BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Annual Revenues for Electric Service	))))	Case No. ER-2021-0240

POST-HEARING BRIEF OF
THE MISSOURI INDUSTRIAL ENERGY CONSUMERS

COMES NOW the Missouri Industrial Energy Consumers ("MIEC") and for its Post-Hearing Brief states as follows:

Introduction

The issues remaining for decision in this case are (1) which class cost of service study "CCOSS" should be adopted; (2) how the rate increase in this case should be allocated among the customer classes; (3) whether the Commission should adopt Staff's proposal to suspend Rider B credits for customers taking primary service due to their ownership of substations;[1] and (4) whether the Commission should adopt Ameren's proposal to eliminate the Rate 12 tariff applicable to high load factor transmission customers. The outcome of these issues largely depends on whether the Commission finds that class cost of service should be a factor in allocating Ameren's rate increase.

Historically, the Commission's starting point for deciding the allocation of a rate increase is the principle that the customer class that causes a direct cost should pay that cost. Class cost of service is the foundation of just and reasonable rates for the following reasons:

1. **Equity.** Cost-based rates ensure that each customer pays what it costs for the utility to provide service to that customer. If rates are not based on cost of

[1] Staff states that it would accept continuation of Rider B if the Commission adopts an allocation of equal percentage rate increase to each customer class. Staff Exhibit 205, pp. 53-54 (Staff Class Cost of Service Report).

service, some customers will unfairly pay costs attributable to providing service to other customers.[2]

2. **Conservation.** Cost-based rates incentivize the efficient use of energy, and provide customers with a balanced price signal for making decisions on electric consumption and demand-side management investments.[3]

3. **Engineering Efficiency.** Cost-based rates prevent the utility from extracting a disproportionate share of revenues from customer classes that have alternatives (such as producing products at other locations where costs are lower). If rates are not based on cost of service, the utility may need to either discount rates to those customers or lose load. Cost-based rates prevent both uneconomic rate increases and discounts so that the utility, stockholders and customers (or some combination of all three) are economically aligned.[4]

Although cost of service is the starting point for setting just and reasonable rates, the Commission has broad discretion to consider other factors such as gradualism, economic growth, job retention, rate stability, revenue stability, public acceptance, simplicity and ease of administration.[5] Additionally, cost-based rates benefit Missouri's economy by enabling customers to predict and manage electricity costs. This makes Missouri more attractive to employers, and helps Missouri to retain and attract production.

Based on the weight of the evidence, the MIEC urges the Commission to provide movement toward cost-of-service in this case. This is especially important at this time. Ameren has started to increase and accelerate capital spending, spurred by incentives under

[2] Exhibit 500, Direct Testimony of Maurice Brubaker at pp. 36-37.

[3] *Id.* at page 37.

[4] *Id.* at pages 38-39.

[5] *Id*. at page 36.

Section 393.1620 RSMo ("SB 564"). This statute has provided Ameren with plant-in-service accounting and other favorable ratemaking treatment for spending on renewable resources and grid modernization. For these reasons, Ameren is likely to seek significant rate increases in the next five years (and likely beyond). Incremental movement toward cost-of-service will serve the goals of both fairness and gradualism by preventing current class rate subsidies from growing so large that the Commission will have difficulty addressing them in the future.

Summary of MIEC Evidence and Recommendation

1. The Commission should determine class cost of service in this case based on the studies submitted by MIEC, Ameren and MECG. The studies filed by MIEC, Ameren and the Midwest Energy Consumers Group ("MECG") all use the Average and Excess 4 Non-Coincident Peak allocation (A&E 4NCP) method, and all three studies are reasonable. However, the MIEC study is most reasonable because it includes with certain adjustments to reflect cost of service more accurately than the Ameren and MECG.[6] Nonetheless, the Commission could also reasonably adopt the studies submitted by Ameren and MECG, which lead to very similar results.

2. The Commission should allocate the rate increase to the customer classes to move rates 50 percent toward the class cost of service as shown in the MIEC, Ameren and MECG studies. The MIEC believes that the rate increase in this case should be allocated to the customer classes primarily based on cost-of-service principles. The MIEC recognizes the importance of additional considerations, including gradualism of rate shifts. The MIEC

[6] Exhibit 500, Direct Testimony and Schedules of Maurice Brubaker.

therefore recommends a movement to 50 percent of what would be required to move to cost of service at present rates, followed by an equal percentage increase.[7]

3. The Commission should reject the Staff's baseless proposal to suspend Rider B credits. Rider B customers have chosen to invest in these substations that allow them to be served at the primary voltage level, and Rider B is essential for them to obtain the value of that investment. Rider B credits ensure that customers who own their substations pay the primary service rate (SPS or LPS). This reduces overall system costs for Ameren and its customers. Staff's proposal to suspend Rider B credits would harm Rider B customers increase Ameren's overall increase system cost to the detriment of all other customers. The MIEC recommends that Commission reject Staff's proposal to suspend Rider B credits, and determine the appropriate level of Rider B credits in accordance with Ameren Missouri's testimony and exhibits.

