BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Annual Revenues for Electric Service.	))))	**Case No. ER-2014-0258**

POSITION STATEMENT OF
MISSOURI INDUSTRIAL ENERGY CONSUMERS

COMES NOW the Missouri Industrial Energy Consumers ("MIEC") and provides its position on the issues listed in the *First Amended Joint List of Issues, List and Order of Witnesses, Order of Cross Examination, and Order of Opening Statements* filed by the parties to this case, as follows:

1. Regulatory Policy and Economic Considerations

The MIEC did not submit testimony specifically on the issue of regulatory policy and economic considerations.

2. Advertising & Communications

A. What amount of advertising or communications expense should be included in Ameren Missouri's revenue requirement?

B. What amount, if any, of the costs incurred by Ameren Missouri for its Community Lights campaign should be included in revenue requirement?

C. What amount, if any, of the costs incurred by Ameren Missouri for its Social Media campaign should be included in revenue requirement?

D. What amount, if any, of the costs incurred by Ameren Missouri for its Energy Efficiency campaign should be included in revenue requirement?

E. What amount, if any, of the costs incurred by Ameren Missouri for its Cardinal Digital Outdoor Signs should be included in revenue requirement?

F. What amount, if any, of the costs incurred by Ameren Missouri for its Storm Response campaign should be included in revenue requirement?

G. *What amount, if any, of the costs incurred by Ameren Missouri for its Reliability Fair should be included in revenue requirement?*

H. *What amount, if any, of the costs incurred by Ameren Missouri for its Solar Energy Center Artwork should be included in revenue requirement?*

I. *What amount, if any, of the costs incurred by Ameren Missouri for its Downtown Banners should be included in revenue requirement?*

J. *What amount, if any, of the costs incurred by Ameren Missouri for its Louie the Lightning Bug balloon should be included in revenue requirement?*

The MIEC does not assert a position on these issues at this time.

3. Dues, including EEI and Environmental Working Groups Dues

A. *What amount should be included in Ameren Missouri's revenue requirement for dues?*

B. *What amount, if any, of the dues paid by Ameren Missouri to EEI should be included in revenue requirement?*

C. *What amount, if any, of the dues paid by Ameren Missouri to the Utility Water Act Group should be included in revenue requirement?*

D. *What amount, if any, of the dues paid by Ameren Missouri to the Utility Air Regulatory Group should be included in revenue requirement?*

E. *What amount, if any, of the dues paid by Ameren Missouri to the United Solid Waste Activities Group should be included in revenue requirement?*

F. *What amount, if any, of the dues paid by Ameren Missouri to the Midwest Ozone Group should be included in revenue requirement?*

The MIEC does not assert a position on these issues at this time.

4. Weather Normalization (SPS and LGS Classes)

A. *What level of weather normalized sales should be used to establish the billing units used to set rates?*

B. *How should the LGS and SPS weather normalization adjustments be allocated to the various rate blocks in order to establish normalized revenues at present rates?*

C. *What capacity factor should be used for solar distributed generation systems for purposes of calculating the solar annualization adjustment to test year billing units proposed by the Company and Staff?*

D. *What level of sales to Noranda should be assumed for the test year for purposes of establishing billing units?*

The MIEC does not assert a position on these issues at this time.

5. Income Tax

A. *Should Ameren Missouri's Net Operating Loss Carryforward Related to ADIT be included in Ameren Missouri's rate base?*

Ameren Missouri's Net Operating Loss Carryforward ("NOLC") ADIT element should be included in rate base, but only at the much lower amount accounting for the cumulative stand-alone income tax losses of Union Electric (Ameren Missouri) business unit. The Commission should reject the Company's proposed inclusion of much higher NOLC balances that result from Ameren Corporation's consolidated group approach to filing and allocating Ameren Corporation's federal income taxes. The Company's favored consolidated group approach would overstate the NOLC amount, forcing Missouri ratepayers to improperly subsidize other Ameren affiliated companies' and their tax losses, which is not permitted under the Commission's affiliated interest rules (4 CSR 240-20.015). The stand-alone approach advocated by MIEC is essential at this time because of Ameren Corporation's decision in 2013 to divest its merchant generation business and the large tax losses resulting from that divestiture, which would adversely impact Missouri ratepayers under the Company's recommended NOLC quantification approach.

