

**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 Increase Its Revenues) File No. ER-2021-0240
for Electric Service.)

**INITIAL POST-HEARING BRIEF OF
UNION ELECTRIC COMPANY D/B/A AMEREN MISSOURI**

COMES NOW Union Electric Company d/b/a Ameren Missouri (“Company” or “Ameren Missouri”), and for its Initial Post-Hearing Brief, states as follows:

Introduction

The parties to this electric rate review case entered into two Stipulations and Agreements¹ that resolved a vast majority of the issues in the case so that only a couple of issues and a corresponding handful of sub-issues remain for decision. An evidentiary hearing on the remaining issues for decision was held on December 9, 2021. Both of the Stipulations and Agreements were addressed at the On-the-Record Presentation held on December 15, 2021 in the above-captioned matter,² and approved by the Commission via Order to be effective January 4, 2022.

Issue number 17A,³ which relates to Staff’s proposal to rename the Company’s time-of-use (“TOU”) rate plans, should be rejected out of hand by the Commission. The metaphorical “naming ship” has sailed as hundreds of thousands of Residential customers have already progressed through the initial customer education and communications TOU journey. The potential for

¹ The first *Unanimous Stipulation and Agreement* was filed in the electric rate case (File No. ER-2021-0240) on November 24, 2021 (“*First Electric Stipulation*”), and resolved a majority of issues for the electric case, including the revenue requirement issues and Residential rate design issues. The *Second Unanimous Stipulation and Agreement* was filed in the electric rate case on December 6, 2021 and resolved certain rate design issues.

² The On-the-Record Presentation also addressed two *Stipulations and Agreements* that resolved all issues in the concurrently pending gas rate review case, File No. GR-2021-0241. Both gas *Stipulations and Agreements* were approved by the Commission via Order to be effective January 4, 2022.

³ The issue numbering follows the File No. ER-2021-0240, EFIS Item No. 204, *Updated Joint List of Issues, List and Order of Witnesses, Order of Cross-Examination, and Order of Opening Statements*, filed December 6, 2021, at p. 2.

customer confusion and frustration to be created by such naming changes is unreasonable, especially in light of the complete lack of any customer research much less even anecdotal information presented by any party to cast a dark shadow on use of the naming convention "Savers." Actually, the "Savers" naming used for the Company's TOU rate plans appropriately seeks to encourage customers to make the necessary behavior modifications needed to generate savings on their bill more immediately, and eventually and cumulatively generate benefits for the grid, which is the goal of TOU rate plans in the first place.

Portions of Issue number 22, which relate to Class Cost of Service, Revenue Allocation, and Non-Residential Rate Design, should all be decided through adoption of the Company's positions as described in more detail below.

I. Issue #17A Renaming the Residential TOU Rates

A. Background

In the Company's last electric rate case, File No. ER-2019-0335, a stipulated agreement was reached and approved by the Commission so that Residential customers would have five different rate plans available to choose from within six months after their automated metering infrastructure ("AMI") meter is installed.⁴ Four of those rate plans have time-varying energy components, i.e., energy rates that vary based on the time of usage. The Company had originally proposed two of the new rate plans called the "EV Savers" and "Smart Savers" rates via Company witness Steven Wills' direct testimony in that case.⁵ No party raised any issue whatsoever with implementing the "Smart Savers" rate name in that case, but a potential concern about using the acronym "EV" for the "EV Savers" option arose, which led to the Company agreeing to remove

⁴ File No. ER-2019-0335, *Corrected Non-Unanimous Stipulation and Agreement*, filed on February 28, 2020, at pp. 9 – 12, para. 27; and File No. ER-2019-0335, *Order Approving Stipulation and Agreement*, issued March 18, 2020, effective March 28, 2020.

⁵ File No. ER-2019-0335, Exhibit 46, Direct Testimony of Steven Wills, pp. 42 – 59.

the "EV" from that rate name for marketing purposes to avoid potential confusion that use of "EV" in the name could cause customers to assume that only customers with electric vehicles should be on or would benefit under the rate plan.⁶

Following conclusion of the last electric rate review case, only a little over one and one-half years ago, the Company conducted extensive customer research, which included focus groups and surveys with diverse customer segments and geographies, to develop a TOU communication strategy.⁷ In accordance with the Stipulation from the last electric rate case, the Company met repeatedly with stakeholders to discuss its AMI rollout and TOU customer education/communications program, and even presented at a Commission Agenda explaining the engagement plan.⁸ No concern was expressed about the "Savers" naming under the Company's plan through those meetings and discussions, which made clear the Company's intention to use "Savers" in the names of the various TOU rate offerings. That would clearly have been the appropriate time for Staff or the Office of Public Counsel ("OPC") to raise any concerns that they had about the naming conventions. As Company witness Steven Wills explained in rebuttal, Staff and other parties who support renaming the TOU rate plans now have not cited to any customer research suggesting that the current names are confusing; the Company is not aware of any complaints or inquiries against it before the Commission regarding the rate plans' names; and Staff has not cited any inquiries or complaints on the topic.⁹ During the evidentiary hearing in this case on December 9, 2021, Staff witnesses Robin Kliethermes and Sarah Lange described concerns