4. The Commission should retain Rate 12, applicable to high load factor transmission customers. There is no reason to eliminate this rate schedule, which could be useful to future customers and has the potential assist Missouri's economic development by attracting large manufacturers.

I. CLASS COST OF SERVICE STUDIES

The Commission should determine class cost of service in this case based on the studies submitted by Ameren, MIEC and MECG, which are reasonable and yield similar results through their use of the Average and Excess 4 Non-Coincident Peak allocation methodology.

[7]MIEC witness Brubaker's Direct Testimony Schedule MEC-COS-5 shows the revenue neutral percentage changes needed to move each class to cost of service at present rates. After those adjustments, the overall increase granted to Ameren Missouri should be applied to the 8.81 percent overall increase to arrive at the final allocation.

Class cost of service studies are performed to determine the portion of total costs that are incurred to serve each customer class so that rates can be designed to fairly allocate costs.[8] Class cost of service studies identify the cost responsibility of each customer class and provide the foundation for revenue allocation and rate design. This is accomplished by first identifying the types of utility costs (functionalization), determining their primary causative factors (classification), and apportioning each cost among the rate classes (allocation). Adding up the individual pieces determines the total costs of each customer class.[9]

Ameren's load pattern has predominant summer peaks, and these demands should be the primary ones used in the allocation of generation and transmission costs. Demands in other months do not require the addition of generation capacity and therefore should not be used in determining the allocation of costs. [10] The utility's annual load pattern is the central factor in determining the appropriate method for allocating fixed, or demand-related, costs on a utility system.[11] To be consistent with cost-causation, the method chosen for allocating these costs among the various customer classes should reflect the contribution of each customer class to the peak demands that cause the utility to incur capacity costs.[12]

Ameren, the MIEC and the MECG all filed similar class cost of service studies ("CCOSS) in this case using the Average and Excess ("A&E") 4 Non-Coincident Peak (4 NCP) allocation method. The A&E method is a family of CCOSS methods which consider both the maximum rate of use (demand) and the duration of use (energy). The A&E method

[8] Id. at p. 4; Exhibit 30, Direct Testimony of Thomas Hickman at pp. 16 -17.

[9] Exhibit 500, Brubaker Direct at p. 9.

[10] Id. at p. 25.

[11] Id. at p. 9.

[12] Id. at p. 24.

makes a conceptual split of the system into an "average" component and an "excess" component. The "average" demand is the total kWh demand divided by the total number of hours in the year (the amount of capacity required to produce the energy if taken at the same demand rate each hour). The system "excess" demand is the difference between the system peak demand and the system average demand.[13]

Under the A&E 4 NCP method, the average demand is allocated to classes in proportion to their energy usage. The difference between the system average demand and the system peak(s) is then allocated to customer classes on the basis of a measure that represents their "peaking" or variability in usage. Thus, A&E methodology properly considers class maximum demands and class load factor, as well as diversity between class peaks and the system peak.[14]

The MIEC, Ameren and MECG used the A&E 4 NCP methodology for several reasons. First, this method takes into account both class demands and class energy consumption, which are the two major factors that drive the utility's capacity needs. Second, this method comports Section 393.1620.1(1) RSMo., because it is an identified method for nuclear and fossil production plant cost allocation under the National Association of Regulatory Commissioners (NARUC) 1992 manual. Third, this method takes into account that almost all of the 4 NCP monthly demands occur during the summer months. Fourth, the use of the 4 NCP demand option (rather an option with fewer monthly NCP demands) stabilizes the impact of extreme demand in a given month.[15]

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[13] Exhibit 500, Brubaker Direct at p. 25, l. 19 – p. 26, l. 4, *citing* NARUC Electric Cost Allocation Manual, 1992 at p. 81.

[14] Id. at p. 26, ll. 5 - 8.

[15] Exhibit 30, Direct Testimony of Thomas Hickman at pp. 19-20.

Although all three of these studies are reasonable, the MIEC's study is the most reasonable because it most closely tracks cost-of-service. The MIEC's study differs from Ameren's regarding classification of generation O&M expense. The MIEC's evidence shows that most appropriate approach is to classify all of the generation O&M expense other than fuel and purchased power as a fixed cost. This is sometimes referred to as the "expenses follow plant" basis.[16] In its cost of service study, Ameren recommends that $69 million of non-fuel, non-labor costs of production and O&M expense be treated as a variable cost and allocated on the basis of class energy usage. However, as pointed out by MIEC, these costs are fixed and are incurred regardless of the amount of electricity generated at the generating units. The vast majority of these costs occur primarily as a function of the existence of plants, the hours of operation and the passage of time. These costs do not vary in any appreciable way with the number of kWh generated. In fact, Ameren Missouri has scheduled the maintenance of its coal and nuclear generation units on a "passage of time" basis, not on a "kWh generated" basis. Because the MIEC's classification of O&M expense best tracks cost-causation, the MIEC's study is the "most reasonable" of the three reasonable class cost of service studies submitted in this case and should be adopted by the Commission.

