BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filings of Union	)	
Electric Company d/b/a Ameren Missouri, to	)	File No. ER-2022-0337
Increase Its Revenues for Retail Electric Service.	)	

AMEREN MISSOURI'S RESPONSE TO ORDER DIRECTING ADDITIONAL INFORMATION

COMES NOW Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), and pursuant to the Commission's *Order Directing Additional Information* issued June 20, 2023 in the above-captioned case (the "*Order*"), hereby files its *Response* with the directed additional information. In support of its *Response*, Ameren Missouri states as follows:

1. On April 7, 2023, the parties filed a *Stipulation and Agreement* resolving all issues in the case related to Ameren Missouri's revenue requirement and certain other issues.

2. On April 12 through April 14, 2023, the Commission held an evidentiary hearing for three issues not resolved by the *Stipulation and Agreement*, and on April 14, 2023, the Commission held an on-the-record presentation of the *Stipulation and Agreement*.

3. On June 14, 2023, the Commission issued its *Report and Order* ("*R&O*") in this proceeding, to be effective on June 24, 2023. Among other things, the *R&O* approves the April 7 *Stipulation and Agreement* and authorizes Ameren Missouri to file tariffs complying with the *R&O*. Ordering ¶¶ 1 & 4.

4. As noted at pp. 22 – 23 of the *R&O*, Ameren Missouri, as an electrical corporation that has elected PISA under Section 393.1400, RSMo, is subject to Section 393.1655.6, RSMo. Section 393.1655.6 provides a cap for the Large Primary Service ("LPS") class as follows:

> If the difference between (a) the electrical corporation's class average overall rate at any point in time while this section applies to the electrical corporation, and (b) the electrical corporation's class average overall rate as of the date rates are set in the electrical corporation's most recent general rate proceeding concluded prior to

the date the electrical corporation gave notice under subsection 5 of section 393.1400, reflects a compound annual growth rate of more than two percent for the large power service rate class, the class average overall rate shall increase by an amount so that the increase shall equal a compound annual growth rate of When the Company initially filed this electric rate review, two percent over such period for such large power service class, **with the reduced revenues arising from limiting the large power service class average overall rate increase to two percent to be allocated to all the electrical corporation's other customer classes through the application of a uniform percentage adjustment to the revenue requirement responsibility of all the other customer classes. (**Emphasis added)

5. When the Company initially filed this electric rate review, the LPS cap under Section 393.1655.6 was not triggered. However, as explained further below, the combination of changes in the rates charged under Riders FAC and RESRAM in combination with the agreed upon revenue requirement increase under the approved *Stipulation and Agreement* result in an exceedance of the LPS cap.[1]

6. On June 19, 2023, the Company filed a *Motion for Expedited Treatment and Approval of Tariff Sheets Filed in Conformance With Commission Order on Less Than Thirty Days' Notice*, which described bifurcation of the filing of compliance tariffs. However, the Company has been able to work with Staff to complete all compliance tariffs including those that did not effect the Commission-approved rates or other matters that would take effect when those rates take effect. Therefore, the Company asks that the Commission disregard the Company's June 19, 2023 *Motion* to the extent that it describes bifurcation of the compliance tariffs.

7. On June 19, 2023, Ameren Missouri caused to be filed with the Commission revised tariff sheets as authorized by the *R&O* to effectuate the terms of the April 7 *Stipulation and Agreement* and almost all of the decisions within the *Order* (the "First Compliance Tariffs"). The First Compliance Tariff sheets did not address anything related to the new default Smart Savers rate discussed on pp. 36 – 37 of the *R&O*. However, as noted, the Company has been able to work

[1] The approved rate increase does not meet or exceed the overall cap otherwise applicable to the Company under Section 393.1655.4.

