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 Increase Its Annual Revenues for Electric Service.	))))	**File No. ER-2021-0240**

REPLY POSTHEARING BRIEF

OF

MIDWEST ENERGY CONSUMERS GROUP

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A. OVERVIEW

As detailed in its Initial Brief, the single largest issue remaining for Commission consideration is whether the Commission should once again address the significant residential subsidy that exists in Ameren's rates. As MECG pointed out, the Commission has taken steps to address the residential subsidy in SEVEN straight Ameren rate cases.[1] Now, in a radical departure from the Commission's deliberate effort over the past 14 years to move towards cost-based rates, Staff and OPC instead seek to bury their heads in the sand and create a multitude of artificial barriers designed to halt the Commission's path towards eliminating the residential subsidy. As reflected in its testimony and Initial Brief, MECG urges the Commission to continue its gradual movement towards cost based rates.

Next, MECG recommends that the Commission implement any rate increase for the LGS / SP class by recovering a larger percentage of any class rate increase through the demand charge and less through the energy charge. Such an approach recognizes that, while the vast majority of the cost to serve this class is fixed in nature, those fixed are inappropriately recovered through energy charges.

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[1] See, MECG Initial Brief, page 3 and 21-22.

B. ALLOCATION OF FIXED PRODUCTION COSTS

Issue: How should production costs be allocated among customer classes within a Class Cost of Service Study?

1. OVERVIEW

In its Initial Brief, MECG recommended that the Commission allocate fixed production costs on the basis of the A&E approach. Such an approach has been previously adopted by this Commission as well as a multitude of other vertically integrated state utility commissions. The A&E approach, unlike Staff's faulty approach, considers both class demand as well as class energy usage. In contrast, Staff's approach relies solely upon class energy for the allocation of all investment in renewable generation. While MECG and MIEC both recommend the use of the A&E approach, they also both tested the reasonableness of the A&E results by considering several other methodologies reflected in the NARUC manual. Specifically, MECG and MIEC both considered the A&E 4NCP; A&E 2NCP; A&E 1NCP; 4 CP; 2 CP; 1 CP; 4 NCP; 2 NCP and 1 NCP approaches. As reflected at page 18 of its Initial Brief, all of these NARUC-recognized methodologies prove the reasonableness of the A&E approach.

2. AMEREN POSITION

At pages 11-12 of its Initial Brief, Ameren recommends that the Commission allocate fixed production costs using the "4 non-coincident peak ("NCP") version of the Average and Excess ("A&E") demand method." Ameren correctly points out that this methodology is most appropriate because it considers "both class peak demands and class energy consumption (average demands) so that the two major factors influencing capacity planning are addressed."[2] Additionally, Ameren points

[2] Ameren Initial Brief, page 11 (citing to Exhibit 30, Hickman Direct, page 19).

out that the A&E method "is superior to the P&A method" utilized by Staff because "the P&A method improperly double-counts the average demand of customer demands."[3]

MECG agrees. As MECG pointed out in its Initial Brief, "[a] cost allocation methodology that gives weight to both class peak demands and class energy consumption (average demands) is required to properly address both of the above considerations associated with capacity planning."[4] Further, MECG pointed out that the A&E approach, unlike the Staff's approach, has been adopted by the Missouri Commission as well as virtually every state commission or vertically integrated states.[5]

Given the reasonableness of the A&E approach, its widespread acceptance among state utility commissions, as well as the flaws inherent in Staff's studies, MECG recommends that the Commission expressly adopt the A&E approach for allocating fixed production costs.