All of these studies show that all major classes (except Small General Service, which is approximately at cost) are producing returns in excess of the system average except the Residential class, which is producing a below system average return. MIEC's Direct Testimony MIEC witness Brubaker's Schedule MEB-COS-5 shows the adjustments that would be needed prior to any overall rate change in order to fully move to cost-of-service based rates:[17]

[16] Exhibit 500, Brubaker Direct at p. 4.

[17] Exhibit 500, Brubaker Direct at p. 40, ll. 1-13 and Brubaker Direct, Schedule MEB-COS-5.

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Class Cost of Service Study Results
and Revenue Adjustments to Move Each Class to Cost of Service
Using MIEC's Modified ECOS at Present Rates
(Dollars in Thousands)

Line	Rate Class	Base Revenues (1)	Current Rate Base (2)	Adjusted Operating Income (3)	Earned ROR (4)	Indexed ROR (5)	Income @ Equal ROR (6)	Difference in Income (7)	Revenue Change (8)	Percent Change (9)
1	Residential	$ 1,273,043	$ 5,600,934	$ 192,416	3.435%	72	$ 266,857	$ 74,440	$ 99,254	7.8%
2	Small GS	274,322	1,108,873	55,506	5.006%	105	52,832	(2,674)	(3,565)	-1.3%
3	Large GS/Primary	727,565	2,571,637	175,531	6.826%	143	122,526	(53,006)	(70,674)	-9.7%
4	Large Primary	188,576	609,255	44,317	7.274%	153	29,028	(15,289)	(20,385)	-10.8%
5	Company Owned Lighting	35,640	145,623	11,558	7.937%	167	6,938	(4,620)	(6,160)	-17.3%
6	Customer Owned Lighting	2,849	16,853	(345)	-2.045%	-43	803	1,148	1,530	53.7%
7	Total	$ 2,501,995	$ 10,053,175	$ 478,984	4.765%	100	$ 478,984	$ -	$ -	0.0%

In contrast to the class cost of service studies submitted by Ameren, the MIEC and MECG, the Staff presented a hotchpotch of flawed allocations which have no reasonable relationship to cost-causation.[18]

Staff combined a number of allocation methods to considered a range of methodologies for various Ameren generating facilities in 10 categories.[19] Staff calculated the revenue requirement associated with the fixed costs of each of these categories of generating units. Staff then considered a range of allocation methodologies, including variants of single peak, multiple peak, Average & Excess, Peak & Average for the nuclear, coal, combustion turbine, Taum Sauk and Osage generation categories. For the other generation categories (Keokuk, Wind, Landfill and General Solar), the Staff relied only on

[18] Exhibit 501, Rebuttal Testimony of Maurice Brubaker at p. 2, ll. 11-18.

[19] Exhibit 205, Staff CCOS Report, p. 44 at ll. 1-11, "without completion of a time-consuming Assigned Capacity study, a Detailed BIP [Base Intermediate and Peak] study, one of the Three-Differentiated time study methods, or one of the four Marginal Production Cost methods, these combinations of methods identify a range of study results".

the energy allocator under the misplaced premise that these three generation facilities exist simply to provide Renewable Energy Certificates ("RECs") and energy and do not provide any capacity benefit. Finally, Staff allocated the fixed costs associated with the Community Solar category entirely to the Community Solar customers.[20]

Ultimately, Staff presented three different scenarios,[21] using methods that are out of the mainstream and have no basis in generally accepted cost allocation principles.[22] As explained below, each of these scenarios have significant flaws and inaccuracies that prevent them from serving as a reasonable basis for setting rates.

It should be noted at the outset that Staff's Class Cost of Service Report includes a table which incorrectly summarized these scenarios ("Summary Table").[23] As a result, the Summary Table is misleading in the following important respects:

a. The Summary Table fails to accurately indicate that fixed costs revenue requirements associated with Keokuk Hydro, Wind, Landfill Gas and Solar Generation (other than Community Solar) are actually allocated to customer classes on the basis of energy (kWh) and not on the basis of a demand allocation factor. Staff mistakenly assumes that Keokuk, Wind, Landfill Gas and Solar Generation do not provide any benefit towards meeting peak demand.[24]

b. The Summary Table wrongly states that fuel, market energy transactions and variable operation and maintenance expenses associated with all generation facilities

[20] Exhibit 501, Brubaker Rebuttal at pp. 3, l. 18 – p. 4, l. 6.

[21] While the Staff describes these as "studies", they are better described as scenarios as they represent a jumble of allocations and methodologies.

[22] Exhibit 501, Brubaker Rebuttal at p. 2, ll. 16-18.

[23] Exhibit 205, Staff Class Cost of Service Study Report at p. 44, ll. 20-21.

