

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

In the Matter of the Propriety of the) **File No. ER-2018-0226**
Rate Schedules for Electric Service of)
Union Electric Company, Doing Business as)
Ameren Missouri)

In the Matter of the Propriety of the) **File No. GR-2018-0227**
Rate Schedules for Natural Gas Service of)
Union Electric Company, Doing Business as)
Ameren Missouri)

In the Matter of the Propriety of the) **File No. ER-2018-0228**
Rate Schedules for Electric Service of)
The Empire District Electric Company)

In the Matter of the Propriety of the) **File No. GR-2018-0229**
Rate Schedules for Gas Service of)
The Empire District Electric Company)

In the Matter of the Propriety of the) **File No. GR-2018-0230**
Rate Schedules for Natural Gas Service of)
Summit Natural Gas of Missouri, Inc.)

In the Matter of the Propriety of the) **File No. HR-2018-0231**
Rate Schedules for Steam Service of)
KCP&L Greater Missouri Operations Company)

In the Matter of the Propriety of the) **File No. HR-2018-0232**
Rate Schedules for Steam Service of)
Veolia Energy Kansas City, Inc.)

**MISSOURI SCHOOL BOARDS' ASSOCIATION POSITION ON
THE ISSUANCE OF ACCOUNTING AUTHORITY ORDERS PURSUANT
TO THE EFFECT OF THE FEDERAL TAX CUTS AND JOBS ACT OF 2017**

Comes now Missouri School Boards' Association (hereinafter "MSBA"), by and through counsel, RSBIII, LLC, Richard S. Brownlee, III, and files its position and written argument

regarding the accounting authority proceedings. In support of its position, MSBA states the following¹:

A. Background

1. MSBA is a 501(c)(6) not-for-profit corporation as a trade association, representing 387 elementary and secondary public school districts, which have multiple natural gas and electric accounts with investor-owned utilities in the State of Missouri.

2. In 2002, the Missouri legislature adopted Section 393.310 RSMo, which mandated each Missouri gas corporation to file experimental tariffs to allow aggregate purchasing of natural gas supply and transportation services for schools.

3. Under this statute, MSBA has organized a purchasing cooperative denominated MOPRC (Missouri Purchasing Resource Center), also known as the MSBA Natural Gas Consortium, which is the authorized purchasing agent for school utility accounts. MOPRC purchases natural gas on the open market which is delivered on the various systems to the schools and school districts in Missouri under the statutory School Transportation Program (hereinafter “STP”). There are currently approximately 2,278 school utility accounts participating in MOPRC’s STP purchasing group, the largest STP in the State of Missouri. Of that total number, there are approximately 100 Summit metered accounts, 140 Empire metered accounts, and 290 Ameren metered accounts.

B. The Federal Tax Cut

4. The Tax Cuts and Jobs Act (“the Federal Tax Act”) became effective January 1, 2018, which lowered the federal corporate income marginal tax rate from 35% to 21%. The Federal Tax Act potentially lowers the level of federal taxes paid by every investor-owned utility in the country.

¹ MSBA has been granted intervention in the following natural gas cases: GR-2018-0227(Ameren), GR-2018-0229(Empire), and GR-2018-0230(Summit).

5. MSBA is aware utility regulators in states around the country are addressing the level of tax reductions and methods of passing tax savings to customer and customer classes. A review of other state proceedings, settlements, utility proposals, and recent Missouri Public Service Commission (“PSC”) rate case decisions reveals several methodologies for resolving this issue.

6. In some other jurisdictions, regulators have already approved immediate pass through of tax savings to rate payers without deferring the matter to a pending or future full rate case. As an example, the attached tax benefit rider was approved by the Iowa Utilities Board to pass through credits to customers of all classes commencing May 1, 2018. This was accomplished through a single issue case with a tax benefit rider.