2. STAFF POSITION

Obviously recognizing the myriad flaws inherent in its Class Cost of Service study, Staff spends very little time in its Initial Brief addressing its flawed approach. In large part, Staff excuses its flawed approach by claiming that it "complies with Sections 393.1620.2, RSMo, and the Commission therefore is authorized to adopt Staff's proposal."[6]

Later, while discussing the separate issue of revenue allocation, however, Staff does provide some substance regarding its approach towards the allocation of fixed production costs.[7] Specifically, Staff points out that it conducted several different studies. Staff then admits that its

[3] *Id.* at page 12 (citing to Tr. 315-316 and *Report and Order*, Case No. ER-2010-0036, page 85).
[4] MECG Initial Brief, page 11 (citing to Exhibit 30, Hickman Direct, page 19).
[5] *Id.* at pages 12-17.
[6] Staff Initial Brief, page 9.
[7] Staff's Initial Brief appears to wander back and forth between discussing the allocation of fixed production costs and the separate issue of revenue allocation. MECG has attempted to address Staff's discussion of fixed production costs whether that discussion occurred in the revenue allocation issue heading or the fixed production cost issue heading.

methodology is "energy-weighted".[8] The Peak & Average approach utilized by Staff has been deemed "unreliable" in previous Commission cases for this very reason.[9] The approach is unreliable because it "double counts" each class' average demand (energy usage). So, while Staff is correct in that its approach is "energy-weighted", the Commission has previously found that the excessive consideration of class energy usage is the very reason that Staff's approach is "unreliable."

The energy-weighted nature of Staff's approach is further exacerbated by the fact that, after using the energy intensive Peak & Average approach for allocating nuclear and fossil investment, Staff then relies exclusively on class energy usage for the allocation of all investment in renewable units. As discussed in MECG's Initial Brief, Staff's use of an energy allocator for the allocation of investment in renewable generation is "inherently flawed".[10] As Ameren points out, an appropriate fixed production allocator must consider both class demand and class energy. "A cost allocation methodology that gives weight to both class peak demands and class energy consumption (average demands) is required to properly address both of the above considerations associated with capacity planning."[11]

Later in its brief, Staff suggests that only Staff and Ameren performed their own class cost of service studies. Staff reaches this misplaced assertion by disregarding the class cost of service studies submitted by MIEC and MECG. Staff supports its erroneous conclusion by complaining

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[8] Staff Initial Brief, page 12.
[9] See, *Report and Order*, Case No. ER-2010-0036, issued May 28, 2010, at page 84.
[10] The Commission first found that Staff's approach is inherently flawed in the 2008 Ameren rate case. In its testimony in the 2010 rate case, Ameren agreed with the Commission's finding and suggested that Staff's approach was again "inherently flawed." In this case, the Ameren witness agreed with Ameren's previous assessment that Staff's approach was inherently flawed. By agreeing with its previous assessment, Ameren has effectively reached the conclusion that Staff's approach is also "inherently flawed" in this case. Recognizing that the Ameren witness was asked whether he agreed with Ameren's previous assessment, the judge in this case found that the conclusion that Staff's approach was "inherently flawed" is not hearsay. (Tr. 314-315).
[11] Exhibit 30, Hickman Direct, page 19 (emphasis added).

about the lack of clarity of MECG's workpapers.[12] Noticeably, Staff never bothered to submit a data request in order to confirm its misplaced assertion.

In any event, as MECG pointed out in its opening statement, the fact that a party's class cost of service study shows areas of agreement does not mean that there was not a separate class cost of service study performed.

> OPC and Staff argue that the industrial class did not conduct its own class cost of service study. This is patently incorrect. Agreement between studies as what occurs between MIEC's study and Ameren does not mean both studies weren't conducted. It means simply that there was agreement. Where there was disagreement, MIEC and the industrials have noted that disagreement. But that doesn't mean both studies weren't completed. There were studies.[13]

3. OPC POSITION

In its Initial Brief, MECG pointed out that "OPC blindly accepts Staff's revenue allocation proposal" and that OPC no longer finds it necessary to address class cost of service "as it realizes that Staff's position will inevitably be beneficial to the residential customers represented by OPC."[14] This blind acceptance of Staff's pro-residential position was again reflected in OPC's brief.

