

**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                         )       File No. ER-2022-0337

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**MECG'S INITIAL BRIEF**

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COMES NOW the Midwest Energy Consumers Group (MECG), and for its Initial Brief, respectfully states:

**I. Introduction**

Prior to the evidentiary hearing, the parties engaged in robust and fruitful settlement negotiations that resulted in a Stipulation and Agreements resolving many issues including the overall revenue requirement increase. MECG is a signatory to that stipulation and supports its approval. There remain, however, several issues for Commission determination. In this brief, MECG addresses remaining issues related to class (1) cost of service approach, (2) revenue allocation, and (3) rate design and asks the Commission to adopt its positions.

First, the Commission should find that the Average & Excess 4NCP methodology is the most reasonable approach for determining class cost of service. This method is consistent with the statutory guidance in Section 393.1620 RSMo; consistent with the NARUC<sup>1</sup> manual; consistent with national norms; consistent with past commission practice; and consistent with the approaches of all parties submitting CCOS studies besides the Commission Staff.

Second, when allocating the revenue requirement among the customer classes the Commission should take steps to bring rates for all classes closer to their cost of service-based levels. In its Report and Order in Ameren Missouri’s last rate case the Commission expressed that

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<sup>1</sup> NARUC is the National Association of Regulatory Utility Commissioners.

it “continues to believe that cost-based rates are appropriate.”<sup>2</sup> It also noted that it had “made adjustments in the last seven rate cases to bring the various classes closer to their estimated cost of service, and may do so again in future rate cases.” Here – in the current case – MECG’s, Ameren Missouri’s, and MIEC’s cost of service study results show that Large General Service (LGS) and Small Primary (SP), provide a rate of return significantly above the cost-of-service level for the class. Additionally, Large Power Service (LPS), and Company Owned Lighting are also paying rates in excess of their respective cost of service levels. The Commission should take steps to address this subsidy – as it had tended to do in the past – by following MECG’s recommended revenue allocation approach.

Third, the Commission should design rates for the commercial and industrial classes with a goal that the rates should reflect recovery based on how the costs are incurred. In other words, fixed costs – those that do not vary with the amount of electricity generated – should be collected through a demand or customer charge. Variable costs – those that fluctuate based on the amount of energy used – should be collected through energy charges. Presently, Ameren Missouri’s rates for commercial and industrial classes recover a disproportionate amount of fixed costs through energy charges. MECG proposes that the Commission take an incremental step to address this imbalance by applying a larger portion of any increase to the LGS and SP classes to the winter and summer demand charges relative to energy charges. In addition to this adjustment MECG outlines an optional LGS (LGS-EV) and SP (SP-EV) rate for Electric Vehicle charging customers with load sizes that would qualify to take service on LGS or SP rates. These EV options could then serve as a basis from which Ameren Missouri and stakeholders can design durable EV charging rate schedules in a working docket. Lastly, on rate design, MECG recommends the Commission

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<sup>2</sup> Report and Order, p. 24, Case No. ER-2021-0240.

reject Staff’s proposed “overlay” rates and instead commence the rate design review process that was ordered in Ameren’s last rate case – Docket No. ER-2021-0240 – and discussed in the Direct testimony of MECG Witness Steve Chriss. This approach will give all interested parties a collaborative opportunity to fully examine the universe of relevant factors, inputs, and outputs to ensure that any recommendations for resulting rates are cost-based, equitable, and just and reasonable.

## **II. Class Cost of Service**

### **A. Overview**

The basis of setting rates and allocating costs to customers should start from proper cost causation principles and lead to cost-based rates. The Class Cost of Service Study (CCOS) analysis is the starting point for determining the cost to serve each customer class and how to allocate the various costs. In this case, four parties provided CCOS analysis. Three of those parties, MECG, Ameren Missouri, and MIEC relied on similar applications of the Average and Excess 4 NCP (A&E 4NCP) method. Staff, once again, did not. Instead, Staff chose to create and ask the Commission to adopt a method that no other jurisdiction has ever used, with no industry precedent, external validation, or peer regulatory review for its application to retail production capacity cost allocation.<sup>3</sup> The consequence of the Staff’s wholly new approach is a radical shift in cost responsibility to commercial and industrial (LGS, SP, and Large Primary) customers from that produced by broadly utilized cost allocation methodologies.<sup>4</sup> The Commission should reject Staff’s unprecedented and unreasonable approach.

