generating assets, including a single-unit nuclear plant, results in a higher degree of operating risk. In addition, the Missouri ratemaking framework, while demonstrating improvement following the passage of SB 564 and the related implementation of Plant-in-Service Accounting, still utilizes a historic test year approach, which still exposes Ameren Missouri to regulatory lag, thereby resulting in a higher degree of financial risk.

The lower overall risk profile of Ameren Illinois relative to Ameren Missouri is also evident in Ameren Illinois' stronger issuer rating at Moody's, which rates Ameren Illinois A3 and Ameren Missouri Baa1. Moody's ratings for each of Ameren Illinois and Ameren Missouri are independently developed based on their discrete credit profiles.

Mr. Smith also mischaracterizes the agreement that Ameren Illinois has entered into with the ICC. Ameren Illinois actually does not have a formal agreement with the ICC's Staff as it pertains to the equity ratio that should be utilized as part of the electric annual formula ratemaking process or the gas ratemaking process. Rather, as part of Ameren Illinois' required annual electric formula ratemaking filings with the ICC and as recognized in Ameren Illinois' most recent gas rate review proceeding before the ICC, Ameren Illinois entered into an agreement with the ICC Staff and the Illinois Industrial Energy Consumers which stipulates that a common equity ratio up to and including 50% is reasonable. Such a stipulation emanated from the passage of the Future Energy Jobs Act ("FEJA") by the Illinois Legislature in 2016 and effective June 1, 2017. The FEJA included an amendment to the 2011 Illinois Energy Infrastructure Modernization Act that provided:

> To enable the financing of the incremental capital expenditures, including regulatory assets, for electric utilities that serve less than 3,000,000 retail customers but more than 500,000 retail customers in the State, the utility's actual year-end capital structure that includes a common equity ratio, excluding goodwill, of up to and including 50% of the total capital structure shall be deemed reasonable and used to set rates.[13]

[13] 220 ILCS 5/8-103B(d)(1)

So, while the Illinois legislation establishes, and key constituencies agree, that an equity ratio up to and including 50% will be deemed reasonable and therefore not litigated in the proceeding, that 50% equity ratio is not a ceiling as Mr. Smith suggests. Rather, the legislation does not preclude Ameren Illinois from filing for a capital structure that uses an equity ratio greater than 50% if Ameren Illinois were able to justify such a capital structure (i.e., if its risk profile increased, or its allowed ROE was insufficient to support targeted credit ratings). I would also note that the legislation clearly directs the ICC to use the utility's actual capital structure in its proceedings, thus prohibiting the use of hypothetical capital structures.

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 common equity ratio of 51.93% projected as of December 31, 2019, compare to the common equity ratios maintained by comparable utilities?

A. Ameren Missouri's projected December 31, 2019 common equity ratio is consistent with those maintained, on average, by the regulated operating subsidiaries of publicly-traded utilities in an identified peer group. As highlighted in Schedule DTS-R3, the common equity ratios, based upon permanent capital (excluding short-term debt), of the regulated operating subsidiaries of the identified peer group companies based on their most recent rate cases since January 1, 2013, averaged 51.06%, with a median of 51.24% and a range between 40.25% and 58.18%. Ameren Missouri's actual common equity ratio of 51.93% projected as of December 31, 2019, is just above the average of these regulated operating companies' authorized common equity ratios. Also, Schedule RBH-R7, associated with the rebuttal testimony of Ameren Missouri witness Robert Hevert, provides the actual capital structures for the same set of proxy peer group operating companies over the last eight reported fiscal quarters. His analysis suggests an average actual capital structure over that period for the peer set included 53.88% common equity, within a range of 45.46% and 65.48%. Ameren Missouri's actual common equity ratio of 51.93% projected as of December 31, 2019, is below the average of this peer set's actual common equity ratios over the last eight fiscal quarters.

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 <u>The Regulation of Public Utilities – Theory and Practice</u>, 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." [14] 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. How does Ameren Missouri's common equity ratio as of December 31, 2019 compare with the common equity ratio most recently approved by the Commission in File Nos. GR-2019-0077 and ER-2016-0179?

A. Ameren Missouri's projected common equity ratio as of December 31, 2019 of 51.93% is consistent with the 51.84% common equity ratio authorized by the

[14] Charles F. Phillips, Jr., <u>The Regulation of Public Utilities – Theory and Practice</u>, 1993, Public Utility Reports, Inc., Arlington VA, at 391.

Commission in File No. GR-2019-0077, as well as the 51.8% common equity ratio authorized by the Commission in File No. ER-2016-0179. The consistency of the Company's equity ratios over the past several years reflects the fact that there has been no significant change to the Company's financial position or credit profile over that time. As such, Ameren Missouri continues to target and manage to a long-term common equity ratio in the area of 51.9% because that common equity ratio is appropriate given its financial position and credit profile.