B. *Should the Company's IRC Section 199 Deduction be computed without regard to Net Operating Loss Carryovers from prior years in determining the Company's income tax expense?*

The MIEC's primary position is that the Section 199 Domestic Production Deduction be calculated in the same manner as in prior Ameren Missouri rate cases, excluding the effects of prior year's NOLC balances, because the calculation is based upon pro-forma results that are forward looking in nature, as if the Company's rate increase had been effective within the test year. However, because it is nearly impossible to predict whether or not Ameren Missouri will actually have positive future taxable income when new rate levels are in effect, a modified DPD calculation is set forth in Schedule MLB-4 REVISED that includes a Missouri stand-alone NOLC input, to be used only if the Commission agrees with Ameren that some account for NOLC amounts from prior years is appropriate within the prospective calculation of the DPD.

6. Coal Issues

A. *Should the value of Ameren Missouri's coal inventory include the value of coal in transit?*

B. *What amount should be included in the revenue requirement for coal refinements revenues for Labadie Energy Center?*

The MIEC does not assert a position on these issues at this time.

7. Amortizations

A. *Should the amount of solar rebates paid by Ameren Missouri and recorded to a solar rebate regulatory asset through the end of the true-up period be included in Ameren Missouri's revenue requirement using a 3-year amortization period?*

No. Ameren Missouri's earnings during the period of solar rebate payments were adequate to pay those rebates and still allow Ameren to earn its

authorized rate of return, so no amortization of these amounts should be allowed.

B. *Should the amount of pre-MEEIA energy efficiency expenditures incurred by Ameren Missouri and recorded to a regulatory asset through the end of the true-up period be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?*

No. Ameren Missouri's earnings during the period of pre-MEEIA energy efficiency expenditures were adequate cover the expenditures and still allow Ameren to earn its authorized rate of return, so no amortization of these amounts should be allowed.

C. *Should the amount of Fukushima flood study costs incurred by Ameren Missouri and recorded to a regulatory asset be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?*

No. During the test year in this case, Ameren Missouri's earnings could absorb the cost of the Fukushima flood study and allow Ameren Missouri to earn it authorized rate of return.

8. Noranda AAO

Should the sums authorized for deferral in Case No. EU-2012-0027 be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

No. The "lost fixed costs" that were authorized for deferral in Case No. EU-2012-0027 have already been allowed in Ameren Missouri's rates and to grant recovery would result in retroactive ratemaking.

9. Board of Directors-Related Expenditures

Should Ameren Missouri's allocated share of compensation paid to Ameren Corporation directors be included in revenue requirement?

The MIEC does not assert a position on these issues at this time.

10. Uncollectibles

What level of uncollectible accounts expense should be included in the revenue requirement?

The MIEC does not assert a position on these issues at this time.

11. Storm Expense and Two-Way Storm Costs Tracker

A. Should the Commission continue a two-way storm restoration cost tracker whereby storm-related non-labor operations and maintenance ("O&M") expenses for major storms would be tracked against the base amount with expenditures below the base creating a regulatory liability and expenditures above the base creating a regulatory asset, in each case along with interest at the Company's AFUDC rate?

No. Ameren Missouri has recovered through its rates, and without the use of the tracker, all of the storm expenses it has incurred in the last several years. Ameren Missouri has the regulatory tools to collect abnormal storm expenses that it may incur in the future.

B. If the storm cost tracker is not continued, what annualized level of major storm costs should the Commission approve in this case?

$4.6 million per year.

C. Should an amount of major storm cost over-recovery by Ameren Missouri be included in Ameren Missouri's revenue requirement and, if so, over what period should it be amortized?

Yes. Five years.

10. Vegetation Management and Infrastructure Inspection Trackers

A. What amount should be included in the revenue requirement for Vegetation Management and Infrastructure Inspection?

$54 million per year for vegetation management and $5.8 million per year for infrastructure inspection.

B. *Should the vegetation management and infrastructure inspection trackers be continued?*

No.

C. *If the vegetation management and infrastructure inspection trackers are not continued, what annualized level of vegetation management and infrastructure inspection costs should the Commission approve in this case?*

$54 million per year for vegetation management and $5.8 million per year for infrastructure inspection.

D. *Should an amount of vegetation management and infrastructure inspection cost over-recovery by Ameren Missouri be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?*

Yes. Three years.

13. Union Proposals

A. *Can the Commission mandate or require that the Company address its workforce needs in a particular manner and, if so, should it do so?*

B. *Should the Commission require the additional reporting requested by Mr. Walters?*

The MIEC does not assert a position on these issues at this time.

14. Rate Case Expense

What is the appropriate amount to include in Ameren Missouri's revenue requirement for Rate Case Expense?