⁶ File No. ER-2019-0335, *Corrected Non-Unanimous Stipulation and Agreement*, filed on February 28, 2020, at p. 10, para. 27(b)(iii).

⁷ File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, p. 46, l. 23 – p. 47, l. 2.

⁸ *Id.*; File No. ER-2019-0335, *Corrected Non-Unanimous Stipulation and Agreement*, filed on February 28, 2020, at p. 10, para. 27(a)(iv)(4); File No. ER-2019-0335, Status Reports on March, April, May, and June 2020 Meetings and Customer Education and Communication Plans, EFIS Item Nos. 363 (March), 371 (April), 376 (May), and 379 (June); and File No. ER-2019-0335, Notice Regarding Presentation to Commission, issued July 27, 2020, EFIS Item No. 383.

⁹ File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, p. 47, ll. 3 – 4 & fn 31.

with the engagement plans overall, but did not identify any customer research or anecdotal information to suggest that the "Savers" naming scheme has confused or would confuse customers.¹⁰

As Steven Wills described in his live testimony at the December 9, 2021 evidentiary hearing, as of early December 2021, over 200,000 Residential customers had received their AMI meter and progressed through the initial customer education/TOU rates communication plan. More specifically, 29,732 had elected to return to the Anytime Users rate plan;¹¹ 201,474 had been migrated to and stayed on the Evening/Morning Savers rate plan; and approximately 548 customers selected one of the advanced rate plans (Overnight Savers, Smart Savers, or Ultimate Savers).¹²

Moreover, the advanced TOU rate plans unquestionably create savings opportunities, which was described in Company witness Dr. Ahmad Faruqui's direct testimony and shown to be realized for early advanced TOU rate plan adopters in Company witness Steven Wills' rebuttal testimony.¹³ Thus, the focus on saving opportunities in the rate plan names through the "Savers" naming convention is absolutely appropriate as the rate plans are designed to encourage customers to take actions in response to price signals to shift load, provide benefits to the system, and subsequently save those customers that took action some money on their bills. Indeed, as Company witness Ahmad Faruqui, Ph.D. explains in rebuttal testimony, "[t]he notion of saving money on their electric bills is *key* to getting customers to undertake the required behavior modifications" to experience savings.¹⁴ Given that the point of the TOU offerings is to give customers choices, to

¹⁰ Ev. Hearing Transcript, at pp. 273 – 287.

¹¹ This is the legacy rate plan without time differentiated rates.

¹² Ev. Hearing Transcript, at p. 298, ll. 7 – 21 & p. 294, l. 23 – p. 295, l. 17.

¹³ File No. ER-2021-0240, Exhibit 25, Direct Testimony of Ahmad Faruqui, Ph.D., p. 7, l. 17 – p. 9, l. 4; File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, p. 49, ll. 9 – 18.

¹⁴ File No. ER-2021-0240, Exhibit 73, Rebuttal Testimony of Ahmad Faruqui, Ph.D., p. 4, ll. 3 – 5 (*emphasis added*).

give them the ability to better control their bills by controlling their usage, and to gain system benefits by shifting loads out of the peak, using plan names that encourage customers to take advantage of the offerings is just plain common sense.

Furthermore, through its well thought out customer engagement plan, the Company is arming its customers with information to empower them to make their rate plan choices with eyes wide open about the effect these rate structures will have on them, based on usage characteristics, through its customer-facing usage presentment and bill comparison tool.¹⁵ And, after a customer has picked a rate plan, the Company provides tips on how to best take advantage of the rate selected.¹⁶ Tellingly, when counsel for Ameren Missouri cross-examined Staff witness Sarah Lange about potential concerns about advanced TOU rate plans not being portrayed as more difficult, Ms. Lange was not familiar with the special yellow flag presented on the Company's webpage dedicated to TOU rate plans indicating that each of the "advanced" TOU rate plans may require more effort to succeed on the rates.¹⁷

B. The naming ship has clearly and successfully sailed.

After hundreds of thousands of Residential customers have progressed through the initial TOU rate journey using the current names, and without *any* customer research, complaints or inquiries to suggest a problem with the "Savers" naming convention, revising the TOU rate plan names is unnecessary and a recipe for creating potential customer confusion and frustration, which could thwart the very purpose of offering TOU rate plans in the first place. Highly regarded rate design expert, Dr. Ahmad Faruqui, testified in rebuttal: "Ameren Missouri has done as much as any utility can do to intrigue customers with the concept of time-variation in rates, to draw them

¹⁵ File No. ER-2021-0240, Exhibit 25, Direct Testimony of Ahmad Faruqui, Ph.D., p. 15, l. 13 – p. 16, l. 12.