with Staff to complete all compliance tariffs. Therefore, earlier today, the Company has substituted specific sheets of the First Compliance Tariffs, and filed four additional compliance tariff sheets, to reflect the deferred effective date for the new Smart Savers default Residential rate, all of which were developed in collaboration with Staff. Together, the First Compliance Tariffs (including those substituted today) and the four additional compliance tariff sheets filed earlier today reflect implementation of all matters and orders contained in the *Stipulation and Agreement* and the *R&O* (collectively, "Compliance Tariffs"). The Compliance Tariff sheets bear an issue date of June 19, 2023 (in the case of those filed June 19 or substituted today) or June 22, 2023 (in the case of the four additional sheets), with an effective date thirty days later to comply with 20 CSR 4240-20.105.[2]

8. The Compliance Tariffs reflect the above-referenced exceedance of the LPS cap under Section 393.1655.6, and accordingly, the amount above the two-percent cap for the LPS class being "allocated to all the electrical corporation's other customer classes through the application of a uniform percentage adjustment to the revenue requirement responsibility of all the other customer classes."

9. On June 20, 2023, the Commission issued two orders. The *Order Directing and Expediated Staff Tariff Recommendation and Setting Time for Tariff Responses and Objections to Tariff Sheets Becoming Effective on July 1, 2023* directed Staff to file its recommendation about the compliant tariff sheets by no later than 3:00 p.m. on June 23, 2023 and any parties to file any other response or objection to the compliance tariff sheets taking effect on July 1, 2023 by no later than 3:00 p.m. on June 23, 2023.

[2] Ameren Missouri has complied with this Commission rule by filing the compliance tariffs with a thirty-day effective date, despite Ameren Missouri's belief that thirty days' notice is unnecessary under these circumstances, particularly given the specific provisions of Section 393.140(11) RSMo. (2016), discussed in its June 19, 2023, Motion.

10. July 1, 2023, is the end of the statutory suspension period, a/k/a, the operation of law date, the date by which the legislative process for changing rates in Missouri contemplates that new rates set in a rate case will take effect. The Company appreciates that the Commission's *Order Directing and Expedited Staff Tariff Recommendation and Setting Time for Tariff Responses and Objections to Tariff Sheets Becoming Effective on July 1, 2023* seeks to enable effective compliance tariffs by July 1, 2023.

11. The *Order* is the second order issued by the Commission on June 20, 2023. The *Order* directs two pieces of additional information be submitted by the Company by June 22, 2023: (1) redline versions of compliant tariff sheets filed in this case; and (2) sufficient information to evaluate the applicability of Section 393.1655.6 RSMo. to the LPS class.

12. This *Response* provides those two pieces of additional information as directed.

<u>Comparison Version of Compliance Tariffs</u>

13. The Company has worked diligently with Staff, and Staff has worked diligently with the Company, to review compliance rates and the Compliance Tariffs. The Company appreciates Staff's diligent work in this regard. The Commission's *Order* explains: "The redline version is so that the Commission may quickly evaluate any changes from previously filed tariff sheets." *Order* at p. 1. Attached hereto as **Attachment A**, and incorporated by reference, is the comparison of the Compliance Tariffs' sheets wherein each difference between the Company's currently effective tariff sheets and the Company's Compliance Tariffs' sheets is highlighted, which should allow the Commission to quickly evaluate the changes from the Company's currently effective tariff sheets.[3]

[3] The currently effective tariff language that is replaced in the Compliance Tariffs will appear by placing the cursor on each highlighted change.

