

Exhibit No.:
Issues: Cost of Service, Revenue Allocation
and Rate Design
Witness: Maurice Brubaker
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2022-0337
Date Testimony Prepared: March 13, 2023

**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 Adjust
its Revenues for Electric Service**

)
)
) **Case No. ER-2022-0337**
)
)

Surrebuttal Testimony of

Maurice Brubaker

**on Cost of Service, Revenue
Allocation and Rate Design**

On behalf of

Missouri Industrial Energy Consumers

March 13, 2023



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OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company)
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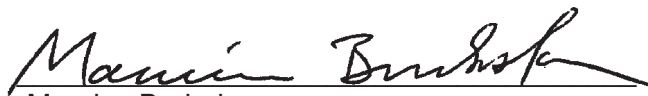
Case No. ER-2022-0337

STATE OF MISSOURI)
) SS
COUNTY OF ST. LOUIS)

Affidavit of Maurice Brubaker

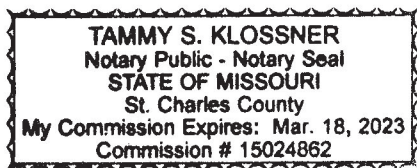
Maurice Brubaker, being first duly sworn, on his oath states:

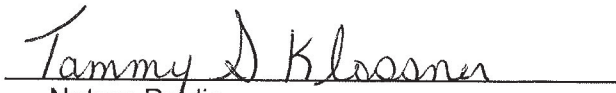
1. My name is Maurice Brubaker. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2022-0337.
3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.



Maurice Brubaker

Subscribed and sworn to before me this 13th day of March, 2023.





Notary Public

1 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

2 A The purpose of my surrebuttal testimony is to respond to the rebuttal testimony that
3 Commission Staff witness Sarah L.K. Lange filed on February 15, 2023.

4 **Q IS THERE ANY INFORMATION OR ARGUMENTS IN THE REBUTTAL TESTIMONY**
5 **OF STAFF WITNESS SARAH LANGE THAT WOULD CAUSE YOU TO CHANGE**
6 **YOUR OPINIONS AS EXPRESSED IN YOUR DIRECT TESTIMONY AND YOUR**
7 **REBUTTAL TESTIMONY?**

8 A No. Nothing in the rebuttal testimony of Staff witness Sarah Lange leads me to
9 reconsider or change my point of view with respect to any of the issues in this case
10 concerning class cost of service, revenue allocation and rate design.

11 **Q AT PAGE 22 OF HER REBUTTAL TESTIMONY, STAFF WITNESS SARAH LANGE**
12 **STATES AS FOLLOWS:**

13 "The Ameren Missouri study is wholly unreasonable in the manner in
14 which distribution costs and expenses are directly allocated, and relies
15 on an approach for allocation of the production revenue requirement that
16 is inconsistent with Ameren Missouri's participation in the MISO energy
17 and capacity markets. The unreasonable revenue requirement
18 allocations resulting from these functions are exacerbated by the
19 indirect allocation of much of the remaining revenue requirement on the
20 basis of the direct allocations in these functions"

21 **DO YOU AGREE?**

22 A NO! The class cost of service study presented in this case by Ameren Missouri
23 witnesses is fully consistent with generally accepted and sound principles and
24 processes being used in the electric utility industry today. Ameren Missouri's study is
25 within the mainstream of practices followed by other regulated electric utilities.

Maurice Brubaker
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1 **Q IS STAFF’S STUDY WITHIN THE MAINSTREAM OF PRACTICE IN THE ELECTRIC**
2 **UTILITY INDUSTRY?**

3 A No. Staff’s study is far outside the mainstream.

4 **Q CAN YOU PUT THAT IN PERSPECTIVE?**

5 A Yes. Assume for purposes of illustration that the universe of generally accepted cost
6 allocation principles and practices is within a circle that has its center on St. Louis and
7 a radius of 100 miles. If all of the generally accepted principles and procedures were
8 within that circle, Staff’s cost of service study would be some place in western Kansas.
9 In other words, not even close.