[24] Exh. 501, Brubaker Rebuttal, at p. 4, l. 21 – p. 5, l. 5; Exhibit 205, Staff Class Cost of Service Study Report at p. 44 at ll. 20-21.

are allocated using a demand allocated factor, when they are in fact allocated on class kWh.[25]

Staff Scenario 1 claims that it uses a single coincident peak for what it describes as Gen Stable Revenue Requirements. This allocation for fixed production costs is appropriate.[26] However, Staff misallocates the fixed costs of some generation facilities on the basis of class kWh, and actually allocates fixed costs of Landfill Gas, Wind, Solar and Keokuk Hydro on class energy consumption.[27] Staff allocates PISA costs on the basis of class energy usage without bothering to functionalize those costs, and its "reallocations" of General Overheard, PISA and Socialized Programs inappropriate and not cost-based.[28] For these reasons, Scenario 1 should be rejected.[29]

The first major flaw of Staff Scenario 2 is that it uses the discredited and improper Peak and Average allocation methodology.[30] The Peak and Average methodology has previously been found by the Commission to be "inherently flawed" and "unreliable". This is because it double-counts the average system usage to the detriment of high load factor customers. This double-counting occurs because instead of allocating just the excess of the peak usage period to the various classes, the method reallocates the entire peak usage to the classes that contribute to the peak. As a result, the classes that contribute a large amount to

[25] Id. at ll. 6 - 10.

[26] Id., at ll. 16 – 18.

[27] Id., at p. 6, ll. 16 - 18.

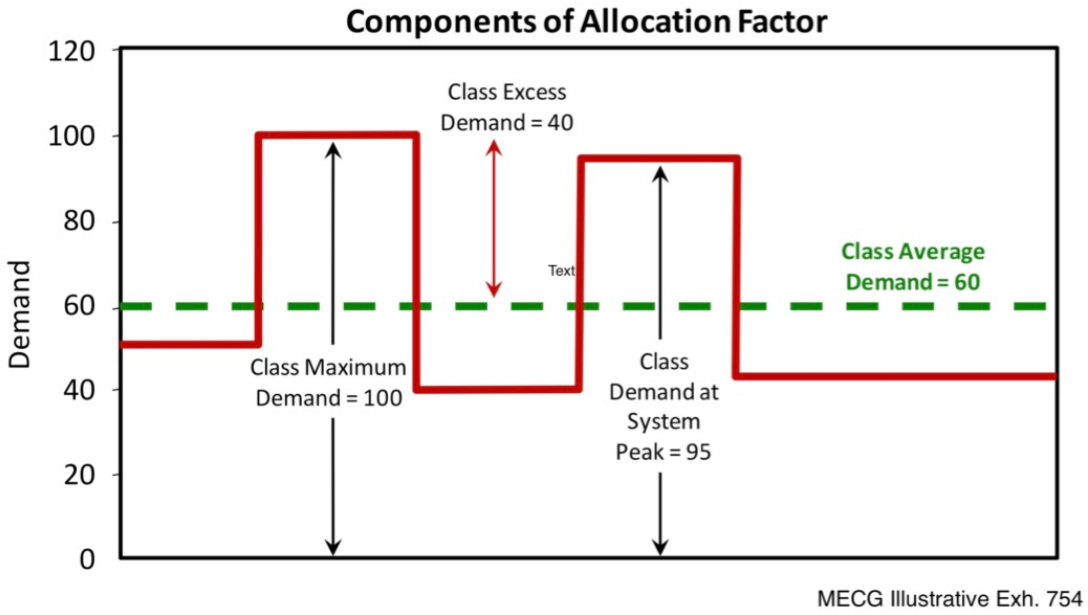
[28] Id. at p. 6, ll. 22 – 23.

[29] Id. at p. 6, l. 21.

[30] Staff claims to use the Peak & Average methodology for generation, and a kWh allocation for General Overheard and PISA. However, Staff uses the Peak and Average methodology only for certain categories of generation facilities and uses an energy allocator to allocate others.

the average usage of the system but add little to the peak have their average usage allocated to them a second time.[31]

The difference between the valid A&E 4 NCP method used by Ameren, MIEC and MECG and the invalid Peak and Average Method used by Staff was illustrated during MECG's questioning of MIEC witness Brubaker at the evidentiary hearing in this case:[32]



Under the A&E method, the first component is class average demand, represented above by the green dashed line represents class average demand (60 in this illustration). The second component allocates the difference for each class between that class's average demand and the peak demand to arrive at an allocation of the difference on a system basis between the system average demand and the system peak demand. Then the excess component (in this illustration 40) is multiplied one minus the system load factor and

[31] Id. at pp. 84-85.