7. Missouri utilities have historically utilized multiple riders, adjustment clauses and reconciliation true-ups to address single issue items, including immediate pass through of changes in sales taxes. One method which the Missouri PSC may consider is an Income Tax Annual Adjustment (ITAA) which would be similar to the Annual Cost Adjustment (ACA) for natural gas utilities. Similarly, the ITAA would require utilities to annually file rates based on projected income taxes, beginning in 2018, and in the following year file an income tax true-up for the previous tax year. Over or under collections of projected income tax revenue, plus interest, would be credited in the following year to the utilities’ rate components which generate or can generate taxable revenue through the monthly basic service charges as well as volumetric charges.²

8. The Federal Tax Act impacts each rate class differently. The Federal Tax Act lowers each utility’s revenue requirement resulting from tax impacts on the equity portion of the utility’s rate of return on rate base, on deferred accumulated depreciation and other factors,

² On May 16, 2018, the Missouri Legislature passed SS #5 SB564, a comprehensive measure dealing with the Federal Tax Act and the authority of the Commission to adjust rates through a pass through mechanism.

which are allocated to each rate class in rate cases. The result is that the Federal Tax Act impacts the Commission-approved allocation of each utility's revenue requirement to each rate class differently and the resulting tariff rates for each customer class are different.

9. Under the MOPRC STP, schools pay to utilities both: (a) fixed monthly charges, and (b) delivery service volumetric charges.

MSBA believes, to be fair and equitable, tax reduction benefits to all schools (STP and non-STP) and commercial customers should be consistently applied to both: (a) the fixed monthly charges and (b) delivery service volumetric charges. Tax benefits should not be passed through across the board to all customer classes on a single volumetric-only basis; nor should the tax benefits be passed through as a single fixed percentage across all customer classes; and nor should the tax benefits be credited to each customer class through the PGA gas cost factor or similar volumetric only factors.

10. The Federal Tax Act impacts both STP and conventional school accounts. All Missouri schools which take electric service or conventional or transportation natural gas service from any Missouri investor-owned utility will be impacted by the Federal Tax Act. Schools which take natural gas transportation service under utilities' School Transportation Program (STP) rates pay the same utility delivery fixed and volumetric components of rates as do conventional commercial customers and schools which are taking conventional delivery and gas supply service rates. Plus, STP schools pay third parties for commodity gas supply and additionally pay to all Missouri utilities an "aggregation and balancing" fee, as specified in RSMo 393.310 and approved by the Commission.

11. The Commission recently issued an order in the Spire rate case (GR-2017-0215) to address rate impacts of the Federal Tax Act though allocations to each rate class' respective

fixed monthly charge and volumetric delivery charge. MSBA believes the Commission should be consistent in its treatment of the Federal Tax Act on the customers in all its decisions.

C. Summary

12. To summarize, MSBA supports a simple, fair and immediate action which would result in:

(a) passing full tax benefits of the Federal Tax Act to schools and other rate payers at the earliest possible date; and,

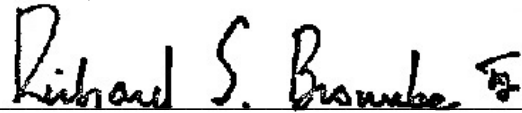
(b) utilizing a PSC approved pass-through mechanism which fairly, equitably and consistently passes through benefits of the Federal Tax Act to each customer class by recalculating each respective utility's revenue requirement for each rate classes and applying each respective rate class's non-gas supply revenue requirement to both fixed monthly and volumetric delivery rates, in the same manner as was approved by the Commission in either an on-going rate case or the most recent rate case for each respective utility.

13. MSBA does not support the following:

(a) a pass-through mechanism which credits tax savings through the PGA calculation or through any other volumetric-only or percentage-only basis, because lower utility taxes impact both the fixed monthly and volumetric charges but do not affect the gas supply or PGA charge.

WHEREFORE, MSBA prays the Commission issue an accounting authority Order in these cases to preserve excess revenues and establish appropriate adjustments in rates as set forth herein.

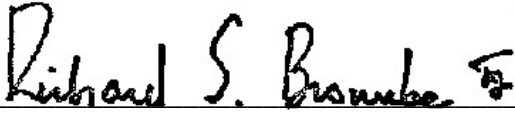
Respectfully submitted,
RSBIII, LLC

A handwritten signature in black ink that reads "Richard S. Brownlee III". The signature is written in a cursive style with a small flourish at the end.

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all parties on the official service list for this case on this 17th day of May, 2018.


Richard S. Brownlee III, Attorney