Q. Mr. Smith calls out the "divergence between Ameren Corp. and Ameren Missouri equity ratios" over time and in Schedules JS-6-1 and JS-6-2 analyses the historical capital structures of Ameren Corporation and Ameren Missouri over the 2011-2018 timeframe. [15] **Has Ameren Missouri's financial profile or access to debt and equity capital been adversely impacted by such divergence?**

A. No. To the contrary, Ameren Missouri's financial profile, as evidenced by its credit ratings, has improved since 2011, providing timely access to both debt and equity capital at reasonable costs. In addition, the rating agencies have not reported any concerns about Ameren Corporation's financing activities impacting Ameren Missouri's credit profile.

Q. How have Ameren Missouri's issuer credit ratings changed since year-end 2011?

A. On January 31, 2014, Moody's upgraded the issuer rating of Ameren Missouri to Baa1 from Baa2, citing **____

____

[15] Staff Report, page 20.

__________________________________** Since January 31, 2014 to date, Moody's has affirmed Ameren Missouri's issuer rating of Baa1. On March 14, 2013, S&P upgraded the issuer rating of Ameren Missouri to BBB from BBB-, tied to its simultaneous upgrade of Ameren Corporation upon the announced definitive agreement to sell its remaining merchant assets. As noted previously, S&P employs a family rating methodology to assign ratings to Ameren Corporation and its utility subsidiaries, including Ameren Missouri. Subsequently, on December 4, 2013, S&P further upgraded the issuer rating of Ameren Missouri to BBB+, highlighting **____ ____** From December 4, 2013 to date, S&P has affirmed Ameren Missouri's issuer rating of BBB+.

It is notable that during the 2015-2018 period, the timeframe in which Schedule JS-6-2 purports to demonstrate a diverging trend between the common equity ratios at Ameren Corporation and Ameren Missouri, Ameren Missouri's credit ratings have been affirmed by both agencies, allowing the Company to access debt capital at competitive costs to the benefit of the Company's customers.

Q. How have Ameren Corporation's issuer credit ratings changed since year-end 2011?

A. On January 31, 2014, Moody's upgraded the issuer rating of Ameren Corporation to Baa2 from Baa3, calling out Ameren Corporation's **"_______________ ____"** Ameren Corporation's **____** and the sale of the merchant energy businesses **_______________________________________**. Subsequently, on April 7, 2015, Moody's further upgraded Ameren Corporation to Baa1,

P

primarily driven by the upgrade of utility subsidiary Ameren Illinois, but also citing **____ ____** Since that date, Moody's has affirmed Ameren Corporation's issuer rating of Baa1. On March 14, 2013, S&P upgraded the issuer rating of Ameren Corporation to BBB from BBB-, referring to **____ ____ ____________________** Subsequently, on December 4, 2013, S&P upgraded the issuer rating of Ameren Corporation to BBB+, mentioning the company's **________________ ____________________________** Since December 4, 2013 to date, S&P has affirmed Ameren Corporation's issuer rating of BBB+.

It is notable that during the 2015-2018 period, the timeframe in which Schedule JS-6-2 purports to demonstrate a diverging trend between the common equity ratios at Ameren Corporation and Ameren Missouri, Ameren Corporation's credit ratings have been upgraded by Moody's and affirmed by S&P, demonstrating that Ameren Corporation has retained, and arguably enhanced, its strong credit profile and financial health over the past several years.

Q. Are you aware of any evidence in rating agency reports suggesting that Ameren Corporation's unrelated financing activities has any negative impact on Ameren Missouri's credit ratings?

A. No. Neither rating agency that rates Ameren Missouri's stand-alone credit profile, S&P and Moody's, has expressed any concerns about the impact of Ameren Corporation financing activities on Ameren Missouri's credit profile. This is likely the case because Ameren Corporation financing activities over the past several years have supported the divestiture of AER and the investment in ATXI electric transmission projects, both activities that the rating agencies have highlighted as improving Ameren Corporation's consolidated credit profile. Neither S&P's nor Moody's most recent credit opinions on Ameren Missouri (February 14, 2019 and March 29, 2019, respectively) specifically make any mention of Ameren Corporation's holding company leverage. However, in its March 29, 2019, credit opinion on Ameren Corporation., Moody's highlighted as a credit strength the ** ____ **

Q. What would be the consequence to Ameren Missouri's credit profile and credit ratings of using a hypothetical equity ratio for ratemaking purposes below Ameren Missouri's actual equity ratio, as suggested by Mr. Smith?

A. Using a hypothetical common equity ratio below Ameren Missouri's actual common equity ratio to establish rates in this proceeding would weaken the Company'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 deepen 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. Smith's or Mr. Murray's recommended equity ratios of 50% or 48%, respectively, were adopted?