[32] Exhibit 754; Tr. p. 348, l. 17 – p. 350, l. 21.

allocated to classes based on the extent to which the class's peak demand exceeds its average demand.[33]

In contrast, under the Peak and Average Method the peak demands of each class are added to their average demand. The class average demand (in this illustration 60) is multiplied by the system load factor. Then the class maximum demand (in this case full 100) is multiplied by one minus the system load factor. As a result, class average demand is counted twice: once in the first portion and again in the second portion of the equation. This makes average demand a component of peak demand, and causes class energy usage to be double counted.[34]

The second major flaw in Study 2 is that Staff relied only on the energy allocator for renewable generation categories, and failed to recognize class demand to any degree for renewable investment.[35] Staff's approach is based on the invalid premise that these units exist simply to provide Renewable Energy Certificates ("RECs") "for the generation of renewable energy certificates . . .", and that they are non-dispatchable.[36] To the contrary, all of these resources have a capacity value and generate energy[37]. All forms of renewable generation including solar, wind, hydro and biomass have a demand component because they contribute to the meeting of system demand.[38] Accordingly, the fixed cost associated with these resources should be allocated in the same way as the fixed costs associated with other resources in the generation portfolio.[39] The invalidity of Staff's approach is demonstrated by

[33] Tr. p. 349, l. 5 – p. 351.

[34] Tr. p. 315, l. 5 – p. 316, l. 10; p. 350, l. 5 – p. 351, l. 2.

[35] Tr. p. 351, ll. 11-15.

[36] Exhibit 205, Staff Class Cost of Service Report at p. 42, l. 8.

[37] Exhibit 501, Brubaker Rebuttal at p. 7, ll. 16 - 21.

[38] Tr. p. 351, l. 21 - p. 352, l. 6.

[39] Exhibit 501, Brubaker Rebuttal at p. 7, l. 19 – 21.

the fact that NARUC's Cost Allocation Manual does not recognize the energy allocator for the allocation of fixed production costs.[40]

Staff provides no valid basis for using an energy allocator for renewable generation investments. Staff witness Sarah Lange refers to Commission documents in Case Nos. EA-2018-0202 and EA-2019-0181 concerning Ameren's recent addition of wind projects and incorrectly concludes that because these facilities create renewable energy certificates ("RECs"), these facilities should not have capacity value, and should instead be treated as energy-related. Staff witness Lange recites from the Commission Order in Case No. EA-2018-0202 that the project (High Prairie) "is . . .intended to comply with the renewable energy mandates of the law".[41] Staff witness Lange also references the Stipulation in Case No. EA-2019-0181, which provides that the costs of the project (Atchison) are Renewable Energy Standard (RES) compliance costs.[42] While the referenced provisions in these cases are true, they are misleading in the context of this issue. Compliance with renewable energy mandates is not the only reason for the Commission orders in those cases, and compliance is not the only benefit of those projects. Like other renewable projects, they diversify the resource portfolio and add capacity to the system.[43]

All of these facilities provide capacity as part of the utility's generation resource portfolio and all are designed to economically serve the overall power requirements of utility customers at the lowest overall reasonable cost. Accordingly, the proper and generally accepted method is to allocate the fixed costs associated with all of these facilities on the

[40] Tr. p. 351, ll. 11 - 20.

[41] Exhibit 502, Brubaker Surrebuttal at p. 4, l. 12 – p. 5, l. 6.

[42] Id.

[43] Exhibit 501, Brubaker Rebuttal at p. 4, l. 22 – p. 5, l. 6.

basis of an appropriate measure of customer demand, and to allocate all of the variable costs to customer classes on the basis of relative class kWh requirements.[44]

A third major flaw in Staff's Scenario 2 is the flawed allocator used for General Overheard and PISA. Specifically, Staff allocated General Overhead and PISA on energy (kWh sold) and ignored the underlying drivers of the incurrence of these costs. Study 2 has no claim to cost-causation and should be rejected in its entirety due to Staff's erroneous and inappropriate allocations.[45]

Staff's Scenario 3 claims to use the A&E 4 NCP for generation. Generally, an A&E methodology is appropriate for allocating fixed production costs. However, Staff omitted the fixed costs of Landfill Gas, Wind, Solar and Keokuk Hydro from the A&E allocator and instead allocated these on the basis of class kWh.[46]

Staff's Scenario 3 also suffers from the same problems as Staff Scenarios 1 and 2 regarding the allocation of General Overheard, PISA and Socialized Programs.[47] Staff again uses broad-based allocations in lieu of proper assignments, and improperly allocates some of these costs on class energy usage without support.[48] Some of the expense items that Staff classifies are General Overheard are Administrative and General ("A&G") salaries of $67 million, Office Supplies and Expenses of $32 million, General Plant Revenue Requirements of $65 million, and $58 million related to Intangible Plant.[49] Traditionally, these kinds of expenses are allocated across functions (generation, transmission and distribution) and between demand-related, energy-related and customer-related costs on the basis of the

[44] Id. at p. 7, l. 16 – p. 8, l. 22.

[45] Exhibit 501, Rebuttal Testimony of Maurice Brubaker at p. 6, l. 10 - 14.

[46] Id. at p. 6.