¹⁶ *Id.* at p. 15, l. 22 – p. 16, line 1.

¹⁷ Ev. Hearing Transcript, at p. 286, ll. 15 – 24.

to its website, and to educate them on how best to reduce their bills on the new rates."¹⁸ Ameren Missouri's efforts (the rate plan naming and overall customer education/engagement plan) should not be ignored as they were thoughtfully guided by customer research.

The customer research that has been conducted, and the resulting naming of the TOU plans falls within the Company's management prerogatives, and is not a matter for Staff, OPC or the Commission to micromanage or to otherwise recall the ship back to the port after it has already sailed. The Commission's "authority to regulate does not include the right to dictate the manner in which the company shall conduct its business."¹⁹ The Company complied with all obligations under the settlement reached in its last electric rate case, File No. ER-2019-0335, including meeting with stakeholders regarding development of the customer engagement plan, and since then, has made decisions and worked diligently to implement its robust engagement plan in its conduct of its business. There is not a shred of evidence that its decisions are unlawful or harmful to the public interest in any way; the Commission should not attempt to disturb them.

In addition to being an invasion of the Company's right to conduct its business, the timing of requiring a renaming of TOU rate plans is terrible from a practical perspective. Not only would many of the customer touch points in the Company's current engagement plan have to be revised, but additional materials and a plan to re-educate customers who have already progressed through the initial TOU journey would have to be developed, and correspondingly, the cost of delivering the TOU program would increase.²⁰ Company employees who assist customers with rate plan questions would also require new training on any name changes.²¹

¹⁸ File No. ER-2021-0240, Exhibit 73, Rebuttal Testimony of Ahmad Faruqui, Ph.D., p. 5, ll. 7 – 9.

¹⁹ *State ex rel. Praxair, Inc. v. Missouri Pub. Serv. Comm'n*, 344 S.W.3d 178, 188 (Mo. 2011), *citing*, *State ex rel. Kansas City Transit, Inc. v. Public Serv. Comm'n*, 406 S.W.2d 5, 11 (Mo. banc 1966), *quoting*, *State ex. rel. City of St. Joseph v. Public Serv. Comm'n*, 325 Mo. 209, 30 S.W.2d 8, 14 (1930).

²⁰ File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, p. 50, ll. 2 – 10.

²¹ *Id.* at p. 49, ll. 2 – 8.

Interestingly, Staff did not suggest any alternative to the “Savers” naming convention, and the Company is left to wonder what the timeframe for developing new names would be and/or whether there would be an expectation of the Company to solicit or consider any feedback from Staff and other interested stakeholders, which could further delay the revision of customer engagement materials.²² OPC proposed a color naming scheme that appears to connote that advanced TOU rate plans should be avoided, such as the Smart Savers rate being renamed “Red” rate.²³

Current Rate Plan Name	Color Code Rate Plan Name
Anytime User (non-AMI)	Blue
Evening/Morning Savers	Purple
Overnight Savers	Orange
Smart Savers	Red
Ultimate Savers	Yellow

A color naming scheme would *not* convey "[t]he notion of saving money on their electric bills [which according to Dr. Faruqui] is *key* to getting customers to undertake the required behavior modifications" to experience savings.

Although OPC witness Dr. Geoff Marke cited to Arizona Public Service's ("APS") negative experience with transferring customers to its new TOU rate plans and resulting punishment of APS,²⁴ Dr. Marke acknowledged there were multiple, important distinguishing factors between

²² Ev. Hearing Transcript, at p. 283, l. 16 – p. 286, l. 5.

²³ File No. ER-2021-0240, Exhibit 402, Rebuttal Testimony of Geoff Marke, Ph.D., p. 23, Table 3.

²⁴ File No. ER-2021-0240, Exhibit 403, Surrebuttal Testimony of Geoff Marke, Ph.D., p. 31, l. 18 – p. 32, l. 18 & Schedule GM-2.