The MIEC does not assert a position on these issues at this time.

15. Miscellaneous Revenue Requirement Issues

A. *What amount of corporate franchise tax should be included in the revenue requirement?*

B. Should the investment through December 31, 2014, in an extension of the Nuclear Regulatory Commission ("NRC") license for the Callaway Energy Center be included in rate base if the extension is issued by the NRC by the filing of reply briefs in this case?

C. How should the DOE breach-of-contract settlement amounts be treated in this case?

The MIEC does not assert a position on these issues at this time.

16. Return on Common Equity ("ROE")

In consideration of all relevant factors, what is the appropriate value for Return on Equity ("ROE") that the Commission should use in setting Ameren Missouri's Rate of Return?

The appropriate return on equity for Ameren Missouri is 9.3 percent, as explained in the testimony of MIEC witness Michael Gorman.

17. Lobbying Expenditures

Should rent allocated to Ameren Missouri for Ameren Services' office in Washington D.C. be included in the revenue requirement?

The MIEC does not assert a position on this issue at this time.

18. Incentive Compensation

A. Should the safety component of the EIP-O incentive compensation plan be included in revenue requirement?

B. Should payments made under the BNA program be included in revenue requirement?

C. Should payments made to non-union employees made under the BBI program be included in revenue requirement?

The MIEC does not assert a position on these issues at this time.

19. Class Cost of Service, Revenue Allocation and Rate Design

A. What methodology should the Commission use to allocate generation fixed costs among customer classes?

Average and excess-4NCP ("A&E-4 NCP") as previously adopted by the

Commission.

B. *How should the non-fuel, non-labor components of production, operation and maintenance expense be classified and allocated?*

They should be classified as a fixed cost and allocated using the A&E-4NCP factors.

C. *How should any rate increase be collected from the several customer classes?*

The LPS class should receive the system average percentage rate increase. All of the charges in the LTS tariff should also receive the system average percentage rate increase.

D. *What should the Residential Class customer charge be?*

The MIEC does not assert a position on this issue at this time.

E. *Should the Commission approve Wal-Mart's proposed shift to increase the demand component of the hours-use rate design for Large General Service and Small Primary Service?*

The MIEC does not assert a position on this issue at this time.

F. *Should the Commission approve Wal-Mart's recommendation to require the Company to present analyses of alternatives to the hours-use rate design in its next rate case?*

The MIEC does not assert a position on this issue at this time.

G. *What methodology should the Commission use to allocate off-system sales revenues among customer classes?*

The Commission should use the class energy allocation factor as this Commission has previously found appropriate.

H. *What methodology should the Commission use to allocate income tax expense among customer classes?*

Income taxes should be allocated on the basis of class taxable income.

I. *What methodology should the Commission use to allocate fuel and purchased power costs among customer classes?*

The Commission should use the class energy allocation factor as this

Commission has previously found appropriate.

20. Depreciation

A. What amount of depreciation expense, including for the Meramec Energy Center retirement, should be included in Ameren Missouri's revenue requirement?

B. What amount of depreciation expense should be included in Ameren Missouri's revenue requirement for Accounts 364 and 369 (minor account 1)?

The MIEC does not assert a position on these issues at this time.

21. Economic Development Rate Design Mechanisms

A. Should the Commission expand the application of Ameren Missouri's existing Economic Development Riders?

B. Should the Commission modify Ameren Missouri's existing Economic Development Riders to require recipients to participate in the Company's energy efficiency programs?

C. Should the Commission open a docket to explore the role economic development riders have across regulated industries (i.e. water, electric, natural gas) and/or to further explore issues raised by parties in this case and issues the Commission inquired about at the beginning of the case?

The MIEC does not assert a position on these issues at this time.

22. MEEIA Low Income Exemption

Should the Commission approve an exemption of MEEIA charges for low income customers? If so, should the cost of exemption be paid by only residential customers or all customers?

The MIEC does not have a position on the issue of whether the Commission should approve an exemption from MEEIA charges for low income customers. If the Commission creates such an exemption, customers who have opted out of MEEIA should not pay the cost of the exemption.

23. Street Lighting

A. Can the Commission mandate or require that the Company sell its street lights to the Cities?

B. *Should the Commission approve a revenue-neutral adjustment between customer-owned and Company-owned lighting rates?*

C. *Should the Commission eliminate the termination fees from the Ameren Missouri-owned lighting rate?*

The MIEC does not assert a position on these issues at this time.