[47] Id. at p. 7, ll. 3 – 5.

[48] Id. at p. 9, ll. 7 – 13.

[49] Id. at ll. 14 – 19.

relationship between these costs and the costs in the specific functional categories[50]. Staff explains its proposed blanket general allocation with a conclusory statement that these costs are too general to be reasonably associated with other functions.[51]

The Staff has no valid basis for failing to allocate these costs. The inability to exactly or precisely assign a cost does not justify lumping everything in one bucket and arbitrarily allocating these costs to customer classes on the basis of class energy requirements or some other general basis. A reasonable allocation of these costs across the functions is more cost-based and far superior than the arbitrary and totally inaccurate allocation of these costs.[52] For these reasons, Scenario 3 is also improper and should be rejected.[53]

Staff's CCOS Report relies upon a document is entitled "Electric Cost Allocation for a New Era", which is published by the Regulatory Assistance Project ("RAP") and is authored by Jim Lazar, Paul Chernick and William Marcus, and edited by Mark Lebel.[54] The Staff refers to this document as the "RAP Manual". Staff's reliance upon this document is shown by Staff's responses to Ameren data requests[55]. Staff's reliance is also shown in the Rebuttal Testimony of Staff witness Sarah Lange, which recites several pages of excerpts from the RAP document in criticizing the cost allocation principles followed by Ameren, MIEC and MECG. [56] In key respects, the Staff's evidence demonstrates a preference to adopt

[50] Id.at p. 10, ll. 1 – 6.

[51] Id. at p. 10, ll. 12 - 14.

[52] Exhibit 501, Brubaker Rebuttal at p. 10, l. 18 – p. 11, l. 2.

[53] Id. at p. 7, .

[54] Staff Cost of Service Report at pp. 41, l. 16 – 42, l. 3.

[55] Exh. 501, Brubaker Rebuttal p. 11, referencing Ameren Data Requests 829, 830, 835, 842 and 843.

[56] Exhibit 502, Brubaker Surrebuttal at p. 9, l. 5 - l. 13, *citing* Exhibit 205, Lange Rebuttal at p. 4.

the recommendations in the RAP document instead of recommendations in the much more authoritative NARUC Cost Allocation Manual.[57]

The RAP document's thesis is based on the incorrect premise that because the electric system has changed since NARUC published its seminal Electric Utility Cost Allocation Manual, prior methods must be discarded and new methods must be invented. Contrary to this premise, the fundamental principles of cost-causation remain valid and are readily and appropriately applied to new generations of technology.[58] The MIEC's Rebuttal Testimony includes Schedule MEB-COS-R-3, which critiques some of the key recommendations in the RAP document.[59]

As pointed out by MIEC witness Brubaker, the RAP document is nothing more than a summary of how the authors would like to see cost allocations performed.[60] The central feature of the recommendations in the RAP document is to increase the allocation of generation resources on the basis of class kWh, rather than on the cost-causative demands imposed by customers.[61] The three authors of the RAP document are heavily influenced by consideration of greenhouse gas reduction mandates and have served as advocates on behalf of lower income customers.[62] The authors' goal of minimizing customer demands and elevating the importance of energy consumption of purposes of framing their cost allocation proposals is best understood in this context.[63] Although the positions of various advocacy

[57] Exhibit 501, Brubaker Rebuttal at p. 2, ll. 10 – 13.

[58] Id. at p. 11, l. 19 – p. 12, l. 5.

[59] Id. at Schedule MEB-COS-R-3.

[60] Exhibit 502, Brubaker Surrebuttal at p. 3, l. 18 – 19.

[61] Exhibit 501, Brubaker Rebuttal at p. 12, ll. 5 - 7 .

[62] Exhibit 502, Brubaker Surrebuttal at p. 4, ll. 2 - 5.

[63] Id. at p. 4, ll. 5 – 7.

groups can provide useful information to the Commission, this information should not be relied upon as an objective evidentiary foundation for setting rates.

In contrast to the RAP document, the NARUC Cost Allocation Manual was developed over a period of years with significant consideration by the commissions and commission staffs in various states. It has withstood the test of time and is widely acknowledged as an authoritative source on class cost allocation. In fact, the authoritative nature of the NARUC Manual has also been recognized by the Missouri General Assembly when it enacted Section 393.1620 RSMo. The NARUC Cost Manual Allocation Manual is generally accepted as an authoritative source and respected by cost of service experts. In contrast, the RAP document is not generally accepted in the industry and the positions and theories expressed merely represent the opinion of its authors.[64]

The Staff's Class Cost of Service Report fixates on Ameren's recordkeeping and assignments within the distribution function. Staff criticizes Ameren heavily regarding Ameren's determination and allocation of customer costs and distribution system demand costs. It also criticizes Ameren for its inability to specifically identify costs associated with specific facilities.[65]

The MIEC disagrees with Staff's criticisms of Ameren's recordkeeping, assignments and allocations of distribution costs. But regardless of how Staff's distribution cost concerns may be resolved, these issues have no material on the Large Primary Service (LPS) class.[66] The LPS class is much less sensitive to the determination and allocation of distribution cost than other classes because all of the power delivered to the LPS class is at primary voltages

[64] Exhibit 502, Brubaker Surrebuttal at p. 3, l. 20 - p. 4, l. 2.