APS' mandatory TOU rollout compared to Ameren Missouri's optional TOU rollout.²⁵ Specifically, Dr. Marke agreed that APS did not have its old, flat rate(s) still available, unlike Ameren Missouri.²⁶ Dr. Marke also confirmed that, in contrast to Ameren Missouri, APS was forcing migration of customers to what APS calculated to be their customers' "most like" rate or "best rate" choice, and APS had an unfortunate error in calculation of the best rate for customers.²⁷ And, Dr. Marke was not able to confirm whether APS allowed customers to change to other rate plans after they were forcefully migrated onto what APS calculated to be their best rate.²⁸ Ameren Missouri Residential customers are allowed to change to a basic rate (Anytime Users or Evening/Morning Savers) at any time with no limitations, but if a customer switches away from an advanced rate (Overnight Savers, Smart Savers, or Ultimate Savers), they cannot return to the rate plan they left for 12 months.²⁹

In conclusion, the TOU naming ship has successfully sailed, and should not be recalled for some unknown timeframe to develop alternative names when there is no customer research or even anecdotal information suggesting anything problematic with the current naming scheme, especially where the current naming scheme is further supported by a strong customer engagement plan with multiple customer touchpoints to empower customers to make their rate plan selections.

II. Issue #22 – Class Cost of Service, Revenue Allocation, and Non-Residential Rate Design

A. Background

²⁵ Ev. Hearing Transcript, at p. 270, l. 13 – p. 271, l. 3.

²⁶ Id., at p. 270, ll. 13 - 19.

²⁷ Id., at p. 270, ll. 13 – 23.

²⁸ Id., at p. 270, l. 24 – p. 271, l. 3.

²⁹ Id., at p. 266, l. 18 – p. 267, l. 2. Unlike APS, no Ameren Missouri customer is ever forced onto an advanced TOU rate.

Class Cost of Service Studies ("CCOSS") are merely a starting point for revenue allocation and rate design,³⁰ and such studies are a tool for designing rates so that cost responsibility is equitably allocated to each customer rate class.³¹ Company witness Thomas Hickman's direct testimony and schedules (Exhibit 30) present the Company's Class Cost of Service Study. Both the Missouri Industrial Energy Consumers ("MIEC") and the Midwest Energy Consumers Group ("MECG") adopt the Company's CCOSS approach with minor modifications.³² Staff also performed a CCOSS, which yielded ranges of results based on different scenarios Staff sought to evaluate.³³

There are many different categories of costs to be allocated through a CCOSS, and three of those categories were at issue for the evidentiary hearing and must be determined by the Commission for this case.³⁴ Sub-issue 22A focuses on production costs, which are generally the investment in generation plants and the expense of operating them. Sub-issue 22B focuses the non-fuel, non-labor components of production, operation and maintenance expense. Sub-issue 22H focuses on distribution costs, which are generally the investment in the Company's distribution system and associated expenses.

Using the CCOSS as a guide but not as the exclusive consideration in designing rates, Ameren Missouri proposes to use a two-step process similar to the one used in the Company's last electric rate case (File No. ER-2019-0335) to allocate the revenue requirement increase agreed to in the *First Electric Stipulation*.³⁵ Under the first step, the classes' current base retail revenue

³⁰ File No. ER-2021-0240, Exhibit 30, Direct Testimony of Thomas Hickman, p. 3, ll. 16 – 17.

³¹ *Id.* at p. 5, ll. 10 – 11.

³² File No. ER-2021-0240, Exhibit 750, Direct Testimony of Steve Chriss, p. 3, l. 18 – p. 4, l. 6; and File No. ER-2021-0240, Exhibit 500, Direct Testimony of Maurice Brubaker, p. 31, ll. 14 – 22.

³³ File No. ER-2021-0240, Exhibit 205, Staff CCOS Report, p. 44, l. 12 – p. 47, l. 2.

³⁴ File No. ER-2021-0240, EFIS Item No. 204, *Updated Joint List of Issues, List and Order of Witnesses, Order of Cross-Examination, and Order of Opening Statements*, filed December 6, 2021, at p. 2.

³⁵ File No. ER-2021-0240, Exhibit 44, Direct Testimony of Michael Harding, at p. 5, l. 2 – p. 6, l. 2.

should be increased/decreased on a revenue-neutral basis, which merely results in a small adjustment within the Lighting classes 5(M) and 6(M). Under the second step, the revenue requirement increase is allocated to customer classes as an equal percent of current base revenues.³⁶ Staff and OPC support allocation of the revenue requirement increase on an equal percentage basis,³⁷ but Consumers Council of Missouri ("CCM") and OPC alternatively propose to arbitrarily limit the revenue increase for Residential customers to 5% and for General Service customers to 7.1%.³⁸ Under CCM and OPC's proposals to cap the increase to those certain classes, the total increase to other classes would be greater than 15%.³⁹