The Average & Excess 4NCP methodology is the most reasonable approach for determining class cost of service. This method is consistent with the statutory guidance in Section

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<sup>3</sup> Chriss Rebuttal, p. 7.

<sup>4</sup> Chriss Rebuttal, p. 11.

393.1620 RSMo; consistent with the NARUC manual; consistent with national norms; consistent with past commission practice; and consistent with the approaches of all parties submitting CCOS studies besides the Commission Staff.

Enacted in 2021, Section 393.1620.2 RSMo provides guidance on the CCOS approach the Commission should apply:

In determining the allocation of an electrical corporation's total revenue requirement in a general rate case, the commission shall only consider class cost of service study results that allocate the electrical corporation's production plant costs from nuclear and fossil generating units using the **average and excess method** or one of the methods of assignment or allocation contained within the National Association of Regulatory Utility Commissioners 1992 manual or subsequent manual (**Emphasis added**).

Additionally, Section 393.1620.1(1) RSMo defines “Average and excess method” as:

a method for allocation of production plant costs using factors that consider the classes' average demands and excess demands, determined by subtracting the average demands from the noncoincident peak demands, for the four months with the highest system peak loads. The production plant costs are allocated using the class average and excess demands proportionally based on the system load factor, where the system load factor determines the percentage of production plant costs allocated using the average demands, and the remainder of production plant costs are allocated using the excess demands[.]

MECG’s approach to use the Average & Excess 4NCP methodology is consistent with the Statutory guidance and the only named method in the statute.

The NARUC manual describes thirteen different production plant cost allocators.<sup>5</sup> The A&E method is suggested within the NARUC Manual as an appropriate method to use if the Commission determines it appropriate to include average demand, which is essentially energy, in production plant cost allocation.<sup>6</sup> For context, an A&E allocator is an allocator that recognizes the contribution of each class to the utility’s average demand, which is total annual kWh divided by 8,760 hours in a typical year, as well as the relative peak demand of each class.<sup>7</sup> As such, A&E is a methodology often used when a Commission determines that production plants are used to provide energy *as well as* peak demand. Importantly, the A&E allocator differs from other allocators that have an energy component in that it does not double count the energy portion of the allocator.<sup>8</sup> Additionally, the A&E allocator does not rely on fixed subjective resource weightings that are incompatible with the flexible nature of regional transmission organization dispatch of generation, as is the case with the Base-Intermediate-Peak allocator. In his testimony, MECG’s witness Steve Chriss described these considerations and concluded “the A&E allocator is, in my experience, an objective, transparent, and reasonable production plant cost allocator.”<sup>9</sup>

The A&E method is also consistent with national norms and with past commission practice. During the hearing OPC witness Geoff Marke agreed that “Ameren Missouri’s class cost of service methodologies have been relatively consistent over that ten-year period.”<sup>10</sup> Ameren Missouri witness Steve Wills testified that he is not aware of any other utility using staff’s CCOS methods.<sup>11</sup> Mr. Wills also testified that Staff’s recent moves to untested approaches create a “widening gulf”

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<sup>5</sup> Ex. 400, Chriss Direct, p. 12.

<sup>6</sup> Ex. 400, Chriss Direct, p. 14.

<sup>7</sup> Id.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Tr. Vol. VIII, p. 333.

<sup>11</sup> Tr. Vol. VII, p. 185.

between the class cost of service study results.<sup>12</sup> That gulf, ultimately creates uncertainty for customers and parties before the Commission.<sup>13</sup> The Commission can assuage that uncertainty by reiterating what it has done in the past – that the A&E method is the most reasonable. For instance, in 2010, the Commission expressly adopted A&E approach as the “most reliable” methodology for allocating fixed production costs.

