Missouri Division of Energy

Position Paper

November 10, 2015

Ameren Standby Service Tariff

On March 5, 2015, Union Electric Company d/b/a Ameren Missouri, the Missouri Department of Economic Development – Division of Energy, the Missouri Industrial Energy Consumers (MIEC), and the Staff of the Commission filed a non-unanimous stipulation and agreement that would resolve all issues relating to Supplemental Service in Case ER-2014-0258. As part of the agreement, Ameren Missouri was directed to consult with interested stakeholders to draft and file a Standby Tariff by December 31, 2015, that will apply prospectively to all new customer generators.

Since the first stakeholder meeting on October 20, 2015 to develop a proposed Ameren Standby Service Rider (SSR) tariff, the Division of Energy has interfaced with Ameren's staff with the intent to substantively contribute to the clarity and transparency of the tariff. Consistent with this intent, DE offered specific suggestions for definitions as well as alternative rates, while staying within the Company's draft rate structure. We feel that great progress has been made in the tariff definitions and we thank Ameren for their specific efforts in this regard. With footnoted exception, we are generally comfortable with the overall structure of the proposed tariff[1]. We also acknowledge and support the Company's effort to be inclusive by the addition of the LTS class to the tariff.

Now it's time to drill down in determining specific rates. Standby rates are necessary to recover the fully allocated embedded costs that the utility incurs to provide backup and maintenance service. We have reviewed the data related to Ameren's class cost of service (CCOS) and how it may apply to the tariff rates. It is important to note that there is currently no cost basis directly applicable to standby service provided to self-generators in the CCOS evaluation on which to formulate the tariff rates. A combination of both subjective and objective analysis is required to achieve rates that will meet essential needs of both Ameren and potential SSR tariff customers. The Division of Energy, in its role as part of the Missouri Department of Economic Development, desires to ensure that the tariff will preferably incent, or at the least not penalize, SSR customers. The Regulatory Assistance Project (RAP) recommends rates that are designed to give customers a strong incentive to use electric service most efficiently, to minimize the costs they impose on the system, and to avoid charges when service is not taken[2]. This means that

[1] DE supports allowing a standby service customer to aggregate service under reasonable conditions. DE reserves the opportunity to recommend service aggregation in a future proceeding.

[2] http://raponline.org/document/download/id/7020

they reward customers for maintaining and operating their onsite generation. To this end, we are guided by the concept of achieving a minimum avoided cost percentage rate (with no standby service taken in a month) of not less than 93% for all classes of service as a metric for achieving this goal. In developing specific rates, we concur with the Midwest Cogeneration Association's fair standby rate principles and embody them here as well as offer specific opportunities to move the draft tariff to success. Consistent with these principles, the following elements must be addressed in determining specific rates for the proposed Ameren Standby Service Rider tariff:

1. A standby service customer should not pay fixed monthly charges for generation, transmission, and distribution that are higher than the demand charge on the otherwise applicable tariff. Generation reservation demand charges should be based on the utility's cost and the forced outage rate, as identified in RAP[3].
2. To support the concept of the 93% of avoided cost, and to avoid customer use of backup service on-peak, we prefer to see fixed monthly charges on the order of the winter demand rate and variable demand charges for usage of backup on-peak. Ameren is applying this concept to the LPS class. It should be applied to all classes applicable to the SSR.
3. Forced outage rates should be considered in the calculation of reservation fees for standby fixed charges. There are a number of utilities from other states using forced outage rate as a component of their standby tariff [4,5] that can be used as examples.
4. The applicability of the MISO related charge should be evaluated within the context of the benefits provided by SSR customers as distributed generation sources that are supporting the grid. These benefits have been recognized but have not been quantified.
5. No additional demand charges or higher energy rates should apply to standby customers in conjunction with scheduled maintenance service (on- or off-peak) unless actual demand, including scheduled maintenance, exceeds the supplementary contract capacity. It is our understanding that this is consistent with Ameren's draft tariff language. This stresses the importance of setting an appropriate supplementary contract capacity.
6. No additional demand charges or higher energy rates should apply to standby customers in conjunction with backup service (on- or off-peak) unless actual demand, including backup service, exceeds the supplementary contract capacity. It is our understanding that this is consistent with Ameren's draft tariff language. We also suggest that backup service taken off-peak should incur no demand charges, similar to maintenance service. This stresses the importance of setting an appropriate supplementary contract capacity. The largest cost impact should be reflected for backup service taken during summer, on-peak periods.
7. It is our understanding that Ameren's intent is that, forced outage or not, any demand, including maintenance and backup, less than the supplemental contract capacity will

[3] http://raponline.org/document/download/id/7020 (Standby Generation Reservation Charge, p 13)
[4] http://www.midamericanenergy.com/include/pdf/rates/elecrates/iaelectric/ia-elec.pdf
[5] https://www.nvenergy.com/company/rates/nnv/electric/schedules/images/LSR_Electric_North.pdf

have no additional maintenance or backup demand or energy charges, although monthly fixed charges will still apply. DE supports this intention, which is not currently clear in the proposed tariff and needs to be made explicit. This stresses the importance of setting an appropriate supplementary contract capacity.

8. It is appropriate to design rates in a manner that provides an incentive to avoid unscheduled outages on-peak. This concept is illustrated by the use of daily-as-used charges when backup service is taken. This methodology is used in Ameren's draft tariff for the LPS customer. This concept should also be applied to the other applicable classes to similarly encourage equipment reliably and the avoidance of daily-as-used charges.
9. There should be a reasonable balance between fixed and variable charges. As an example, with lower fixed costs, higher variable costs may be justified. Conversely, with the higher fixed costs in Ameren's proposed tariff, variable costs should only apply to summer on-peak periods.
10. The highest block rate of the applicable tariff should apply to on-peak backup energy usage when actual usage exceeds the supplementary contract capacity. For LGS and SPS, the declining block rate structure provides the means of addressing time-of-day usage by virtue of allocating all on-peak usage to the highest cost block. For non-declining block rate structure, as for LPS, applying an appropriate multiplier would create a disincentive for on-peak usage.
11. To our knowledge, LGS billing examples have not been analyzed by the Company. It's logical to conclude that these customers are negatively impacted by the higher rates embedded within that class. We believe the Company should develop an average load profile for this class, as they did for the other classes, and provide billing examples necessary to analyze tariff impact.

The Missouri Division of Energy will support the Company's Standby Service Rider when these substantive issues have been resolved. We believe the task is eminently feasible, with tariffs, best practices, and technical experience from other states to draw upon.