A. Mr. Murray claims that Ameren Missouri's capital structure does not reflect its true debt capacity. Yet, primarily as a result of the effect of the TCJA, and the related benefits provided directly to Ameren Missouri customers, the Company's recent (e.g., 2019 projected) FFO to debt ratios at Moody's have declined markedly from years past (2016-2018), diminishing its credit quality and curtailing incremental debt capacity at its current credit ratings. **

P

** Consequently, I have serious concerns that using the hypothetical equity ratios proposed by Mr. Smith and 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 Commission acceptance and approval of a hypothetical capital structure 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 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 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 a hypothetical equity ratio for ratemaking purposes that is below Ameren Missouri's actual equity ratio, as suggested by Mr. Smith?

A. Using a hypothetical 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.

Q. Do you have any evidence that Ameren Corporation's stock price would face pressure if the Commission approved a hypothetical 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 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 a hypothetical 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 a hypothetical capital structure, Mr. Smith cites Ameren Missouri's "significant planned capital expenditure forecasts," stating that such a hypothetical capital structure is a more cost effective manner to capitalize the Company.[16] Similarly, Mr. Murray alludes to Ameren Missouri's intended rate base investment and posits that his recommended hypothetical capital structure is the most economically efficient capital structure for Ameren Missouri. How do Mr. Smith's and Mr. Murray's positions line up with your discussion regarding potential negative credit ratings and stock price consequences in the event the Commission approved a hypothetical equity ratio below Ameren Missouri's actual equity ratio?

A. Both Mr. Smith and Mr. Murray specifically ignore the fact that arbitrarily utilizing a hypothetical 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 customer rates. Furthermore, taking such action to arbitrarily alter the Company's capital structure as it executes a significant capital

[16] Staff Report, page 22.

expenditure program, creates risk around the financing costs of the capital program, with Ameren Missouri's customers ultimately bearing those risks.

IX. RESPONSE TO OPC WITNESS ROBERT SCHALLENBERG DIRECT TESTIMONY REGARDING RECOVERY OF AFFILIATE TRANSACTIONS

Q. To what portion of Mr. Schallenberg's direct testimony do you intend to respond?

A. My testimony relates to the potential economic impact of Mr. Schallenberg's recommendation that the Commission should disallow recovery of $218,239,556 of AMS affiliate transaction charges for ratemaking purposes. There will be other witnesses responding directly to the merits of Mr. Schallenberg's other arguments and the assumptions that support his recommendation.

Q. What would be the consequence to Ameren Missouri's credit profile and credit ratings if the Commission disallowed recovery of $218,239,556 of AMS affiliate transaction charges, as suggested by Mr. Schallenberg?

A. Approving a financial disallowance of such magnitude in this proceeding would significantly weaken the Company's credit metrics, including key metrics evaluated by the rating agencies for purposes of assigning credit ratings. For instance, we calculate that a $218 million disallowance from the 2019 test year revenue requirement would have reduced Ameren Missouri's cash flow by a similar amount and its FFO to debt ratio metric by approximately 450 basis points. Such a significant reduction in credit quality would no doubt contribute to perceived increased financial risk and a higher likelihood of a downgrade of the Company's and Ameren Corporation's issuer credit ratings, particularly at Moody's, but also potentially at S&P. Additionally, a significant regulatory disallowance, absent compelling evidence that Ameren Missouri exercised unscrupulous behavior, could deepen rating agency concerns regarding the overall supportiveness of the Missouri regulatory environment, which would also pressure Ameren Missouri's and Ameren Corporation's credit ratings. Any action by the rating agencies to downgrade Ameren Missouri's and Ameren Corporation's issuer credit ratings would presumably depend on the specific steps that the Company takes to address the regulatory disallowance and its ability to mitigate all or a portion of the negative financial impact prospectively. 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 result in higher rates for Ameren Missouri customers.

Q. What would be the consequence on Ameren Corporation's stock price and inherent cost of equity if the Commission disallowed recovery of $218,239,556 of AMS affiliate transaction charges, as suggested by Mr. Schallenberg?

A. Approving a financial disallowance of such magnitude 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.

X. RESPONSE TO SIERRA CLUB WITNESS AVI ALLISON DIRECT TESTIMONY REGARDING RECOVERY OF COAL PLANT CAPITAL COSTS

Q. To what portion of Mr. Allison's direct testimony do you intend to respond?

A. My testimony relates to the potential economic impact of Mr. Allison's recommendation that the Commission should disallow recovery of capital costs incurred at the Rush Island, Labadie and Sioux plants in 2018 or later until Ameren has presented requested analyses to justify those investments. Other witnesses are responding directly to the merits of Mr. Allison's arguments and assumptions that support his recommendation.

Q. What would be the consequence to Ameren Missouri's credit profile and credit ratings if the Commission disallowed recovery of $219.4 million of Ameren Missouri coal plant 2018 test year capital expense, as suggested by Mr. Allison?