To evaluate how best to allocate costs among these customer classes, four parties prepared and presented class cost of service studies. The studies presented by AmerenUE and MIEC used versions of the Average and Excess Demand Allocation method (A&E).

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Since the class cost of service studies offered by Staff and Public Counsel are unreliable, the Commission must choose between the Average and Excess method studies submitted by AmerenUE and MIEC.

...

After carefully considering all the studies, the Commission finds that AmerenUE’s class cost of service study, modified to allocate revenues from off-system sales on the basis of class energy requirements, is the most reliable of the submitted studies.<sup>14</sup>

More recently, in Ameren Missouri’s last rate case concluded in 2022, the Commission – when comparing it to the methodologies advanced by the Staff – again found that the A&E approach as presented by Ameren Missouri in that case provided a more “reasonable estimation of class cost

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<sup>12</sup> Tr. Vol. VII, pp. 185-186.

<sup>13</sup> Tr. Vol. VII, p. 186.

<sup>14</sup> Report and Order, pages 82, 86, 87, Case No. ER-2010-0036.



of service.”<sup>15</sup> Taking the foregoing into account, the A&E method for CCOS as proposed by MECG is consistent with Commission practice.

Lastly, the A & E method proposed by MECG is consistent with the approaches of all parties submitting CCOS studies besides the Commission Staff. MECG uses the A&E 4NCP methodology.<sup>16</sup> Ameren Missouri uses the A&E 4NCP methodology.<sup>17</sup> MIEC also proposes to use the A&E 4NCP method albeit with slight modifications to certain inputs.<sup>18</sup> Despite minor differences, these parties mainstream approach yields similar results and indicate the reasonableness of using the A&E method.

**B. How should production costs be allocated among customer classes within a Class Cost of Service Study? (Issue 1.A.)**

The A&E 4NCP methodology, as calculated by Ameren or as modified by MECG to comply with Section 393.1620.1(1) RSMo<sup>19</sup>, is reasonable for the allocation of production plant cost. However, for the purposes of this docket and to comply with Section 393.1620.1(1) RSMo, MECG supports the allocation of production plant cost using the Company’s proposed A&E 4NCP allocator or as modified to use the four months with the highest system peak loads.<sup>20</sup>

Comparing Ameren Missouri and MECG’s approach, the Commission can see that the difference in inputs for peak months is relatively small as shown in the table from MECG witness Chriss’ testimony below:<sup>21</sup>

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<sup>15</sup> Report and Order, pages 16 and 23, Case No. ER-2021-0240.

<sup>16</sup> Ex. 400, Chriss Direct, p. 3.

<sup>17</sup> Ex. 35, Hickman Direct, p. 16.

<sup>18</sup> Ex. 350, Brubaker Direct, Schedule MEB-COS-3. At p. 3 of his Direct Mr. Brubaker summarizes his adjustments to O&M expenses and income taxes.

<sup>19</sup> That statute states that the that the months used for the 4NCP in the A&E 4NCP should be “determined...for the four months with the highest system peak loads.” MECG believes that the four months with the highest system peak loads are January, June, July, and August. Ameren’s approach is nearly identical save the months selected. See Ex. 400, Chriss Direct, p. 18. Given the minor differences MECG believes Ameren Missouri’s approach is reasonable and consistent with the NARUC manual.

<sup>20</sup> Ex. 400, Chriss Direct, p. 4.

<sup>21</sup> Ex. 400, Chriss Direct, p. 19.

**Table 2. Comparison of Ameren Proposed and Section 393.1620.1(1) RSMo A&E 4NCP Results.**

<b>Customer Class</b>	<b>Ameren Proposed A&amp;E 4NCP (%)</b>	<b>Per 393.1620.1(1) A&amp;E 4NCP (%)</b>	<b>Difference (%)</b>
Residential	51.30	51.88	+0.57
SGS	11.63	11.71	+0.07
LGS/SP	29.52	29.13	-0.39
LPS	7.24	6.99	-0.26
Lighting	0.30	0.30	0.00

Source: Exhibit SWC-5

MIEC’s witness Brubaker’s application of the A & E method also produces similar allocation to the various classes.<sup>22</sup>