MECG proposes a different method for allocation of the revenue requirement increase.⁴⁰ Under MECG's first step, one-half of the difference between the revenue increase initially requested by Ameren Missouri and the amount actually authorized by the Commission would be applied toward the residential subsidy. Then, under MECG's second step, any authorized increase would be applied to the classes on an equal percentage basis. The result of MECG's two-step process would result in an increase to the Residential class of 10.4% and an "approximately [] 41 percent movement towards cost of service-based rates."⁴¹

Also in contrast to the Company (and Staff)'s approach, MIEC recommends that any rate increase should be allocated to customer classes by moving each class to its cost of service at present rates, and then the overall increase applied to the 8.8% overall increase agreed upon under

³⁶ Id.

³⁷ File No. ER-2021-0240, EFIS Item No.207, Staff Statements of Position, filed December 7, 2021, at pp. 3 – 4; and EFIS Item No. 208, Public Counsel's Position Statement, filed December 7, 2021, at p. 2.

³⁸ File No. ER-2021-0240, EFIS Item No. 211, Position Statements of the Consumers Council of Missouri, filed December 7, 2021, at pp. 1 – 2 (only addressing 5% cap for Residential customer class increase, and not addressing any General Service class increase cap); File No. ER-2021-0240, EFIS Item No. 208, Public Counsel's Position Statement, filed December 7, 2021, at p. 3.

³⁹ Ev. Hearing Transcript, at p. 265, l. 9 – p. 266, l. 3.

⁴⁰ File No. ER-2021-0240, EFIS Item No. 213, MECG Statement of Positions, filed December 7, 2021, at p. 7.

⁴¹ Id.

the *First Electric Stipulation*.⁴² Alternatively, MIEC proposes to move half of the way to class cost of service, and apply the revenue neutral changes shown in MIEC witness Maurice Brubaker's Direct Schedule MEB-COS-6 to the 8.8% overall increase.⁴³

Finally, only a few other rate design points remain at issue and relate only to Non-Residential customers. Sub-issue 22F relates to MECG's proposed shift to increase the demand component for the Large General Service (or "LGS") and Small Primary Service (or "SPS") classes, and correspondingly decrease their energy charges. Sub-issue 22G relates to MECG's recommendation to require the Company to present analyses of alternatives to the hours-use rate design by 2025. Sub-issue 22I relates to what the appropriate level of Rider B credits should be applied to the bills of customers providing their own substation equipment. Sub-issue 22J3 deals with performance of a full study of the reasonableness of the calculations and assumptions underlying Rider B.

B. Argument

1. Sub-issue 22A: *How should production costs be allocated among customer classes within a Class Cost of Service Study?*

As explained by Company witness Thomas Hickman, the 4 non-coincident peak ("NCP") version of the Average and Excess ("A&E") demand method should be used for allocating production plant as shown in Ameren Missouri's Class Cost of Service Study ("CCOSS") in this case for multiple reasons.⁴⁴ First, the method gives weight to both class peak demands and class energy consumption (average demands) so that the two major factors influencing capacity planning are addressed.⁴⁵ Second, the 4 NCP A&E demand method is consistent with Section

⁴² File No. ER-2021-0240, EFIS Item No. 217, Statement of Position of the Missouri Industrial Energy Consumers, at p. 2.

⁴³ *Id.*

⁴⁴ File No. ER-2021-0240, Exhibit 30, Direct Testimony of Thomas Hickman, p. 19, ll. 5 – 8.

⁴⁵ *Id.* at p. 19, l. 9 – p. 20, l. 2.

393.1620.1(1), RSMo., because it is a specified method for nuclear and fossil production plant cost allocation under the National Association of Regulatory Utility Commissioners ("NARUC") 1992 manual.⁴⁶ Next, the method better addresses the fact that 14 of the 16 maximum 4 NCP monthly demands for the Company's major (i.e., non-lighting) customer classes occurred during the Company's summer peak demand months of June – September.⁴⁷ The use of the 4 NCP demand option, rather than a lesser number of monthly NCP demands, also prevents the demand allocator for any customer class from being unduly influenced by any extreme demand in a given month.⁴⁸ Finally, the A&E method is superior to the Peak and Average ("P&A") method used in one of Staff's scenarios, because the P&A method improperly double-counts the average demand of customer demands.⁴⁹

MECG witness Chriss's A&E 4 NCP allocator differs slightly from the definition of NCP per the NARUC Electric Utility Cost Allocation Manual, at p. 167 (1992).⁵⁰ The Company uses the more traditionally accepted definition of NCP contained in the NARUC Manual, which is more reasonable.⁵¹ The difference, however, between MECG's 4 NCP A&E allocator and the Company's is nominal, and either approach is reasonable.

