

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Noranda Aluminum, Inc.'s )  
Request for Revisions to Union Electric )  
Company d/b/a Ameren Missouri's Large ) Case NO. EC-2014-0224  
Transmission Service Tariff to Decrease )  
its Rate for Electric Service )

**MISSOURI RETAILERS ASSOCIATION'S  
APPLICATION FOR REHEARING**

The Missouri Retailers Association (MRA) respectfully asks the Commission to grant rehearing in the above-captioned matter pursuant to 4 CSR 240-2.160 and Section 386.500.1, RSMo.

1. In this complaint Noranda asks the Commission to adjust the distribution of Union Electric Company, d/b/a Ameren Missouri's (Ameren) cost of service among Ameren's current customer classes. Noranda, as the sole member of the LTC class, asks the Commission to reduce its current rate, based on traditional, fully-embedded class cost of service principles, to a rate that will cover Ameren's variable cost to serve it, and provide a contribution to Ameren's fixed costs. Absent such relief, Noranda states that it will shutter its New Madrid smelter; this will result in Ameren's loss of a 480 megawatt load with a 98% load factor.

2. It is axiomatic that no customer wants to pay more for electricity than it is currently paying. The Ameren customers who are signatories to the Amended Stipulation and Agreement (hereinafter "Signatories") filed August 1, 2014, in these proceedings do not want to pay more than necessary, either.

3. In its Report and Order (R&O) the Commission devoted substantial attention to Noranda's financial condition (R&O, Finding of Fact, ¶¶ 11-34), less on the benefits of Noranda as a system customer (¶¶ 35-41), and nothing to the impact on other customers if Noranda were

no longer an Ameren customer. MRA believes that this emphasis is not just and reasonable to Ameren's customers.

4. The Commission expressed skepticism over Noranda's fiscal condition, (Liquidity Crisis, R&O, pp. 25-26), and that skepticism carried over to the calculation of the benefit of Noranda's load to Ameren's system. (R&O, ¶¶ 35-41). As the Commission found, the price of electricity is a key factor in determining the value to other customers of Noranda's load. (R&O, ¶ 41).

5. While the benefit of the proposed rate design to Noranda over ten years is substantial, \$330 to \$529 million, Ameren's customers will pay \$25.5 billion over the same period, exclusive of rate increases. Large numbers are the rule, rather than the exception, in Ameren rate cases. The Commission should not be cowed by the alternative expression of 2.1% ( $\$529 \text{ million} \div \$25.5 \text{ billion}$ ) or less of Ameren's ten-year revenues. That percentage will be even smaller if Ameren receives rate increases. The amount of the Signatories' request is no reason for the Commission to deny it nor to defer it to the General Assembly.

6. In searching for certitude in Noranda's current cash position, and certitude in Noranda's possible responses to Commission action in this case, the Commission is chasing a will-of-the-wisp conjured by Ameren and the Staff. Rather, the Commission should focus on the possible consequences to Ameren's other customers should Noranda leave the system.

7. If the Commission questions anything in this case, it should be Ameren and Staff abandoning long-espoused methods of normalizing weather anomalies in estimating the cost of electricity. In its Finding of Fact, paragraph 41, the Commission stated:

"In his [Dauphanis] revised calculation for his surrebuttal testimony, he relies on a three-year average of those prices, but purports to normalize away the higher electric costs experienced in the unusually cold winter of January-March, 2014. [Citation omitted.] Such normalization is not appropriate because while the

extreme cold associated with the polar vortex may not reoccur frequently, other, not necessarily weather-related, anomalies will occur and have an impact on electric prices. [Citation omitted.] Normalizing the one such anomaly that happened to occur in the three years examined unfairly understates the expected electric prices.”

The Commission thus appears to endorse abandonment of the methodology long followed by Staff and Ameren for normalizing weather anomalies, adopting instead the ad hoc and unsound approach proposed by Staff and Ameren for use in this case.

8. In testimony in this case, both the Staff and Ameren Missouri dramatically departed from the approach both used to normalize weather-related anomalies in prior rate cases. (Ex. 15, Dauphinais Surrebuttal, NP, p. 10, line 10 to p 12, line 17). These departures artificially raised the electricity prices that Staff and Ameren proposed in the present case, thereby understating the exposure of Ameren’s other customers to the possible loss of Noranda’s load.

9. In its pending rate case, ER-2014-0258, which directly affects Ameren’s interests, Ameren renounces its position in this case and returns to its traditional adjustment for abnormal weather. (ER-2014-0258, Haro Direct, p. 7, line 8 through p. 8, line 8).<sup>1</sup> This change in position by Ameren confirms the appropriateness of Mr. Dauphanis’ surrebuttal testimony in this case and a lower price for electricity than proposed by Ameren and Staff.

10. Likewise, concerns about strict adherence to cost of service principles are misplaced. With respect to class cost of service principles, the MRA directs the Commission to the pre-filed direct testimony of Ameren witness William R. Davis.<sup>2</sup> At pages 13 to 15, Ameren acknowledges significant inter-class rate inequalities, and recommends the Commission do nothing to address them. Ameren’s concern for cost of service principles in this case is lip

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<sup>1</sup> See, § 386.500.4, RSMo.

<sup>2</sup> *Id.*

service only, adopted merely to thwart Noranda and the other Signatories. The Commission should not be misled on this issue.

11. Neither the Commission, its Staff, nor Ameren will be required to make up the fixed costs now paid by Noranda should the New Madrid smelter close. Those fixed costs will be borne by Ameren's other customers. The Signatories have actively participated in many Ameren rate cases. They understand that neither the Commission nor they themselves can know with certainty the actions that Noranda will take if the relief agreed upon in the Amended Stipulation and Agreement is rejected. Nevertheless, it is the considered opinion of the Missouri Industrial Energy Consumers, the Consumers Council of Missouri, the Office of the Public Counsel, and the Missouri Retailers Association that ensuring Noranda's continued presence as an Ameren customer outweighs the uncertainties surrounding Noranda's response to its current financial position. The risk to other customers should the New Madrid smelter close should be paramount in the Commission's consideration of this case. The Commission should give great weight to the common position of the Signatories.

12. In approving the Amended Stipulation and Agreement, the Commission should also bear in mind that it, the Signatories, and any other interested parties will monitor the effects in future Ameren proceedings. The Commission can modify the terms of service to Noranda in those proceedings, as is appropriate in light of the circumstances at the time.

13. The Commission, as urged by the Signatories, should take reasonable steps as permitted by law to protect ratepayers, and to provide substantial justice between the utility and its subscribers as directed by Section 386.610, RSMo.

**WHEREFORE**, the MRA respectfully requests the Commission to grant rehearing in this case, and to find that the terms of the Amended Stipulation and Agreement are just and

reasonable and supported by the record evidence; and to issue its order accordingly.

Respectfully submitted,

BLITZ, BARDGETT & DEUTSCH, L.C.

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### **CERTIFICATE OF SERVICE**

I hereby certify that true and accurate copies of the above Missouri Retailers Association's Application for Rehearing have been emailed to counsel for the parties in this proceeding on this 18<sup>th</sup> day of September, 2014.

/s/ Thomas R. Schwarz, Jr.  
Thomas R. Schwarz, Jr.