A. Approving a capital disallowance of such magnitude in this proceeding would certainly weaken the Company's credit metrics, including key metrics evaluated by the rating agencies for purposes of assigning credit ratings. For instance, we calculate that a $219.4 million capital disallowance based on Ameren Missouri proposed weighted average cost of capital would reduce Ameren Missouri's cash flow by approximately $16 million and its FFO to debt ratio metric by approximately 35 basis points. Such a reduction in credit quality would no doubt contribute to perceived increased financial risk and a higher likelihood of a downgrade of the Company's and Ameren Corporation's issuer credit ratings, particularly at Moody's. Additionally, a significant regulatory disallowance, absent compelling evidence that Ameren Missouri exercised unscrupulous behavior, could deepen rating agency concerns regarding the overall supportiveness of the Missouri regulatory environment, which would also pressure Ameren Missouri's and Ameren Corporation's credit ratings. Any action by the rating agencies to downgrade Ameren Missouri's and Ameren Corporation's issuer credit ratings would presumably depend on the specific steps that the Company takes to address the regulatory disallowance and its ability to mitigate all or a portion of the negative financial impact prospectively. 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 result in higher rates for Ameren Missouri customers.

Q. What would be the consequence on Ameren Corporation's stock price and inherent cost of equity if the Commission disallowed recovery of $219.4 million of Ameren Missouri coal plant 2018 capital expense, as suggested by Mr. Allison?

A. Approving a capital disallowance of such magnitude 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.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

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 Decrease Its Revenues for Electric Service.	)))	File No. ER-2019-0335

AFFIDAVIT OF DARRYL T. SAGEL

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

COMES NOW Darryl T. Sagel, and on his oath declares that he is of sound mind and lawful age; that he has prepared the foregoing *Rebuttal Testimony*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Darryl T. Sagel

Subscribed and sworn to before me this 30th day of January, 2020.

Geri A. Best
Notary Public

My commission expires:

GERI A. BEST
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: February 15, 2022
Commission Number: 14839811

Historical Consolidated Capital Structure

$ in millions

Ameren GAAP Capital Structure (Consolidated)
per 10-K

	2011	2012	2013	2014	2015	2016	2017	2018	Average 2011-2018
Short-term debt	148	-	368	714	301	558	484	597	
Long-term debt[1]	6,032	6,157	6,038	6,205	7,275	7,276	7,935	8,439	
Preferred stock	149	151	142	142	142	142	142	142	
Common equity (no goodwill adjustment)	7,919	6,616	6,544	6,713	6,946	7,102	7,184	7,631	
Total capitalization	14,248	12,924	13,092	13,774	14,664	15,078	15,745	16,809	
% of equity	55.6%	51.2%	50.0%	48.7%	47.4%	47.1%	45.6%	45.4%	48.9%
% of equity (excluding ST debt)	56.2%	51.2%	51.4%	51.4%	48.4%	48.9%	47.1%	47.1%	50.2%

Ameren Regulatory Capital Structure (Consolidated)

	2011	2012	2013	2014	2015	2016	2017	2018	Average 2011-2018
Short-term debt	148	-	368	714	301	558	484	597	
Long-term debt - GAAP[1]	6,032	6,157	6,038	6,205	7,275	7,276	7,935	8,439	
Regulatory adjustments									
MO: Capital leases	(309)	(304)	(299)	(294)	(288)	(282)	(276)	(270)	
IL: Bonds held by Ameren	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	
IL: Fair market value adjustment	(5)	(4)	(4)	-	-	-	-	-	
Unamortized loss on reacquired debt	(34)	(169)	(139)	(152)	(138)	(124)	(111)	(98)	
Long-term debt discount	(17)	(16)	(14)	-	-	-	-	-	
Long-term debt expenses	(36)	(37)	(29)	-	-	-	-	-	
Long-term debt - Regulatory	5,613	5,609	5,535	5,741	6,831	6,853	7,531	8,053	
Preferred stock	149	151	142	142	142	142	142	142	
Common equity	7,919	6,616	6,544	6,713	6,946	7,102	7,184	7,631	
Total capitalization	13,829	12,376	12,589	13,310	14,220	14,655	15,341	16,423	
% of equity	57.3%	53.5%	52.0%	50.4%	48.8%	48.5%	46.8%	46.5%	
% of equity (excluding ST debt)	57.9%	53.5%	53.5%	53.3%	49.9%	50.4%	48.4%	48.2%	51.9%

Schedule JS-6-2 Ameren Equity Ratio

	2011	2012	2013	2014	2015	2016	2017	2018	Average 2011-2018
As specified by Mr. Smith	56.0%	50.7%	50.9%	50.9%	47.8%	48.4%	46.5%	46.5%	49.7%
Ameren MO calculations:									
GAAP / no goodwill adjustment	56.2%	51.2%	51.4%	51.4%	48.4%	48.9%	47.1%	47.1%	50.2%
No goodwill adjustment / additional regulatory adjustments	57.9%	53.5%	53.5%	53.3%	49.9%	50.4%	48.4%	48.2%	51.9%

[1] Adjusts for debt associated with now-divested Ameren Energy Resources subsidiary.