At the end of the day, production plant cost allocation is the process of allocating to each customer class the fixed costs of a utility’s generation assets. Fixed costs are defined as costs that do not vary with the level of output and must be paid even if there is no output.<sup>23</sup> Additionally, the utility’s fixed production plant costs do not change with changes in the amount of electricity generated. For example, if a generating unit is not dispatched and produces no energy, the fixed costs are not avoided by the utility or customers. Generation units can be built and operated for different reasons, such as lower fuel costs, or reliability, but the way in which a generation unit is operated does not change the fact that the fixed costs are, in fact, fixed, and should be treated as such in the production capacity cost allocation.<sup>24</sup> The A&E method relied on by Ameren Missouri, MECG, and MIEC is the most reasonable and appropriate way to develop CCOS for production costs.

**C. How should distribution costs be allocated among customer classes within a Class Cost of Service Study? (Issues 1.B).**

<sup>22</sup> Ex. 350, Brubaker Direct, Schedule MEB-COS-2, Line 10.

<sup>23</sup> Ex. 401, Chriss Rebuttal.

<sup>24</sup> Ex. 401, Chriss Rebuttal, p. 5.

The distribution cost allocation as proposed by the company is not an unreasonable allocation of costs, is consistent with the NARUC manual on class cost of service, consistent with the level of detail and practices of other utilities and should be adopted. This approach also aligns with the cost causation principles for a distribution system. When asked during the hearing whether the cost driver for distribution investments (poles, meters, conductor, etc.) was energy related or demand related MIEC Witness Maurice Brubaker testified that distribution investments have:

Relatively little, if anything, to do with energy consumption. It has to do with the demands placed on the system which dictate the size of the cables, wires, and everything else, and the number of customers served which defines how extensive the network is. So its basically only customers and demand. Energy flow has nothing to do with it from a cost-of-service perspective.<sup>25</sup>

In other words, “distribution systems have to be in place in order to satisfy the maximum demand placed on them. That requires an allocation based on customer class demands. An allocation based on class energy consumption is completely out of bounds with any acceptable cost allocation principle.”<sup>26</sup>

The Staff’s approach and demands for ever increasing levels of granular information is unprecedented, unreasonable, and should be rejected. As MIEC witness Mr. Brubaker testified: “based 50 years of experience in reviewing class cost of service studies performed by numerous electric utilities in 34 different regulatory jurisdictions” Ameren’s approach is “generally consistent with the level of detail and the practices of other electric utilities.”<sup>27</sup>

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<sup>25</sup> Tr. Vol. VIII, p. 375.

<sup>26</sup> Ex. 351, Brubaker Rebuttal, p. 11.

<sup>27</sup> Ex. 351, Brubaker Rebuttal, p. 11.

The impact of Staff's approach to industrial customers alone should give the Commission an idea of the level of unreasonableness. MIEC witness Brubaker compared Ameren Missouri and Staff's allocation of distribution related costs. He found that:

whereas Ameren Missouri allocated approximately 2.5% of such costs to the LPS class, Staff allocated over 9% of such costs to the LPS class. This suggests to me that either Staff has double-counted costs or has simply over-allocated or assigned the amount of costs associated with the distribution system to the LPS class, which uses hardly any of the distribution system. This is clearly a "red flag" and serves as a kind of "sanity check" on Staff's allocations.<sup>28</sup>

Ameren Missouri's analysis confirms this shift and frames it in the context comparing what the outcome would be compared to average national rates. Staff's flawed study, if followed for class allocations, would result in Residential rates more than 20% below the national average and Industrial rates more than 10% above the national average.<sup>29</sup> The commission should reject the Staff's approach and, instead, follow Ameren's approach that is "generally consistent with the level of detail and the practices of other electric utilities."<sup>30</sup>

**D. Which party's Class Cost of Service Study should be used in this case and used as a starting point for the non-residential rate design working case agreed to by the parties to the Company's last electric general rate case, File No. ER-2021-0240? (Issue 1.C).**

In Ameren Missouri's last rate case, Case No. ER-2021-0240, the Commission agreed that it was appropriate to convene a workshop to consider whether and how certain commercial and industrial class rates might be redesigned. Specifically, the Report and Order included:

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<sup>28</sup> Ex. 351, Brubaker Rebuttal, pp. 11-12.