10 **Q AT PAGE 23 OF HER REBUTTAL TESTIMONY, STAFF WITNESS SARAH LANGE**
11 **COMMENTS THAT A RECENT RENEWABLE RESOURCE ADDITION WAS**
12 **DRIVEN BY THE NEED TO COMPLY WITH THE MISSOURI RES STATUTE. DOES**
13 **THIS HAVE ANY IMPLICATIONS FOR COST ALLOCATION?**

14 A No. All it says is that the timing of the addition was driven by a need to comply with
15 legislative mandates. This does not change the nature of the resource or the fact that
16 it provides both capacity and energy value, like most other resources. Accordingly, the
17 conventional approach of treating the generation resource portfolio as an integrated
18 whole with a mix of resources designed to provide necessary service to customers
19 reliably, and at the lowest overall reasonable cost, continues to be appropriate.

1 **Q IS THE AVERAGE AND EXCESS (“A&E”) COST ALLOCATION METHOD FOR**
2 **GENERATION RESOURCES APPROPRIATE?**

3 A Yes. It has been appropriate and continues to be appropriate. What is not appropriate
4 is to selectively allocate certain resources on an energy basis without considering how
5 all of the other resources are being allocated. The portfolio approach used by Ameren
6 Missouri is consistent with standard industry practice, and gives weight to both demand
7 requirements and energy requirements.

8 **Q AT PAGE 28 OF HER REBUTTAL TESTIMONY (LINE 8), STAFF WITNESS SARAH**
9 **LANGE CLAIMS THAT THE A&E PRODUCTION ALLOCATION METHOD IS**
10 **IRRELEVANT SINCE AMEREN MISSOURI PARTICIPATES IN MISO. IS THIS A**
11 **VALID ARGUMENT?**

12 A No. Staff witness Sarah Lange latches on to the participation in MISO as a reason to
13 abandon the traditional A&E allocation method in favor of something else that is more
14 energy-related. She seems to be forgetting that the energy market in MISO was
15 developed for the purpose of making the most efficient utilization of the energy
16 generation in MISO so as to reliably serve the load at the lowest overall reasonable
17 variable cost by utilizing the lowest cost generation resources as a priority, in order to
18 deliver benefits to the entire MISO footprint. It does not have anything to do with
19 capacity resource responsibility or cost allocation.

1 Q AT THE BOTTOM OF PAGE 26 OF HER REBUTTAL TESTIMONY, STAFF
2 WITNESS SARAH LANGE IS CRITICAL OF THE AMEREN MISSOURI COST OF
3 SERVICE STUDY FOR THE TREATMENT OF ENERGY COST. SHE CLAIMS THAT
4 IT IS MORE APPROPRIATE TO USE THE HOURLY MISO DAY-AHEAD
5 LOCATIONAL MARGINAL PRICE (“DA LMP”) TO DETERMINE THE COST OF
6 ENERGY FOR EACH CLASS ON AN HOURLY BASIS. HOW DO YOU RESPOND?

7 A The DA LMP effectively is the incremental energy cost, that is the energy cost on the
8 margin, and not the average energy cost. Ameren Missouri and the other Missouri
9 utilities are regulated on the basis of their actual or embedded cost, not on the basis of
10 incremental or marginal cost. If all energy were to be priced out at the DA LMP there
11 would be a substantial over-attribution of variable cost to all customers. To fit within
12 the overall embedded cost revenue requirement upon which the Ameren Missouri and
13 the other Missouri utilities are regulated requires some “scaling” or other means of
14 adjusting the incremental cost back down to the embedded cost. Staff has not been
15 explicit about how this is accounted for.

16 Q HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF STAFF WITNESS
17 SARAH LANGE AT PAGES 34-53 OF HER REBUTTAL TESTIMONY CONCERNING
18 DISTRIBUTION SYSTEM REVENUE REQUIREMENT ISSUES?

19 A Yes.

20 Q DO YOU HAVE ANY ADDITIONAL TESTIMONY TO OFFER IN RESPONSE TO THIS
21 TESTIMONY?

22 A No. I believe that testimonies previously filed in this case (both direct and rebuttal) by
23 Ameren Missouri witnesses, by Mr. Steve Chriss for Walmart, and by me adequately

1 address the issues which Staff witness Sarah Lange raises concerning the distribution
2 system.

3 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 **A** Yes, it does.

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