[65] Exhibit 501, Brubaker Rebuttal at p. 12, ll. 14 – 22.

[66] Exhibit 502, Brubaker Surrebuttal at p. 6, ll. 19 – 22.

or higher, with no part of the service being delivered at the secondary level.[67] In contrast, all of the power delivered to the residential class, the small GS class, and the lighting class is delivered at the secondary voltage level.[68] This analysis shows that disagreements about secondary distribution level costs have no impact whatsoever on cost of service for the LPS class.

Regarding Staff's specific criticisms of Ameren's distribution system data and recordkeeping, Staff seems to think that the inability to identify the costs associated with specific distribution lines and other delivery equipment renders Ameren's studies imprecise and unreliable. While the records probably could be made more precise, this would not add useful or meaningful information regarding the accuracy of cost allocation studies. Knowing the exact cost (and depreciated value) of a specific 44kV line running from Point A to Point B as compared to the average cost per mile of all 34 kV lines is not particularly meaningful when rates are set on the basis of general categories of customers and voltage level. Customers taking service at 34 kV are allocated a share of the costs of 34 kV and higher voltage equipment. Rates are designed to serve all 34kV customers as a class, without regard to their specific geographic location, or the age of the facilities specifically providing service. In other words, unless rates were to be set separately for each individual customer, the added information would be of no value. [69]

As noted by MIEC witness Brubaker, based on his 50 plus years of experience in reviewing class cost of service studies performed by numerous electric utilities in 34

[67] Exhibit 502, Brubaker Surrebuttal at p. 6, ll. 9-11, *citing* Exhibit 500, Brubaker Direct p. 21, Table 5.

[68] Exhibit 502, Brubaker Surrebuttal at p. 6, ll. 11 – 13.

[69] Exhibit 501, Brubaker Rebuttal at p. 13, ll. 1 - 12.

regulatory jurisdictions, the level of detail behind Ameren's class cost of service study is generally consistent with the level of detail and practices of other electric utilities.[70]

II. ALLOCATION OF RATE INCREASE TO CUSTOMER CLASSES

The Commission should adopt the recommendation of the MIEC for a 50% movement to cost of service pursuant to the class cost of service studies submitted by Ameren, MIEC and MECG using the A&E 4 NCP methodology.

The MIEC recommends a 50% movement from current rate levels to class cost of service. This recommendation is shown on Schedule MEB-COS-R-2, and would be accomplished by (1) adjusting class revenues by applying the percentages in column 4 on Schedule MEC-COS-R-2 to make the movement toward cost of service and then (2) increase the resulting rate revenues by the amount of the rate increase resulting from this case.[71] This has the effect of providing an across-the-board allocation after an initial step toward class cost of service has been made.[72]

MIEC witness Brubaker calculated what the class revenue changes at present rates would be under that recommendation using Ameren Missouri's class cost of service study as filed, rather than the MIEC's adjusted class cost of service study. Schedules MEC-COS-SUR-1 and MEB-COS-SUR-2 show these results. Schedule MEB-COS-SUR-1 shows the adjustments needed to move to cost at present rates. The changes in revenues by class to move 50% toward cost of service are shown on MEB-COST-SUR-2 and are very consistent with those shown on Schedule MEB-COS-6, which is based on Mr. Brubaker's adjusted class cost of service study. For example, both analyses show about a 4% increase for the

[70] Id. at p. 13, ll. 13 - 16.

[71] Exhibit 501, Brubaker Rebuttal at p. 14, ll. 13 – 22, Schedule.

[72] Exhibit 501, Brubaker Rebuttal, Schedule MEB-COS-R-2.

Residential class, and about a 5% decrease for Large Primary.[73] The MECG proposes a 41 movement toward class cost of service.[74]

The MIEC and the MECG are the only parties who propose that class allocations of take into account the class cost of service evidence presented in this case. Ameren proposes an equal percentage rate increase to each customer class, disregarding its class cost of service study evidence (this is the customary approach Ameren has taken in prior rate case filings). Staff likewise proposes an arbitrary equal percentage increase that is unrelated to evidence regarding class cost of service.[75] OPC[76] and Consumers Council of Missouri ("CCM") generally support these equal percentage allocation proposals,[77] while presenting an alternative proposal to cap the rate increase to the residential class, which would result to a total increase exceeding 15% to the other classes.[78]

These recommendations fly in the face of the class cost of service evidence in this case, which clearly indicates that the residential class is producing revenues far below the costs to serve it.[79] The rates being charged to all other major customer classes (including the LGS/Primary class and the LPS class) are producing revenues in excess of their cost of service, and their rates should be reduced by ten percent to move them to their respective

[73] Exhibit 502, Brubaker Surrebuttal at p. 7, l. 13 – p. 8, l. 5.