<sup>29</sup> Ex. 37, Hickman Rebuttal, pp. 4-5.

<sup>30</sup> Ex. 351, Brubaker Rebuttal, p. 11.

The Commission agrees that the Large General Service and Small Primary Service rates should be redesigned to make them more comprehensible for customers. That redesign process can begin now with Ameren Missouri gathering information and insight from customers who are already being served by AMI meters. The Commission will establish, by separate order, a working case to facilitate the collaboration between Ameren Missouri, Staff, Public Counsel, and the affected customers in redesigning these rates.

The only reasonable CCOS starting point for any rate design working docket should follow the A&E 4NCP methodology, as calculated by Ameren or as modified to comply with Section 393.1620.1(1) RSMo, for the allocation of production plant cost. For the purposes of this docket and to comply with Section 393.1620.1(1) RSMo, MEEG also supports the allocation of production plant cost using the Company's proposed A&E 4NCP allocator as modified to use the four months with the highest system peak loads. The Staff's new untested approach radically shifts cost responsibility to commercial and industrial (LGS, SP, and Large Primary) customers from that produced by broadly utilized cost allocation methodologies<sup>31</sup> and should be rejected for all purposes.

### **III. Revenue Allocation**

#### **A. Overview**

In its past decisions, the Commission has repeatedly recognized the need for cost-based rates. For instance, in the 2011 Ameren case, the Commission stated:

In general, it is important that each customer class carry its own weight by paying rates sufficient to cover the cost to serve that class. That is a matter of simple

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<sup>31</sup> Chriss Rebuttal, p. 11.

fairness in that one customer class should not be required to subsidize another. Requiring each customer class to cover its actual cost of service also encourages cost effective utilization of electricity by customers by sending correct price signals to those customers.<sup>32</sup>

The Commission reiterated this position in its Report and Order in Ameren Missouri's last rate case when it expressed that it "continues to believe that cost-based rates are appropriate."<sup>33</sup> It also noted that it had "made adjustments in the last seven rate cases to bring the various classes closer to their estimated cost of service, and may do so again in future rate cases."<sup>34</sup>

**B. How should any rate increase be allocated to the several customer classes? (Issue 1.D.)**

When evaluating whether the rates for a customer class accurately reflect the underlying cost of service parties commonly present the class specific rates of return.<sup>35</sup> These rates of return can be converted into a rate of return index (RRI), which is an indexed measure of the relationship of the rate of return for an individual rate class to the total system rate of return.<sup>36</sup> An RRI greater than 1.0 means that the rate class is paying rates in excess of the costs incurred to serve that class, and an RRI less than 1.0 means that the rate class is paying rates less than the costs incurred to serve that class. As such, those rate classes with an RRI greater than 1.0 shoulder some of the revenue responsibility for the classes with an RRI less than 1.0.<sup>37</sup> Applying Ameren Missouri's CCOS, MECG's witness Chriss created a table to show the results:

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<sup>32</sup> Report and Order, pp, 115-116, Case No. ER-2011-0028.

<sup>33</sup> Report and Order, p. 24, Case No. ER-2021-0240.

<sup>34</sup> Id.

<sup>35</sup> Ex. 400, Chriss Direct, p. 19.

<sup>36</sup> Id.

<sup>37</sup> Id at 20.

<b>Customer Class</b>	<b>Rate of Return (%)</b>		<b>RRI</b>
Residential	3.85		0.75
Small General Service	4.88	0.95	
Large General Service/Small Primary Service	7.09		1.38
Large Primary Service	9.04		1.76
Company Owned Lighting	6.60		1.28
Customer Owned Lighting	-1.27		(0.25)

Sources: Exhibit SWC-6 and Schedule TH-D1

This shows that LGS and SP, with an RRI of 1.38, provide a rate of return significantly above the cost of service level for the class. Additionally, LPS, and Company Owned Lighting are also paying rates in excess of their respective cost of service levels.