24. LED Street Lighting

Should the Commission order Ameren Missouri to continue to study the cost-effectiveness of replacement of all or parts of existing company-owned street lights with LED lights, and, no later than twelve (12) months following the Commission's Report and Order in this case, to file either proposed LED lighting tariffs or an update to the Commission on when it will file a proposed LED lighting tariff to replace existing company-owned street lights?

The MIEC does not assert a position on this issue at this time.

25. Other Tariff issues

Should the Commission order the Company to eliminate the 7(M) lighting class (Municipal Incandescent Street Lighting)?

The MIEC does not assert a position on this issue at this time.

26. Supplemental Service

Should the Commission eliminate or modify the terms of Ameren Missouri's Supplemental Service tariff (aka. Rider E)?

Rider E should be grandfathered and the existing customer should be allowed to continue under this tariff if it chooses to do so.

27. Ameren Services Allocations

A. *What level of Ameren Services Company allocations should be included in the Company's revenue requirement?*

The MIEC's current position is that the test year level should be included, pending review of Ameren Missouri's responses to set 31 DRs.

B. *Should the Commission open a separate docket to further examine Ameren Services Company's costs after this rate case is over?*

Yes.

28. Net Base Energy Costs

At what level should net base energy costs be set in this case?

NBEC should be set at $669 million which reflects normal operations at the Noranda Smelter (approximately 4.2 million MWh net of AECI losses). This level should be adjusted to reflect the Commission's determination of issue 30.D (transmission expenses in the FAC).

29. Labadie ESPs

A. *Should the Company's investment in electrostatic precipitators installed at the Labadie Energy Center be included in the Company's rate base?*

B. *Should Ameren Missouri's rate base be reduced by $408,048 because of damage to collector plates used in the Labadie ESP project?*

The MIEC does not assert a position on this issue at this time.

30. Fuel Adjustment Clause ("FAC")

A. *Did the Company fail to comply with the "complete explanation" provisions of 4 CSR 240-3.161(3)(H) and (I) and, if so, would this justify the elimination of the Company's fuel adjustment clause?*

The MIEC does not assert a position on this issue at this time.

B. *Did the Company fail to provide information on the magnitude, volatility and the Company's ability to manage the costs and revenues that it proposes to include in its FAC and, if so, would this justify the elimination of the Company's fuel adjustment clause?*

The MIEC does not assert a position on this issue at this time.

C. *If the FAC continues should the sharing percentage be changed to 90%/10%?*

The MIEC does not assert a position on this issue at this time.

D. *Should transmission charges associated with power that is generated by Ameren Missouri for its load or transmission charges associated with off-system sales be included in the FAC as transportation of "purchased power"?*

Neither transmission charges associated with power that is generated by Ameren Missouri for its native load, nor transmission charges associated with off-system sales, should be included in the FAC as transportation of "purchased power."

E. *If the FAC continues, what costs and revenues should be included in the Company's FAC:*

1. *Should only fuel and purchased power costs, transportation of the fuel commodity, transmission associated with purchased power costs and off-system sales revenues be included?*

   Yes, and purchased power does not include power generated by Ameren Missouri.

2. *Should cost types in which the Company has incurred less than $360,000 in the test year be included?*

   The MIEC does not assert a position on this issue at this time.

3. *Should revenue types in which the Company received less than $360,000 in the test year be included?*

   The MIEC does not assert a position on this issue at this time.

4. *What charges and revenues associated with the MISO market be included?*

   The MIEC does not assert a position on this issue at this time.

5. *Should transmission revenues continue to be included in the FAC?*

   No, transmission revenues should not be included in the FAC <u>unless</u> the Commission ultimately decides transmission charges associated with power generated by Ameren Missouri for its native load and

transmission charges associated with off system sales should be included in the FAC.

31. Noranda Rate Proposal

A. *Is Noranda experiencing a liquidity crisis such that it is likely to cease operations at its New Madrid smelter if it cannot obtain relief of the sort sought here?*

Yes.

1. *If so, would the closure of the New Madrid smelter represent a significant detriment to the economy of Southeast Missouri, to local tax revenues, and to state tax revenues?*

Yes.

2. *If so, can the Commission lawfully grant the requested relief?*

Yes.

3. *If so, should the Commission grant the requested relief?*

Yes.

B. *Would rates for Ameren Missouri's ratepayers other than Noranda be lower if Noranda remains on Ameren Missouri's system at the reduced rate?*

Yes.