For instance, OPC mirrors Staff's assertion that "Ameren and the Commission's Staff are the only parties that performed class cost studies for this case."[15] Again, as pointed out in the previous section, the fact that there are areas of agreement between Ameren, MIEC and MECG does not mean that separate and distinct class cost of service studies were performed by all three parties. In fact, as Ameren acknowledges MECG presents a different approach on the allocation of fixed production

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[12] Staff Initial Brief, page 13.
[13] Tr. 244
[14] MECG Initial Brief, pages 27-28 (footnote 55).
[15] *Id.* at page 4.

costs.[16] Clearly then, there were areas of disagreement between Ameren, MECG and MIEC. The fact that the studies have areas of disagreement confirms that there were separate class cost of service studies.

After this misplaced assertion, OPC provides some brief discussion of the Staff's allocation methodology. Again, OPC fails to recognize that the Commission has previously held that the Staff approach is "unreliable" and "inherently flawed."

[16] Ameren Initial Brief, page 12.

C. REVENUE ALLOCATION

Issue: How should any rate increase be allocated to the several customer classes?

1. OVERVIEW

In its testimony and Initial Brief, MECG recommended that the Commission allocate the authorized rate increase in this case based upon the measured approach suggested in the testimony of MECG witness Chriss.[17] Specifically, Mr. Chriss suggests that the Commission should utilize one-half of the difference between the revenue increase sought by Ameren in this case ($298 million) and the amount actually authorized ($220 million)[18] to address the long-standing residential subsidy. In this way, all classes are guaranteed to see some benefit from the reduced revenue requirement in this case while also continuing the Commission's efforts from the last seven Ameren rate cases (over 14 years) to mitigate the residential subsidy. Such an approach reflects gradualism while also taking definitive steps towards cost-based rates by eliminating 41% of the residential subsidy inherent in Ameren rates. In response to questions from the bench, Mr. Chriss acknowledged that there was nothing "magical" about the proposal to eliminate 41% of the residential subsidy.[19] Therefore, as an alternative, the Commission could utilize either 33% or 25% of the reduced revenue requirement in this case, instead of the 50% reflected in testimony. These alternatives would eliminate 27% or 21% of the residential subsidy respectively.

2. AMEREN POSITION

In its Initial Brief, Ameren continues to support the allocation of any revenue increase to all classes "on an equal percent of current base revenues" after "small modifications to the Lighting

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[17] Exhibit 750, Chriss Direct, pages 27-28.
[18] On December 22, 2021, the Commission approved a stipulation providing for an overall $220 million revenue increase for Ameren. See, *Order Approving Stipulation and Agreements*, Case No. ER-2021-0240, issued December 22, 2021.
[19] Tr. 393.

class."[20] Noticeably, Ameren fails to inform the Commission that as a result of these "small modifications" the allocation of revenues is completely inconsistent with the results of its class cost of service study. Specifically, while its class cost of service study shows the existence of a $93.2 million residential subsidy,[21] Ameren actually proposes that the residential class receive an increase that is below the system average.[22] On the other hand, while finding that the LGS / SP rates are already significantly above cost of service, Ameren amazingly suggests that the LGS / SP classes should receive an increase that is above system average.[23] Therefore, Ameren's revenue allocation proposal makes a mockery of the results of its own class cost of service study. For this reason, Ameren readily admitted that its proposed revenue allocation is not "directionally consistent" with the results of its study.[24]

3. STAFF POSITION

As MECG pointed out in its Initial Brief, Staff has created a multitude of "self-serving criteria" designed to preserve the residential subsidy. Specifically, without any citation to statute, rule or Commission order, Staff suggests that the residential subsidy should be maintained unless that subsidy exceeds 5%.[25] Furthermore, Staff suggests that subsidies should be maintained so long as each class is making a contribution to fixed costs, regardless of whether class rates are recovering the full rate of return.[26] In its Initial Brief, MECG pointed out the fallacy of Staff's assertion.[27]

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[20] Ameren Initial Brief, pages 13-14.
[21] Exhibit 750, page 24.
[22] Exhibit 44, Harding Direct, page 6.
[23] *Id.*
[24] Tr. 333-335.
[25] Staff Initial Brief, page 11.
[26] Tr. 206-207.
[27] MECG Initial Brief, pages 28-30.