Ameren Holding Company Historical Debt Balances

$ in millions

	2011	2012	2013	2014	2015	2016	2017	2018
Ameren Corp. 2.70% Senior unsecured notes due 2020	$0	$0	$0	$0	$350	$350	$350	$350
Ameren Corp. 3.65% Senior unsecured notes due 2026	-	-	-	-	350	350	350	350
Ameren Corp. 8.875% Senior unsecured notes due 2014	425	425	425	-	-	-	-	-
Total Parent long-term debt	$425	$425	$425	$0	$700	$700	$700	$700
Consolidated long-term debt (per Schedule DTS-R1)	$6,856	$6,981	$6,038	$6,205	$7,275	$7,276	$7,935	$8,439
Parent as % of long-term debt	**6.2%**	**6.1%**	**7.0%**	**0.0%**	**9.6%**	**9.6%**	**8.8%**	**8.3%**

Peer Utility Regulatory Capital Structures

Most Recently Approved Equity Ratio (Authorizations since 1/1/2013)

Parent Company Ticker	Company	State	Docket	Date	Decision Type	Common Equity to Total Capital (%)
AVA	Alaska Electric Light Power	Alaska	D-U-16-086	11/15/2017	Settled	58.18
AVA	Avista Corp.	Idaho	C-AVU-E-1904	11/29/2019	Settled	50.00
AVA	Avista Corp.	Washington	D-UE-170485	04/26/2018	Fully Litigated	48.50
AEP	Southwestern Electric Power Co	Arkansas	D-19-008-U	12/20/2019	Settled	33.71 [1]
AEP	Indiana Michigan Power Co.	Indiana	Ca-44967	05/30/2018	Settled	35.73 [1]
AEP	Kentucky Power Co.	Kentucky	C-2017-00179	01/18/2018	Settled	41.68
AEP	Southwestern Electric Power Co	Louisiana	D-U-32220	02/27/2013	Settled	NA
AEP	Indiana Michigan Power Co.	Michigan	C-U-18370	04/12/2018	Fully Litigated	36.38 [1]
AEP	Public Service Co. of OK	Oklahoma	Ca-PUD201800097	03/14/2019	Settled	NA
AEP	Public Service Co. of OK	Oklahoma	Ca-PUD201700151	01/31/2018	Fully Litigated	48.51
AEP	Kingsport Power Company	Tennessee	D-16-00001	08/09/2016	Settled	40.25
AEP	Southwestern Electric Power Co	Texas	D-46449	12/14/2017	Fully Litigated	48.46
AEP	Appalachian Power Co.	Virginia	C-PUE-2014-00026	11/26/2014	Fully Litigated	42.89
AEP	Appalachian Power Co.	West Virginia	C-18-0646-E-42T	02/27/2019	Settled	50.16
AGR	United Illuminating Co.	Connecticut	D-16-06-04	12/14/2016	Fully Litigated	50.00
AGR	Central Maine Power Co.	Maine	D-2013-00168	07/29/2014	Settled	50.00
AGR	NY State Electric & Gas Corp.	New York	C-15-E-0283	06/15/2016	Settled	48.00
AGR	Rochester Gas & Electric Corp.	New York	C-15-E-0285	06/15/2016	Settled	48.00
ALE	ALLETE (Minnesota Power)	Minnesota	D-E-015/GR-16-664	03/12/2018	Fully Litigated	53.81
CMS	Consumers Energy Co.	Michigan	C-U-20134	01/09/2019	Settled	NA
CMS	Consumers Energy Co.	Michigan	C-U-18322	03/29/2018	Fully Litigated	40.89 [1]
DTE	DTE Electric Co.	Michigan	C-U-20162	05/02/2019	Fully Litigated	37.94 [1]
DUK	Duke Energy Florida LLC	Florida	D-20170183-EI	10/25/2017	Settled	NA
DUK	Duke Energy Kentucky Inc.	Kentucky	C-2017-00321	04/13/2018	Fully Litigated	49.25
DUK	Duke Energy Carolinas LLC	North Carolina	D-E-7, Sub 1146	06/22/2018	Settled	52.00
DUK	Duke Energy Progress LLC	North Carolina	D-E-2, Sub 1142	02/23/2018	Settled	52.00
DUK	Duke Energy Ohio Inc.	Ohio	C-17-0032-EL-AIR	12/19/2018	Settled	50.75
DUK	Duke Energy Carolinas LLC	South Carolina	D-2018-319-E	05/01/2019	Fully Litigated	53.00
DUK	Duke Energy Progress LLC	South Carolina	D-2018-318-E	05/08/2019	Fully Litigated	53.00
EE	El Paso Electric Co.	New Mexico	C-15-00127-UT	06/08/2016	Fully Litigated	49.29
EE	El Paso Electric Co.	Texas	D-46831	12/14/2017	Settled	48.35
EVRG	Evergy Kansas Central Inc.	Kansas	D-18-WSEE-328-RTS	09/27/2018	Settled	51.24
EVRG	Evergy Metro Inc	Kansas	D-18-KCPE-480-RTS	12/13/2018	Settled	49.09
EVRG	Evergy Metro Inc	Missouri	C-ER-2018-0145	10/31/2018	Settled	NA