MECG witness Chriss testimony includes a chart showing his calculations of how the rates the LGS and SP classes were paying exceeded the Company's cost to serve them since 2007.<sup>38</sup>

<b>Case</b>	<b>LGS/SP Rate of Return (%)</b>	<b>Total Missouri Rate of Return (%)</b>	<b>Rate of Return Index Value</b>
ER-2007-0002 (LGS)	5.86	2.74	2.14
ER-2007-0002 (SP)	4.47	2.74	1.63
ER-2008-0318	7.01	4.06	1.73
ER-2010-0036	6.12	1.89	3.24
ER-2011-0028	8.26	4.59	1.80
ER-2012-0166	6.32	2.89	2.19
ER-2014-0258	7.57	4.44	1.71
ER-2016-0179	9.73	5.41	1.80
ER-2019-0335	11.35	7.37	1.54
ER-2021-0240	7.35	4.76	1.54
Present Case	7.09	5.15	1.38

Source: Table 3, Direct Testimony of Steve W. Chriss, Table 5, on behalf of The Midwest Energy Consumers Group, Case No. ER-2021-0240.

<sup>38</sup> Ex. 400, Chriss Direct, p. 21.

MECG recommends the Commission take significant steps to bring rates for all classes closer to their cost of service-based levels. Specifically, MECG recommends that the Commission allocate the revenue increase using the following steps:

- Apply 30 percent of the difference between the approved revenue requirement and Ameren's proposed revenue requirement as a reduction to LGS, SP, LPS, and Company Owned Lighting based on the proportional contribution of each class to the overall revenue neutral shift to cost of service from the Company's proposed cost of service study; and
- Apply the remaining difference between the approved revenue requirement and Ameren's proposed revenue requirement on an equal percentage basis to all customer classes.<sup>39</sup>

MECG's approach is designed to correspond with the overall revenue requirement increase compared to the company's initial filings. Because in this case the difference between the company's filed case and the final stipulation and agreement revenue requirement was significant, MECG believes this allows the Commission to take significant steps to bring all classes closer to cost-of-service.

#### **IV. Rate Design**

##### **A. Overview**

As noted above, in Ameren Missouri's last rate case, Case No. ER-2021-0240, the Commission agreed that it was appropriate to convene a workshop to consider whether and how certain commercial and industrial class rates might be redesigned. Specifically, the Report and Order included:

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<sup>39</sup> Chriss Direct, p. 25.



The Commission agrees that the Large General Service and Small Primary Service rates should be redesigned to make them more comprehensible for customers. That redesign process can begin now with Ameren Missouri gathering information and insight from customers who are already being served by AMI meters. The Commission will establish, by separate order, a working case to facilitate the collaboration between Ameren Missouri, Staff, Public Counsel, and the affected customers in redesigning these rates.

In general, MCEG supports the Commission opening that docket so that parties can collaborative work to evaluate what rate structures should look like for commercial and industrial classes in the future. However, there are also changes that should be made in this case to address cost-causation imbalances within the current rate structures. Specifically, MCEG proposes to apply a larger portion of any increase to LGS and SP classes to the demand component of bills relative to the energy component. In addition, MCEG proposes that the commission should adopt optional LGS (“LGS-EV”) and SP (“SP-EV”) rates for EV charging customers with load sizes that would qualify to take service on LGS or SP rates.

**B. Should MCEG's proposed shift to increase the demand component for Large General Service and Small Primary Service and decrease energy charges be adopted? (Issue. 1.G.b.)**