First, by raising the artificial 5% barrier to addressing a subsidy,[28] Staff has, in essence, ensured that the residential subsidy will become permanent.[29] Once the residential subsidy is reduced to within this 5% safe-harbor, other parties that are paying rates above cost of service would be precluded from seeking to move rates to cost of service. The remarkable nature of Staff's artificial rule is reflected in the fact that current residential revenues are approximately $1.273 billion. Therefore, the residential subsidy can be as much as $63,650,000 before Staff deems it appropriate to address the subsidy. Even then, Staff would only address the amount of the subsidy that falls beyond the 5% threshold. So, if the subsidy was $70,000,000, Staff would only recommend that $6,350,000. The residential subsidy is guaranteed to remain at least 5%.

Staff's second artificial limitation on addressing class subsidies is rooted in the theory that rate of return is not a cost. Specifically, Staff claims that all classes are currently paying rates "that exceed allocated expenses and are contributing toward rate of return." Noticeably, Staff is OK with a class simply "contributing toward rate of return". Implicit then is that Staff does not expect the residential class to actually recover its fully allocated rate of return. Again, Staff's criterion is designed to perpetuate the residential subsidy permanently by suggesting that each class is not required to pay its fully allocated rate of return, but must simply make a "contribution toward rate of return." The nonsensical nature of Staff's suggestion is premised on the erroneous notion that rate of return is not an actual cost. Such a ludicrous suggestion is rebutted by the United States Supreme Court which held that like all other operating expenses, return on equity is an expense which the utility is entitled to recover.[30] Mr. Brubaker agrees.

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[28] Staff Initial Brief, page 11.
[29] *Id.* at pages 28-29.
[30] *Bluefield Water Works and Improvement Company v. Pub. Serv. Commission of West Virginia*, 262 U.S. 679 (1923).

Q. Do you believe that return on equity is a cost to the utility?

A. Yeah, I was a little confused by his statement. Certainly return on equity along with the associated income taxes and debt is part of the overall return requirement. So to say that your rate of return is below average doesn't mean that you're covering your cost. It means the opposite, you're not.[31]

Noticeably, given the holding of the United States Supreme Court, the Staff failed to provide any citation to a statute, rule or Commission order which supports its faulty suggestion.

After presenting two fictitious criteria to avoid addressing the residential subsidy, Staff suggests another rational in its Initial Brief. Specifically, Staff suggests that, in addition to the previous myriad excuses, the Commission should disregard the residential subsidy because "allocation of costs is not a matter for the slide-rule."[32] Further, Staff suggests that the allocation of costs is "an art, not a science."[33] Later, Staff claims that class cost of service studies "are not precise."[34]

Staff's unwillingness to accept allocations within the context of class cost of service studies reflects an extreme level of hypocrisy. Specifically, at the same time that it claims that allocations are not "precise" within a class cost of service study, Staff is willing to utilize those same allocations, to an infinite degree of precisions, when those allocations address the utility receiving its full revenue requirement. For instance, in Ameren's revenue requirement, there are millions of dollars that Ameren Service Company allocates to Ameren Missouri ("corporate allocations"). Noticeably, Staff never hesitated to include any of these corporate allocations under the theory that these allocations

[31] Tr. 354.
[32] *Id.* at page 8.
[33] Exhibit 215, Lange Rebuttal, page 4.
[34] Staff Initial Brief, page 10.

are "imprecise" or that allocations, by their very nature, are an "art, not a science".[35] Instead, Staff's view of allocations arises only when it comes to the allocation of costs within a class cost of service study. Bottom line, the suggestion that allocations are "not a matter for a slide-rule" is simply Staff's latest fiction designed to preserve the residential subsidy.