Peer Utility Regulatory Capital Structures

Most Recently Approved Equity Ratio (Authorizations since 1/1/2013)

Parent Company Ticker	Company	State	Docket	Date	Decision Type	Common Equity to Total Capital (%)
EVRG	Evergy Metro Inc	Missouri	C-ER-2016-0285	05/03/2017	Fully Litigated	49.20
EVRG	Evergy Missouri West	Missouri	C-ER-2018-0146	10/31/2018	Settled	NA
EVRG	Evergy Missouri West	Missouri	C-ER-2016-0156 (MPS/L&P)	09/28/2016	Settled	NA
EVRG	Evergy Missouri West	Missouri	C-ER-2012-0175 (MPS)	01/09/2013	Settled	52.30
HE	Hawaii Electric Light Co	Hawaii	D-2015-0170	06/29/2018	Settled	56.69
HE	Hawaiian Electric Co.	Hawaii	D-2016-0328	06/22/2018	Settled	57.10
HE	Maui Electric Company Ltd	Hawaii	D-2017-0150	05/16/2019	Settled	57.02
LNT	Interstate Power & Light Co.	Iowa	D-RPU-2017-0001	02/02/2018	Settled	49.02
LNT	Wisconsin Power and Light Co	Wisconsin	D-6680-UR-121 (Elec)	09/14/2018	Settled	52.00
NEE	Florida Power & Light Co.	Florida	D-160021-EI	11/29/2016	Settled	NA
NEE	Gulf Power Co.	Florida	D-160186-EI	04/04/2017	Settled	NA
NEE	Gulf Power Co.	Florida	D-130140-EI	12/03/2013	Settled	NA
NWE	NorthWestern Corp.	Montana	D2018.2.12	10/29/2019	Settled	49.38
NWE	NorthWestern Corp.	South Dakota	D-EL14-106	10/29/2015	Settled	NA
OGE	Oklahoma Gas and Electric Co.	Arkansas	D-18-046-FR	03/06/2019	Settled	37.31 [1]
OGE	Oklahoma Gas and Electric Co.	Oklahoma	Ca-PUD201800140	09/19/2019	Settled	NA
OGE	Oklahoma Gas and Electric Co.	Oklahoma	Ca-PUD201700496	06/19/2018	Settled	NA
OGE	Oklahoma Gas and Electric Co.	Oklahoma	Ca-PUD201500273	03/20/2017	Fully Litigated	53.31
OTTR	Otter Tail Power Co.	Minnesota	D-E-017/GR-15-1033	03/02/2017	Fully Litigated	52.50
OTTR	Otter Tail Power Co.	North Dakota	C-PU-17-398	09/26/2018	Settled	52.50
OTTR	Otter Tail Power Co.	South Dakota	D-EL18-021	05/14/2019	Fully Litigated	52.92
PNM	Public Service Co. of NM	New Mexico	C-16-00276-UT	12/20/2017	Settled	49.61
PNM	Texas-New Mexico Power Co.	Texas	D-48401	12/20/2018	Settled	45.00
PNW	Arizona Public Service Co.	Arizona	D-E-01345A-16-0036	08/15/2017	Settled	55.80
POR	Portland General Electric Co.	Oregon	D-UE-335	12/14/2018	Settled	50.00
SO	Georgia Power Co.	Georgia	D-42516	12/17/2019	Partially Settled	56.00
WEC	Wisconsin Electric Power Co.	Wisconsin	D-05-UR-109 (WEP-Elec)	10/31/2019	Settled	54.46
WEC	Wisconsin Public Service Corp.	Wisconsin	D-6690-UR-126 (Elec)	10/31/2019	Settled	51.96
XEL	Public Service Co. of CO	Colorado	D-17AL-0649E	04/26/2018	Fully Litigated	NA
XEL	Public Service Co. of CO	Colorado	D-14AL-0660E	02/24/2015	Settled	56.00
XEL	Northern States Power Co. - MN	Minnesota	D-E-002/GR-15-826	05/11/2017	Settled	52.50
XEL	Northern States Power Co. - MN	North Dakota	C-PU-12-813	02/26/2014	Settled	52.56
XEL	Southwestern Public Service Co	New Mexico	C-17-00255-UT	09/05/2018	Fully Litigated	53.97
XEL	Northern States Power Co. - MN	South Dakota	D-EL14-058	06/15/2015	Settled	NA