Contrary to the results of its cost of service study, Ameren proposes to inappropriately collect the majority of LGS and SP revenue requirements through the energy charges, as opposed to setting all charges to reflect the underlying cost of service study results and assigning customer, demand, and energy costs to their respective charges. This imbalance is significant for Ameren Missouri’s LGS and SP customers. According to Ameren Missouri’s cost of service study, approximately 77 percent of the costs incurred by the Company to serve LGS and SP customers

are demand-related while only approximately 21 percent are energy related.<sup>40</sup> That said, while 77 percent of costs are demand-related, only 14 percent of LGS revenues and 10 percent of SP revenues are collected through demand costs. Further demonstrating this problem, while 20.4 percent of LGS / SP costs are energy related, 83.6 percent of LGS revenues and 88.8 percent of SP revenues are collected through energy charges. It is clear from this mismatch between how costs are incurred and how they are collected that the LGS and SP rate components are sending incorrect price signals.<sup>41</sup> These imbalances are demonstrated by MECG’s witness Chriss in the table below<sup>42</sup>:

**Table 6. LGS and SP Cost of Service Study Results, Equalized Rate of Return vs. Proposed LGS and SP Revenue Requirements.**

<b>Component</b>	<b>COSS Results</b>		<b>LGS Revenue Requirement</b>		<b>SP Revenue Requirement</b>	
	<b>(\$000)</b>	<b>(% of Total)</b>	<b>(\$000)</b>	<b>(% of Total)</b>	<b>(\$)</b>	<b>(% of Total)</b>
Demand	\$629,839	77.3	\$87,256	14.0	\$26,394	10.0
Energy	\$166,136	20.4	\$519,271	83.6	\$223,223	88.8
Customer	\$18,951	2.3	\$14,736	2.4	\$3,140	1.2
<b>Total</b>	<b>\$814,926</b>	<b>100</b>	<b>\$621,263</b>	<b>100</b>	<b>\$262,757</b>	<b>100</b>

Source: Exhibit SWC-8

The shift in demand-related costs from per kW demand charges to per kWh energy charges demonstrated above results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. This results in a misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the Company to serve them.<sup>43</sup> In other words, higher load factor customers are paying for a portion of the demand-related costs that are incurred to serve the lower load factor customers simply because of the

<sup>40</sup> Ex. 400, Chriss Direct, pp. 29-30.

<sup>41</sup> Id.

<sup>42</sup> Ex. 400, Chriss Direct, p. 30.

<sup>43</sup> Ex. 400, Chriss Direct, p. 32.

manner in which the Company collects those costs in rates. To make progress towards correcting this imbalance MECG proposes the Commission:

- 1) Accept Ameren's proposed customer charges and on-peak and off-peak adjusters for both LGS and SP, and Ameren's proposed Rider B credits and reactive charge for SP;
- 2) Increase the summer and winter demand charges for LGS and SP by one and one-half times the approved percent class increases; and
- 3) Apply the remaining proposed increase on an equal percentage basis to the summer and winter energy charges.<sup>44</sup>

Taking these incremental steps makes progress toward the goal that the rates should reflect recovery based on how the costs are incurred and is a gradual approach that should be ordered in this rate case.

**C. Should the Commission approve MECG's proposed optional EV charging 3M/4M rate design? (Issue 1.G.c).**

In Ameren Missouri's prior rate case, the Commission expressed some concern about the impact of correcting demand charges for the LGS and SP rate classes on the adoption of EV charging.<sup>45</sup> MECG took note of the Commission's concern in that Report and Order and so in this case filed testimony proposing a two-prong solution to address the issues affecting both the relationship of LGS and SP rates to cost and the Commission's desire to ensure that barriers to EV charging adoption are reduced.<sup>46</sup> The first prong, described in the issue above, relates to creating some movement towards cost of service-based rates for LGS and SP by applying more of any increase to the demand component of the bill.<sup>47</sup> The second prong is that the Commission should

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<sup>44</sup> Ex. 400, Chriss Direct, p. 35.

<sup>45</sup> Report and Order, Docket No. ER-2021-0240, page 28; See also Ex. 400, p. 34.

<sup>46</sup> Ex. 400, Chriss Direct, p. 35.