4. OPC POSITION

As an initial matter it is important to place the Public Counsel ("OPC") brief in context. While OPC claims to represent all Ameren consumers,[36] and is statutorily obligated to represent all such consumers,[37] it is apparent that OPC has failed mightily in this regard. Instead, OPC has repeatedly ignored the concerns of industrial customers and has chosen to focus solely on advocating on behalf of the residential / small commercial customer segment. This fact is best reflected in the fact that, while there are numerous issues that affect the large commercial and industrial segments – a customer segment that OPC claims to represent, OPC has taken no position on such issues. Therefore, when it comes to issues that address large commercial industrial rate design[38] and the appropriateness of Rider B credits,[39] OPC turns a blind eye to the concerns of such customers. Simply, if it doesn't affect residential customers, OPC does not care.

OPC's single-minded focus on advancing the interests of the residential class at the expense of the other rate classes is a recent development. Over the past 13 years OPC has been led by 3 other public counsels. Over that time Ameren has had 7 rate cases. In those cases, OPC demonstrated

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[35] Exhibit 201, Staff Cost of Service Report, pages 71-75.
[36] Tr. 214.
[37] Section 386.710.
[38] Issue 22F ("Should the Commission approve MECG's proposed shift to increase the demand component for Large General Service and Small Primary Service and decrease energy charges?") and Issue 22G ("Should the Commission approve MECG's recommendation to require the Company to present analyses of alternatives to the hours-use rate design by 2025?").
[39] Issue 22I ("What is the appropriate level of Rider B credits to be applied to the bills of customers providing their own substation equipment?).

more of a balanced concern for the concerns of all customer segments. This balanced approach was exemplified by the fact that in each of those 7 Ameren rate cases, OPC reached settlements which addressed the residential subsidy and moved class rates towards cost of service.[40] Now, in the first Ameren case under new leadership, OPC has abandoned this long-standing balanced approach in favor of a single-minded concern for the residential class. Thus, it is not surprising that OPC takes no position on industrial rate design issues and instead focuses entirely on preserving the residential subsidy and the residential TOU issues.

Given its apathy towards the concerns of large commercial and industrial customers, it is not surprising to see OPC raise a multitude of concerns designed to preserve the residential subsidy. For instance, without any citation to record evidence, OPC suggests that issues like the Covid public health crisis and high inflation are impacting the residential class more than the other classes that it is statutorily tasked with representing.[41]

Further demonstrating its steadfast refusal to consider issues and concerns of the large commercial / industrial classes, OPC blindly resorts to its "playbook" of excuses to preserve the residential subsidy by claiming that "unemployment" concerns mandate that the Commission impose any rate increase on an equal percent, across the board basis.[42] Such a claim is baffling when one recognizes that reports published by the Missouri Economic Research and Information Center show that Missouri unemployment is continuing to decline and is well below the national average.[43]

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[40] See, MECG Initial Brief, pages 21-22.
[41] OPC Initial Brief, page 1.
[42] *Id.* at page 3.
[43] https://meric.mo.gov/missouri-monthly-jobs-report

UNEMPLOYMENT

> Missouri's smoothed seasonally adjusted unemployment rate decreased by two-tenths of a percentage point in November 2021, dropping to 3.5 percent from the October 2021 rate of 3.7 percent. The November 2021 rate was 1.2 percentage points lower than the November 2020 rate.
>
> The national unemployment rate decreased from 4.6 percent in October 2021 to 4.2 percent in November 2021. The estimated number of unemployed Missourians was 108,380 in November 2021, down by 6,150 from October's 114,530.
>
> The state's not-seasonally-adjusted unemployment rate also decreased in November 2021, dropping by two-tenths of a percentage point to 2.6 percent from the October 2021 not-seasonally-adjusted rate of 2.8 percent. The corresponding not-seasonally-adjusted national rate for November 2021 was 3.9 percent.

In fact, reports from the U.S. Bureau of Labor Statistics shows that Missouri unemployment is at its lowest point in the last 10 years.[44]

As a result if is not surprising that a quick glimpse of the headlines or minutes spent listening to local news indicate that the large commercial / industrial customers are actually having difficult filling vacant positions. The inability to find qualified applicants for these job vacancies has led to some companies reducing manufacturing and production. So, contrary to OPC's claim of high unemployment justifying the preservation of the residential subsidy, the opposite is true. In actuality, the low unemployment rate, and inability to find qualified workers, actually threatens the viability of large industrial customers. Therefore, now more than ever, OPC should fulfill its statutory duty and take steps to mitigate the residential subsidy and move industrial rates towards cost of service.