Peer Utility Regulatory Capital Structures

Most Recently Approved Equity Ratio (Authorizations since 1/1/2013)

Parent Company Ticker	*Company*	*State*	*Docket*	*Date*	*Decision Type*	*Common Equity to Total Capital (%)*
XEL	Northern States Power Co. - MN	South Dakota	D-EL12-046	04/18/2013	Settled	NA
XEL	Southwestern Public Service Co	Texas	D-47527	12/07/2018	Settled	NA
XEL	Southwestern Public Service Co	Texas	D-45524	01/26/2017	Settled	NA
XEL	Southwestern Public Service Co	Texas	D-43695	12/17/2015	Fully Litigated	51.00
XEL	Northern States Power Co - WI	Wisconsin	D- 4220-UR-124 (Elec)	09/04/2019	Settled	52.52

Peer Comparison[1]	
High	58.18
Low	40.25
Average	51.06
Median	51.24

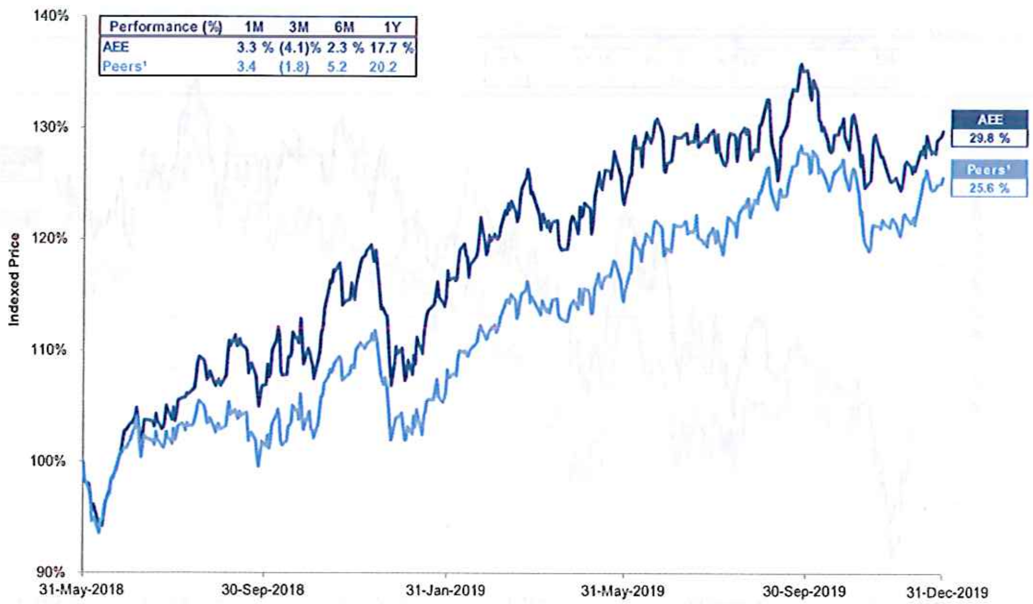
[1] For comparison purposes, we have excluded authorized capital structures from rate cases decided in the states of Arkansas, Indiana and Michigan, as these states include "non-investor supplied capital" in the capital structure. One primary example is the inclusion of accumulated deferred income taxes (ADIT) as zero-cost capital in the capital structure, while not removing ADIT from rate base.