<sup>47</sup> Ex. 400, Chriss Direct, p. 35.

require Ameren to create alternative optional LGS (“LGS-EV”) and SP (“SP-EV”) rates for EV charging customers with load sizes that would qualify to take service on LGS or SP rates.<sup>48</sup> Mr. Chriss testified on the mechanics of how these optional EV rates would work:

The LGS-EV rate would provide relief to EV charging customers with monthly load factors at or below approximately 18.2 percent (131 hours use in a 30-day month), which is just below the 150 hours use level covered by the first energy block. For example, a customer with a monthly load factor of five percent would have a summer billed rate cost of \$0.305/kWh under Ameren’s proposed LGS rates and a cost of \$0.173/kWh under the LGS-EV rates. When an LGS-EV customer’s usage exceeds the first monthly energy block, the marginal price per kWh would be equivalent to a regular LGS customer, but the average cost per kWh would be slightly higher than a regular LGS customer because they would not have the benefit of spreading fixed demand cost across higher kWh usage.<sup>49</sup>

These alternatives could then serve as a basis from which the Company and stakeholders can design durable EV charging rate schedules in the rate redesign process but it is important to have the starting point in place now. Mr. Chriss testified at the hearing about the importance of getting a starting point in place:

So Wal-Mart last week, we announced that we're going to be deploying thousands of EV chargers across the country at our stores by 2030. Certainly, you know, Missouri is going to be a state that we look at quite heavily because of our concentration of stores there and the concentration of interstate highways that go through.<sup>50</sup>

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<sup>48</sup> Ex. 400, Chriss Direct, p. 36.

<sup>49</sup> Ex. 400, Chriss Direct, p. 38.

<sup>50</sup> Tr. Vol. 9, pp. 601-602.

MECG understands that there will be more work to do on the EV rates as adoption increases and public EV charging increases. This proposal can be an interim solution before the next opportunity to have rates approved and should be adopted in this case.

**D. Should Staff's proposal to introduce a time-based overlay for all Non-Residential, Non-Lighting classes for all customers who have an AMI meter and are not served on a time-based schedule be adopted? (Issue 1.G.a).**

MECG recommends that the Commission reject Staff's proposed time-of-use "overlay" rates and commence the rate design review process for the Company ordered in Docket No. ER-2021-0240 and discussed in the Direct testimony of Steve Chriss.

Staff's efforts to begin the discussion on transitioning away from hours-use rate structures are appreciated. However, for the purposes of this docket, MECG recommends that the Commission reject Staff's proposed time-of-use "overlay" rates and commence the rate design review process for the Company ordered in Docket No. ER-2021-0240. This will give all interested parties a collaborative opportunity to fully examine the universe of relevant factors, inputs, and outputs to ensure that the resulting rates are cost-based, equitable, and just and reasonable.<sup>51</sup>

**V. Conclusion**

The Commission should adopt the positions of MECG in order to resolve the outstanding issues related to CCOS, Revenue Allocation, and Rate Design. First, finding that Average & Excess 4NCP methodology is the most reasonable approach for determining class cost of service. It is consistent with the statutory guidance; consistent with the NARUC manual; consistent with national norms; consistent with past commission practice; and consistent with the approaches of all parties submitting CCOS studies besides the Commission Staff. Second, MECG's adopting approach to allocating the revenue requirement increase among the customer classes is progress

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<sup>51</sup> Ex. 401, Chriss Rebuttal, p. 12.

towards bringing rates for all classes closer to their cost of service-based levels and results in more equitable rates. Third, the Commission should adopt MECG’s proposal to move toward rate components that reflect recovery based on how costs are incurred. This entails applying a larger portion of any increase to the LGS and SP classes to the demand charges relative to energy charges. In addition, the Commission should approve an optional LGS (LGS-EV) and SP (SP-EV) rate for Electric Vehicle charging customers with load sizes that would qualify to take service on LGS or SP rates to prepare for increasing EV adoption. Lastly, to address the broader question of how rates should be designed in the future, the Commission should commence the review process that was ordered in Ameren’s last rate case to give all interested parties a collaborative opportunity to fully examine the universe of relevant factors, inputs, and outputs to ensure that any recommendations for resulting rates are cost-based, equitable, and just and reasonable.

WHEREFORE, MECG submits its Initial Brief

Respectfully,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 5<sup>th</sup> day of May 2023:

**/s/ Tim Opitz**

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