There, just as Staff pointed out in its initial brief, OPC suggests that class cost of service studies are "more of an art than a science."[45] As pointed out in the immediately prior section, OPC and Staff's position that allocations are inexact in the context of a class cost of service study is the

[44] https://data.bls.gov/timeseries/LASST290000000000003
[45] OPC Initial Brief, page 3.

epitome of hypocrisy when one recognizes that neither then questions the same allocations when it relates to corporate allocations. There, the same allocations are treated as a science, not as an "art" as OPC now suggests. Bottom line, this claim that allocations are an "art" is a fiction designed to preserve the residential subsidy despite OPC's suggestion that it represents all customers.

D. LGS / SP RATE DESIGN PROPOSALS

Issue: Should the Commission approve MECG's proposed shift to increase the demand component for Large General Service and Small Primary Service and decrease energy charges?

In its testimony, MECG suggested that the Commission recover any LGS / SP class rate increase by increasing the demand charge at a greater level than the energy charges. Ameren's LGS / SP rate schedules include both demand charges and energy charges. So while the mechanisms exist to collect costs in the manner in which they are incurred (i.e., fixed costs collected on a per kW basis and variable costs collected on a per kWh basis), the "LGS and SP rates do not currently reflect the underlying cost of serving those classes. That is to say that demand charges do not collect all demand-related costs. Instead a significant portion of these demand-related costs are collected on a variable basis through the energy charges."[46] This fact is best demonstrated by the fact that, while 77% of costs are demand-related, only 14% of LGS revenues and 9.6% of SP revenues are collected through demand costs."[47] "Clearly then LGS and SP rate components are sending incorrect price signals."[48]

Component	**COSS Results**		**LGS Revenue Requirement**		**SP Revenue Requirement**	
	($000)	**(% of Total)**	**($000)**	**(% of Total)**	**($000)**	**(% of Total)**
Demand	$565,531	76.7	$79,558	14.0	$23,625	9.6
Energy	$153,373	20.8	$474,667	83.6	$220,289	89.3
Customer	$18,762	2.5	$13,563	2.4	$2,903	1.2
Total	**$737,666**	**100**	**$562,180**	**100**	**$243,913**	**100**

Source: Exhibit 750, Chriss Direct, page 34.

Recognizing that 76.7% of the LGS / SP costs are demand-related, 76.7% of revenues should be collected through the demand charge. This would require a significant increase in the demand

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[46] *Id.* at page 32.
[47] *Id.* at page 34.
[48] *Id.*

charges and a commensurate decrease in the energy charges. "Assuming the demand charge recovers 76.7 percent of base rate revenues, consistent with the Company's cost of service study results, the estimated cost of service-based $/kW demand charge for LGS for the summer period would be $27.42/kW and for the winter period would be $15.22/kW. Additionally, the cost of service-based energy charge for the summer period is $0.02228/kWh and for the winter period is $0.01316/kWh."[49]

Given the obvious problems in the LGS / SP rate design, MECG recommends that the Commission "increase the demand and winter demand charges for the LGS and SP by <u>three</u> times the percent class increases."[50] Thus, if the LGS / SP rate class receives an overall increase of 6.7% (see page 7), then the demand charges should be increased by 20% with the remainder of the class increase being collected through the customer and energy charges.

In its Initial Brief, Ameren indicated that it "does not oppose the direction of MECG's proposed shift to increase the demand component for 3(M) Large General Service ("LGS") and 4(M) Small Primary Service ("SPS") customers."[51] Ameren then suggests, however, that the Commission consider something less than the <u>three</u> times increase for the demand charge in favor of something more measured. In support of this more measured approach, Ameren suggests that the "increase in demand charges may discourage some customers within the 3(M) and 4(M) classes from engaging in the provision of public high speed electric vehicle charging or electrifying their own fleet."[52]

During cross-examination of MECG's witness, however, Ameren's concern with vehicle electrification is misplaced.