⁴⁶ File No. ER-2021-0240, Exhibit 31, Rebuttal Testimony of Thomas Hickman, p. 22, l. 11 – p. 23, l. 5.

⁴⁷ File No. ER-2021-0240, Exhibit 30, Direct Testimony of Thomas Hickman, p. 20, ll. 5 – 9.

⁴⁸ *Id.* at p. 20, ll. 9 – 11.

⁴⁹ Ev. Hearing Transcript, at p.315, l. 5 – p. 316, l. 10; File No. ER-2010-0036, *Report and Order*, p. 85.

⁵⁰ File No. ER-2021-0240, Exhibit 31, Rebuttal Testimony of Thomas Hickman, p. 22, ll. 17 – 20.

⁵¹ *Id.* at p. 23, ll. 5 – 7.

2. Sub-issue 22B: *How should the non-fuel, non-labor components of production, operation and maintenance expense be classified and allocated among customer classes within a CCOSS?*

Non-fuel, non-labor components of production operating and maintenance ("O&M") expense should be classified as variable, and allocated based on the megawatt-hours required at the generators to provide service to each respective class, a/k/a "production energy allocation."⁵² MIEC witness Maurice Brubaker seeks to instead allocate such expense on the basis of demand. Mr. Brubaker's approach should *not* be adopted in this case for the following reasons: 1) Mr. Brubaker's focus on how maintenance is scheduled misses the bigger point of how much non-labor material is used during each maintenance period, and what causes the need for maintenance in the first place; 2) the extent of maintenance performed is variable in nature and can vary significantly with the amount of time and extent to which a plant has run; 3) the need for this regularly scheduled maintenance is related to utilization of the unit – the wear and tear that occurs as energy is generated – making the energy-related allocator consistent with cost causation; and 4) there are components of non-labor O&M expense which are actually budgeted based on anticipated plant generation – such as conveyers, coal mills, chemicals, and the limestone in scrubbers – so that the budgeting of these costs on the basis of kilowatt-hours generated makes it hard to justify these costs being allocated inconsistently.⁵³

3. Sub-issue 22C: *How should any rate increase be allocated to the several customer classes?*

The Company, Staff and OPC support allocation to all classes, after small modifications for the Lighting classes, on an equal percent of current base revenues, which is consistent with the

⁵² File No. ER-2021-0240, Exhibit 30, Direct Testimony of Thomas Hickman, p. 20, l. 19 – p. 21, l. 2.

⁵³ File No. ER-2021-0240, Exhibit 31, Rebuttal Testimony of Thomas Hickman, p. 23, l. 10 – p. 24, l. 9.

approach taken in the Company's last electric rate case, File No. ER-2019-0335, as well.⁵⁴ Other factors – such as revenue stability, rate stability, effectiveness in yielding total revenue requirements, public acceptance, and value of service – must be considered when determining class revenue requirements and designing rates, and drove the Company to propose the equal percent allocation approach.⁵⁵ Under the Company's proposed approach, the rate increase to each class would be approximately 8.8%.⁵⁶ Both MECG and MIEC's recommendations would result in higher than average increases for the Residential class, which the Company does not recommend in this case.⁵⁷

4. Sub-issue 22F: *Should the Commission approve MECG's proposed shift to increase the demand component for Large General Service and Small Primary Service and decrease energy charges?*

Although the Company does not oppose the direction of MECG's proposed shift to increase the demand component for 3(M) Large General Service (“LGS”) and 4(M) Small Primary Service (“SPS”) customers, the Company cautions that the magnitude of the proposed increase in demand charges, and the corresponding decrease in energy charges, could result in material bill impacts for some customers within those classes who may not be able to control their demand as efficiently as the members of MECG.⁵⁸ Using the rates MECG witness Chriss developed in his direct workpapers to estimate the bill impacts MECG's proposal would have on the LGS rate class population in a given month, Company witness Wills explains that, for more than 1,600 of the smaller customers in the class, it would be likely to produce bill increases, arising just from the

⁵⁴ File No. ER-2021-0240, EFIS Item No. 206, Position Statement of Union Electric Company d/b/a Ameren Missouri, at p. 4; EFIS Item No. 207, Staff Statements of Position, at p. 3; and EFIS No. 208, Public Counsel's Position Statement, at p. 2.

⁵⁵ File No. ER-2021-0240, Exhibit 44, Direct Testimony of Michael Harding, p. 6, l. 10 – p. 7, l. 2.