C. *Would it be more beneficial to Ameren Missouri's ratepayers other than Noranda for Noranda to remain on Ameren Missouri's system at the requested reduced rate than for Noranda to leave Ameren Missouri's system entirely?*

Yes.

D. *Is it appropriate to redesign Ameren Missouri's tariffs and rates on the basis of Noranda's proposal, as described in its Direct Testimony and updated in its Surrebuttal Testimony?*

Yes.

1. *If so, should Noranda be exempted from the FAC?*

Yes.

2. *If so, should Noranda's rate increases be capped in any manner?*

Yes at 1 percent annually

3. *If so, can the Commission change the terms of Noranda's service obligation to Ameren Missouri and of Ameren Missouri's service obligation to Noranda?*

Noranda does not have a "service obligation" to Ameren Missouri. The Commission has authority regarding Ameren Missouri's service obligation to Noranda pursuant to the certificate of convenience and necessity.

4. *If so, should the resulting revenue deficiency be made up by other rate payers in whole or in part?*

Yes.

5. *If so, how should the amount of the resulting revenue deficiency be calculated?*

The difference between Noranda's current average base revenue of $37.95 per MWh and the requested rate of $32.50 per MWh, multiplied by Noranda's test year energy of 4,198,453 MWh for a total of $22.88 million.

6. *If so, can the resulting revenue deficiency lawfully be allocated between ratepayers and Ameren Missouri's shareholders?*

   i. *How should the revenue deficiency allocated to other ratepayers be allocated on an interclass basis?*

   This amount should be allocated in the manner illustrated on Schedule MEB-COS-7 attached to Maurice Brubaker's direct testimony (allocated on base rates minus energy efficiency and low-income surcharge revenues).

   ii. *How should the revenue deficiency allocated to other ratepayers be allocated on an intra-class basis?*

   As an equal percent on all charges except for energy efficiency and low-income surcharges.

7. *If so, what, if any, conditions or commitments should the Commission require of Noranda?*

The Commission should adopt the employment and capital investment commitments as set out in the Surrebuttal testimony of Kip Smith.

E. *What is Ameren Missouri's variable cost of service to Noranda?*

Between $28.03/MWh and $29.39/MWh as calculated by MIEC witness James Dauphinais.

1. *Should this quantification of variable cost be offset by an allowance for Off-System Sales Margin Revenue?*

No

2. *What revenue benefit or detriment does the Ameren Missouri system receive from provision of service to Noranda at a rate of $32.50/MWh?*

If Noranda were not served by Ameren Missouri, the rates of other customers would be higher by between $54 million per year and $60 million per year. Serving Noranda at a rate of $32.50/MWh would cause other rates to increase by $41 million per year over their current level. As a result, by serving Noranda at $32.50/MWh other customers are better off by between $13 million per year and $19 million per year.

F. *Should Noranda be served at rate materially different than Ameren Missouri's fully distributed cost to serve them? If so, at what rate?*

Yes. At $32.50/MWh.

G. *Is it appropriate to remove Noranda as a retail customer as proposed by Ameren Missouri in its Rebuttal Testimony?*

No.

1. *Can the Commission cancel the Certificate of Convenience and Necessity that was granted for Ameren Missouri to provide service to Noranda and, if so, would the cancellation of the CCN be in the public interests?*

The Commission has authority over the CCN. The cancellation of the

CCN would not be in the public interest.

2. *Can the Commission grant Ameren Missouri's proposal since notification regarding the impact of this proposal on its other customers' bills was not provided to Ameren Missouri's customers?*

   The MIEC does not assert a position on this issue at this time.

3. *If the Commission grants Ameren Missouri's proposal, should the costs and revenues flow through the FAC?*

   No.

4. *Can Ameren Missouri and Noranda end their current contract without approval of all of the parties to the Unanimous Stipulation and Agreement in the case in which Ameren Missouri was granted the CCN to serve Noranda?*

   The MIEC does not assert a position on this issue at this time.

The MIEC reserves the right to assert additional positions or respond to positions asserted by the other parties.

Respectfully submitted,

BRYAN CAVE LLP

By: <u>/s/ *Diana Vuylsteke*</u>
Diana Vuylsteke #42419
BRYAN CAVE LLP
211 North Broadway
Suite 3600
St. Louis Missouri 63102
(314) 259-2543
Facsimile: (314) 259-2020
E-mail: dmvuylsteke@bryancave.com

ATTORNEY FOR THE MISSOURI
INDUSTRIAL ENERGY CONSUMERS

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was sent by email this **19th day of February, 2015,** to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/*Diana Vuylsteke*