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[49] *Id.* at 38.
[50] *Id.* at page 46. Ameren acknowledges that Mr. Chriss' recommendation is "directionally consistent with cost of service principles to the extent that the distribution demand-related costs are not currently fully reflected in the demand charge." Exhibit 18, Wills Rebuttal, page 53.
[51] Ameren Initial Brief, page 14.
[52] *Id.* at page 15.

> Q. So your proposal to increase the LGS and SPS customers' summer and winter demand charges by three times the percent class increase potentially then could have a chilling effect on EV fleet adoption. Would you agree?
> A. No. Ameren's demand charges are really low. Within the context of where the industry is for demand charge levels, it would probably take quite a bit more to do that.[53]

While MECG and Ameren agree that a greater amount of any rate increase should be recovered through the demand charges, Staff again pushes back. Staff vaguely claims that "no cost is truly 'fixed' in a utility's revenue requirement."[54] Staff fails to recognize that the vast majority of Ameren's costs are incurred regardless of whether Ameren sells a single kWh of energy. This is the definition of fixed costs. For these costs, nothing that Ameren can do will allow it to avoid the incurrence of these costs. On the other hand, fuel and some other costs are incurred relative to the amount of energy generated. This is the definition of variable cost. Staff's refusal to recognize these simple definitions does not make them any less applicable.

As pointed out previously, 76.7% of the LGS class revenue requirement is fixed in nature. That said, however, only 14% of the LGS revenues are collected through demand charges. Instead, the vast majority of these costs are collected through energy charges. Therefore, high load factor customers within the LGS class are subsidizing the low load factor customers within that class. MECG's simple rate design suggestion, that Ameren has suggested "is directionally consistent with cost of service principles"[55] should be adopted.

[53] Tr. 390.
[54] Staff Initial Brief, page 23.
[55] Exhibit 18, Wills Rebuttal, page 53.

E. RIDER B CREDITS

Issue: What is the appropriate level of Rider B credits to be applied to the bills of customers providing their own substation equipment?

In its Initial Brief, Staff retreated dramatically from the position in its pre-filed testimony. There, Staff recommended that the Rider B credits be suspended.[56] Staff's proposal to "suspend" the Rider B credits drew significant fire from other parties. In his rebuttal testimony, Mr. Brubaker points out that Staff's recommendation "does not make sense"[57] and "defies logic."[58] Ameren's assessment of Staff's proposal was even more pointed. Specifically, Ameren describes Staff's recommendation as "stunning"; "punitive"; "objectively incorrect"; "reflects a fundamental misunderstanding of cost allocation"; based on Staff's "hyper-focus on direct assignment"; and premised on a "convoluted analysis."[59]

In its Initial Brief, Staff now appears to recognize that its proposal to "suspend" the Rider B credits was based on a "fundamental misunderstanding of cost allocation." Now, Staff simply suggests that "if no shifts to revenue responsibility are made between classes, then the Rider B level should receive the equal percentage increase applied to all other rate elements."[60] If revenue shifts are undertaken, Staff suggests that the current Rider B credit levels be maintained.

MECG can live with Staff's modified proposal and suggests that the Commission order the revenue neutral shifts suggested in its prefiled testimony and, as a result, maintain the Rider B credits at current levels.

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[56] Exhibit 205, Staff Class Cost of Service Report, page 54.
[57] Exhibit 501, Brubaker Rebuttal, page 15.
[58] *Id.* at page 16.
[59] Exhibit 18, Wills Rebuttal, pages 1 and 22-27.
[60] Staff Initial Brief, page 27.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing pleading by email, facsimile or First Class United States Mail to all parties by their attorneys of record as provided by the Secretary of the Commission.

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David L. Woodsmall

Dated: January 7, 2022