Source: S&P Global Market Intelligence

Ameren Corp. Stock Price Performance Vs. Regulated Utility Peers

May 31, 2018 to December 31, 2019

DTS-R4



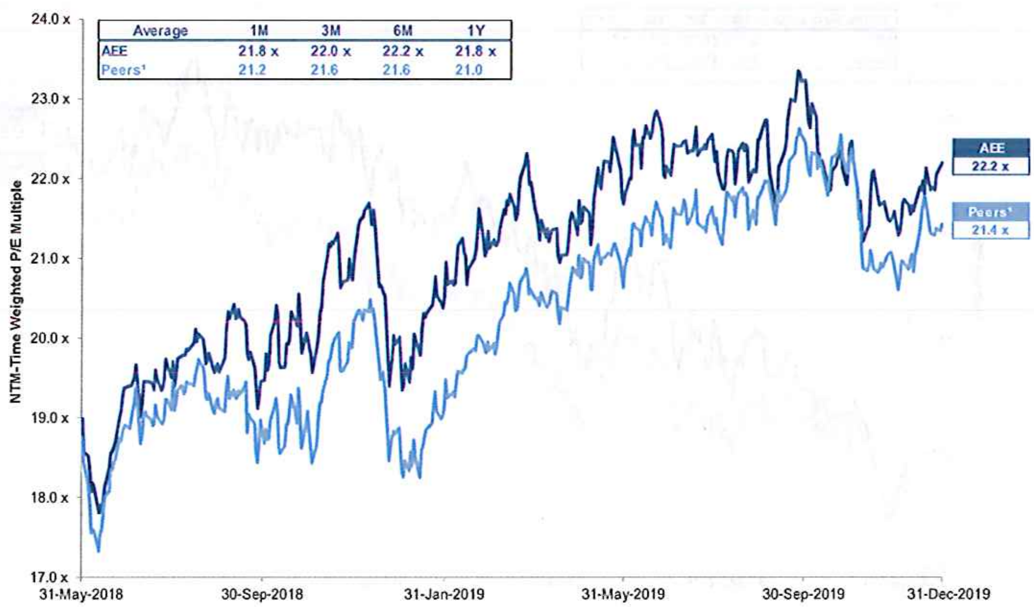
Source: Bloomberg market data as of 31-Dec-2019

[1] Represents peer average. Peers consist of ALLETE, Alliant Energy, American Electric Power Company, Avangrid, Avista, CMS Energy, DTE Energy, Duke Energy, Evergy, Hawaiian Electric, NextEra Energy, NorthWestern Corporation, OGE Energy, Otter Tail Corporation, Pinnacle West Capital, PNM Resources, Portland General Electric, The Southern Company, WEC Energy, and Xcel Energy.

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

May 31, 2018 to December 31, 2019

DTS-R5



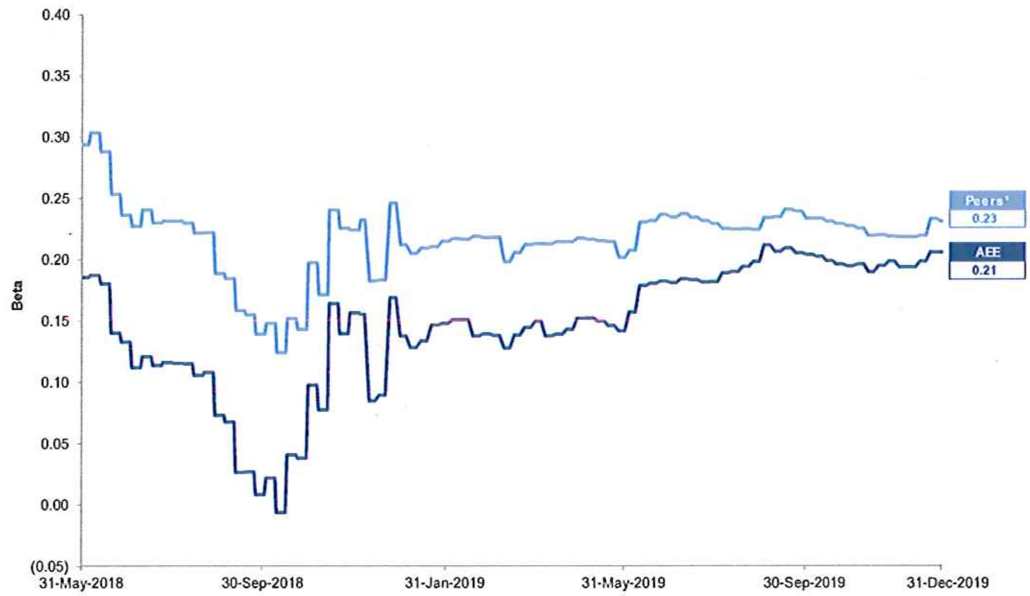
Source: Bloomberg market data as of 31-Dec-2019

[1] Represents peer median. Peers consist of ALLETE, Alliant Energy, American Electric Power Company, Avangrid, Avista, CMS Energy, DTE Energy, Duke Energy, Evergy, Hawaiian Electric, NextEra Energy, NorthWestern Corporation, OGE Energy, Otter Tail Corporation, Pinnacle West Capital, PNM Resources, Portland General Electric, The Southern Company, WEC Energy, and Xcel Energy.

Ameren Corp. Stock Historical Beta Vs. Regulated Utility Peers

May 31, 2018 to December 31, 2019

DTS-R6



Source: Axioma as of 31-Dec-2019
Note: Beta represents two-year historical Axioma beta
[1] Represents peer median. Peers consist of ALLETE, Alliant Energy, American Electric Power Company, Avangrid, Avista, CMS Energy, DTE Energy, Duke Energy, Evergy, Hawaiian Electric, NextEra Energy, NorthWestern Corporation, OGE Energy, Otter Tail Corporation, Pinnacle West Capital, PNM Resources, Portland General Electric, The Southern Company, WEC Energy, and Xcel Energy.