⁵⁶ Ev. Hearing Transcript, at 9. 331, ll. 9 - 11.

⁵⁷ File No. ER-2021-0240, Exhibit 45, Rebuttal Testimony of Michael Harding, p. 3, ll. 11 – 18.

⁵⁸ File No. ER-2021-0240, Exhibit 45, Rebuttal Testimony of Michael Harding, p. 3, ll. 18 – 20; and Exhibit 18, Rebuttal Testimony of Steven Wills, at p. 53, ll. 17 – 22.

rate design change and *in addition to* any rate increase authorized in this case, of more than 5%, and the largest total individual increase from the rate MECG's proposed rate design change and *in addition to* any rate increase authorized in this case would reach as high as an estimated 18%.⁵⁹ The Company also suggests that the Commission consider the potential negative impacts on efficient electrification of increasing the demand charge as MECG proposes, because such increases in demand charges may discourage customers within the 3(M) and 4(M) classes from engaging in the provision of public high speed electric vehicle charging service or electrifying their own fleet (such as heavy duty trucks and buses).⁶⁰ Thus, the Company supports modest increase to the LGS and SPS demand charges, but not the magnitude (triple of the approved rate increase to the respective classes) of the demand charge increases proposed by MECG.⁶¹

5. Sub-issue 22G: *Should the Commission approve MECG's recommendation to require the Company to present analyses of alternatives to the hours-use rate design by 2025?*

MECG's recommendation should be rejected as unnecessary, and it would establish an inappropriate timeframe for alternatives to be presented. While the hours-use rate design is complex, Company witness Steven Wills explained during cross-examination how the hours-use rate design functions.⁶² Mr. Wills explained why Residential rates were initially targeted for redesign over the Non-Residential rates: the LGS and SPS rates are already three-part rates, and had better relationships between bills and cost of service than Residential rates.⁶³ While the Company is open to contemplating future rate design changes for Non-Residential Classes, any such changes should take place when they can be applied to all customers, which requires that

⁵⁹ File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, at p. 53, l. 22 – p. 54, l. 5.

⁶⁰ *Id.*, at p. 54, l. 6 – p. 55, l. 3.

⁶¹ *Id.*, at p. 55, ll. 7 – 10; Ev. Hearing Transcript, at p. 344, ll. 6 – 15.

⁶² Ev. Hearing Transcript, at p. 301, l. 17 – p. 302, l. 1.

⁶³ File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, at p. 55, l. 22 – p. 56, l. 2.

parties wait until the AMI meter rollout is complete in (as currently scheduled) in 2024.⁶⁴ After the AMI meter rollout is complete, it will also be important to carefully analyze the potential bill impacts of potential changes.⁶⁵

6. Sub-issue 22H: *How should distribution costs be allocated or assigned among customer classes within a Class Cost of Service Study?*

The parties have agreed to further data collection/retention as part of the *First Electric Stipulation*, which will provide even more information for distribution cost allocation in future rate cases.⁶⁶ For this case, the Company and MIEC agree that Distribution Plant (Accounts 360 – 369) should be allocated to each customer class based upon the breakdown of each account between customer-related and demand-related components as reflected in Ameren Missouri’s CCOSS.⁶⁷ The demand-related component is further broken down by high voltage, primary voltage, and secondary voltage demand-related functions. The portion classified as customer-related costs is derived using the Minimum-Size Method, and the remaining, demand-related portion of the Company's Distribution Plant accounts are split among the high voltage, primary voltage, and secondary voltage levels on the basis of a review of the functional utilization of various equipment and hardware in such accounts.⁶⁸

The Regulatory Assistance Project's "Electric Cost Allocation for a New Era – A Manual" ("RAP Manual") published in January 2020 was relied upon by Staff quite a bit in discussing appropriate cost allocations, but both MIEC and the Company generally cautioned the Commission

⁶⁴ *Id.*, at p. 56, ll. 3 – 6.

⁶⁵ *Id.*, at p. 56, ll. 6 – 8.

⁶⁶ *First Electric Stipulation*, at p. 13, para. 30.

⁶⁷ File No. ER-2021-0240, Exhibit 30, Direct Testimony of Thomas Hickman, at p. 15, ll. 15 – 18; EFIS Item No. 217, Statement of Position of the Missouri Industrial Energy Consumers, at p. 3.