[74] EFIS Item No. 213, MECG Statement of Positions at p. 7.

[75] Exhibit 501, Brubaker Rebuttal at p. 14, ll. 2 - 5.

[76] OPC's Position Statement in this case asserts that MIEC and MECG seeks to unfairly "shift costs" to residential and small general service (SGS) customers.[76] This is a fundamental misunderstanding of MIEC's position and is incorrect. MIEC does not seek to "shift costs" to these classes. The class cost of service studies presented in this case demonstrate interclass subsidies based on current rates (prior to any rate increase), and are revenue-neutral. The issue in this case is not whether costs should be shifted, but how the revenue increase should be applied on a going-forward basis.

[77] EFIS No. 207, Public Counsel's Position Statement, p. 2; EFIS No. 211, Positions Statement of the Consumers Council of Missouri at p. 1.

[78] Tr. at p. 265, l. 9 – p. 266, l. 3.

[79] Id. at ll. 7 – 8.

costs of service.[80] Ameren acknowledges that its recommendation for an equal percentage increase ignores its own class cost of service study.[81] Adoption of these recommendations would require the Commission to allocate the rate increase in this case in a manner that entirely disregards class cost-of-service.

III. Rider B Credits

The Commission should reject Staff's proposal to suspend Rider B credits because the proposal would deprive harm Rider B of their investment in their own substations and increase Ameren's system costs to the detriment of all customers.

In its Class Cost of Service Report, the Staff has made the startling recommendation to suspend Rider B credits in this case:

> Staff recommends that unless the costs of substation equipment that is dedicated to primary customer is specifically assigned to the bills of primary customers, that the discounts provided Staff to primary customers under Rider B be suspended until Ameren Missouri provides the information necessary to include the cost of primary customer substations in the bills of primary customers (and such costs are so included).[82]

This recommendation, as noted in Mr. Brubaker's Rebuttal Testimony, "does not make sense"[83] and is "defies logic".[84] The substations that allow primary customers to receive these credits are owned by the customer, not Ameren. The Rider B credits are necessary to recognize that these customers take service from Ameren at the primary voltage

[80] Id. at ll. 8 – 12.

[81] Tr. p. 333 at ll. 10 – 19;

[82] Exhibit 205, Staff Report Class Cost of Service at p. 54.

[83] Exhibit 501, Brubaker Rebuttal at p. 16, l. 4

[84] Id. at p. 15, l. 20.

level and therefore do not require Ameren assets to step down their power.[85] Staff's recommendation shows a fundamental misunderstanding by Staff and should be rejected.[86]

Ameren Tariff Rider B provides credits to customers who provide their own substations to reduce voltage from 34 kV or higher to the customer's receipt point voltage. This Rider is titled "Discount Applicable for Service to Substations Owned by Customer in Lieu of Company Ownership", and appears on Sheet 75 of Ameren Missouri's Electric tariff and is provided in Schedule MEB-COS-R-4. This schedule only applies to customers who actually own their own substations and which provide this service link.[87]

Customers that receive primary service under Rider B own, operate and maintain significant components of infrastructure – specifically substations that transform power from high voltages to standard primary voltages – that Ameren would otherwise would have to invest in, construct, operate and maintain at an increase cost to Ameren's system as a whole.[88] Suspension of Rider B credits would be punitive and unfair to customers who made such significant investment decisions based on an understanding that they would receive these bill credits as a result of their investments and ongoing efforts. Suspension of these credits would increase bills to 4(M) customers and 11(M) customers on average by an estimated 4.4% and 3.3% respectively.[89]

IV. Rate 12 High Load Factor

The Commission should retain Rate 12 because it could be useful to future customers and could benefit to Missouri's economy.

[85] Id. at p. 15, l. 20 – p. 16, l. 1.

[86] Id.

[87] Exhibit 501, Brubaker Rebuttal at p. 15, ll. 3 – 9.

[88] Exhibit 18, Rebuttal Testimony of Steven Wills at p. 22, 11-p. 23, l. 7.

[89] Exhibit 18, Rebuttal Testimony of Steve Wills at p. 23, l.7 – p. 24, 1.2.

The MIEC disagrees with Ameren Missouri proposal to eliminate Rate 12. This rate was designed for high load factor, large load taking service at the transmission level, and was previously used to provide service to Noranda Aluminum. Although Ameren Missouri is not currently serving any load this site, that could change. In addition, the rate could form the basis for service to other large, high load factor loads, such as data centers. There is no cost to maintain this rate and as it may be useful in the future in attracting or retaining a large power user/employer, the rate should not be eliminated.[90]

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed to all parties on the Commission's service list in these cases.

/s/ Diana M. Plescia

[90] Exhibit 501, Brubaker Rebuttal at p. 16, l. 17 – p. 17, l. 5.