⁶⁸ File No. ER-2021-0240, Exhibit 30, Direct Testimony of Thomas Hickman, at p. 15, ll. 18 – p. 16, l. 3.

against viewing the RAP Manual as an authoritative source for determining appropriate cost allocations.⁶⁹

7. Sub-issue 22I: *What is the appropriate level of Rider B credits to be applied to the bills of customers providing their own substation equipment?*

The level of credits applied to Rider B customers' bills should be increased in proportion to the percentage of increase in revenue requirement allocated to the 4(M) Small Primary Service and/or 11(M) Large Primary Service classes, which therefore flows from the Commission's decision on sub-issue 22C above. Customers that receive service under Rider B own, operate, and maintain significant components of infrastructure – specifically substations that transform power from high voltages to standard primary voltages – that the Company otherwise would have to invest in, construct, operate, and maintain, which benefits other customers generally by reducing the costs the Company was able to avoid because of these customers' ownership of their own substations that would otherwise be recovered from all customers.⁷⁰ Staff's proposal to suspend Rider B credits if the Company's CCOSS is relied upon and/or the revenue requirement allocated to the 4(M) and 11(M) classes is not an equal percentage,⁷¹ should be rejected out of hand. Suspension of Rider B credits would be punitive and unfair to customers who made such significant investment decisions based on an understanding that they would receive these bill credits as a result of their investments and ongoing efforts, and would increase the 4(M) customers' and 11(M) customers' bills on average by an estimated 4.4% and 3.3%.⁷²

⁶⁹ File No. ER-2021-0240, Exhibit 19, Surrebuttal Testimony of Steven Wills, at p. 29, l. 8 – p. 30, l. 2; and Exhibit 501, Rebuttal Testimony of Maurice Brubaker, Schedule MEB-COS-R-3, p. 1.

⁷⁰ File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, at p. 22, l. 11 – p. 23, l. 7.

⁷¹ Staff does not recommend suspension of the Rider B credits if the Commission allocates the revenue requirement increase to the classes on an equal percentage. File No. ER-2021-0240, EFIS Item No. 207, Staff Statements of Position, at p. 5; and Ev. Hearing Transcript, at p. 376, l. 8 – p. 377, l. 18.

⁷² File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, at p. 23, l. 7 – p. 24, l. 2.

8. Sub-issue 22J(3):⁷³ *Performance of a full study of the reasonableness of the calculations and assumptions underlying Rider B to be filed as part of the Company's direct filing in its next general rate case.*

Staff's recommendation for the Company to perform such a study, and for the study to be filed as part of the Company's next general rate case, should be denied. A study of Rider B, and any data retention associated with it, is completely unnecessary for at least two reasons. First, Staff's claim that an appropriate level of substation costs was not allocated to the customers who receive the Rider B credit is plainly wrong.⁷⁴ The Company's CCOSS allocated 14.8% of such costs to primary customers, which include all Rider B customers. The 3.73% number cited from Staff's convoluted analysis of certain data request responses and Rider B billing determinants has nothing to do with the allocation of appropriate costs to these customers, is contradicted by the Company's actual CCOSS, and is simply wrong.⁷⁵ Second, the entire premise of Staff's suggestion that the Rider B credit should be eliminated unless a study is first done ignores the undeniable fact that by the customer investing in their own substation – and allowing the Company to avoid making that investment – means that the cost to serve the Rider B customers is unquestionably lower than the cost to serve customers that did not make such an investment. This is true regardless of whether Staff's allocations of distribution revenue requirement are relied upon or if no shifts to revenue responsibility are ordered.

⁷³ Sub-issue 22J(3) was not listed in the *Updated Joint List of Issues, List and Order of Witnesses, Order of Cross-Examination, and Order of Opening Statements*, filed December 6, 2021, and was the subject of Motions by both Staff and the Company to provide Position Statements on the issue.

⁷⁴ File No. ER-2021-0240, Exhibit 18, Rebuttal Testimony of Steven Wills, at p. 24, l. 17 – p. 25, l. 20.

⁷⁵ *Id.*, at p. 25, l. 22 – p. 26, l. 8.

Respectfully submitted,

/s/ Wendy Tatro

Wendy Tatro, Mo. Bar #60261

Director and Ass General Counsel

Jermaine Grubbs, Mo. Bar #68970

Corporate Counsel

Ameren Missouri

P.O. Box 66149, MC 1310

St. Louis, MO 63166-6149

Telephone: (314) 554-2041

Facsimile: (314) 554-4014

AmerenMOService@ameren.com

James B. Lowery, Mo. Bar #40503

JBL LAW, LLC

3406 Whitney Court

Columbia, MO 65203

(T) 573-476-0050

lowery@jblawllc.com

**ATTORNEYS FOR UNION ELECTRIC
COMPANY d/b/a AMEREN MISSOURI**

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First-Class United States Postal Mail, postage prepaid, on this 28th day of December 2021, to all counsel of record.

/s/ Wendy Tatro
Wendy Tatro