Applicability and Calculation of the LPS Cap Exceedance

14. As discussed in the Direct Testimony of Company witness Nicholas Bowden, Hearing Exhibit 28, at the time the Company filed its direct case, if the Commission had granted the full requested revenue requirement increase of $316 million, or approximately 11.6%, neither the overall cap, nor the sub-cap applicable to the Large Primary Service ("LPS") rate class, would have been exceeded. The average baseline killowatt-hour ("kWh") rate for the LPS class rate cap, calculated using Ameren Missouri specific revenues and kWh as defined by the statute, was $0.0571 per kWh as discussed by Dr. Bowden. The statute defines the rate cap in terms of a compound annual growth of that average baseline kWh rate. The compound annual growth rate which defines the cap for the LPS customer class is 2 percent. The rate cap is calculated using the number of years between the point in time when rates are expected to go into effect, July 1, 2023, and the established baseline date of April 1, 2017, 6.25 years. The resulting cap on the LPS rate is $0.0571*(1.02)^6.25 = $0.06461 per kWh. This cap is applicable to the average base revenue kWh rate plus certain Rider rates specified in the statute. The statute excludes Rider EEIC (Energy Efficiency Investment Charge)[4] but includes Riders FAC (Fuel Adjustment Clause) and RESRAM (Renewable Energy Standard Rate Adjustment Mechanism).

15. As of the direct case filing on August 1, 2022, the average base revenue kWh rate for the LPS class proposed by the Company, as reflected in a portion of the workpaper prepared by Dr. Bowden and provided to the parties in the case at that time, which is attached to this pleading as **Attachment B**, was $0.0646 per kWh. As of the August 1st filing of this case, the FAC rate applicable for the LPS class was $0.0004 per kWh, and the RESRAM rate was a credit of $0.0005 per kWh. The FAC charge and RESRAM credit netted to a total credit of $0.0001 per kWh, making

[4] Rider EEIC relates to recovery of the costs associated with the Company's energy efficiency and demand response programs.

the average overall rate associated with the Company's proposal (including both the projected average base rate and the then-current FAC and RESRAM) $0.0645 per kWh, which was below the rate cap of $0.06461 per kWh. Thus, at the time of the direct case filing, the applicable LPS rate associated with the requested rate increase did not exceed the LPS rate cap associated with the expected effective date.

16. During the pendency of the case, both Riders FAC and RESRAM were subject to normal periodic updates. The most recent update to the FAC occurred on June 1, 2023, and the most recent update to the RESRAM occurred on February 1, 2023. The currently effective Rider rates are both higher than they were as of August 1, 2022 when the direct case was filed. Specifically, the FAC increased from the $0.0004 per kWh value that was included in the analysis filed in Dr. Bowden's Direct Testimony, to $0.00501 per kWh that is currently effective and will be effective on July 1, 2023. On February 1, 2023, Rider RESRAM increased from a credit of $0.0005 per kWh to the currently effective charge of $0.00035. However, as a result of this case, and the update to the RESRAM base amount called for in the *Stipulation and Agreement* approved by the Commission's *R&O* and which is reflected in the revenue requirement agreed to by the parties, Rider RESRAM will be rebased at the same time as tariffs take effect to a charge of $0.00032 per kWh on July 1, 2023. The sum of the FAC and RESRAM rates increased from a credit of $0.00001 per kWh on August 1, 2022 to a charge of $0.00533 per kWh on July 1, 2023.

17. Using the agreed upon billing units in this case as reflected in the *Stipulation and Agreement* between the parties,[5] and allocating the $140 million revenue increase also reflected in the *Stipulation and Agreement*[6] on equal percentages (other than to the Company-owned lighting class) as contemplated in the Commission's *R&O* resolving revenue allocation issues in this case[7]

[5] Exhibit A to the *Stipulation and Agreement*.
[6] Paragraph A3 in the *Stipulation and Agreement*.
[7] *R&O*, at p. 23.

results in an average base revenue rate of $0.0611 per kWh for the LPS class, which is less than the average base revenue rate of $0.0646 per kWh that would have resulted from granting the Company's original rate request in this case. However, in combination with the current FAC and RESRAM rates, the overall LPS rate that results from adding the $0.0611 per kWh arising from the *R&O* in this case to the current Rider rates previously discussed, $0.00533 per kWh, yields an average kWh rate of $0.0664 per kWh, which exceeds the cap of $0.06461.

18. **Attachment C** to this filing is an update to the portion of Dr. Bowden's workpaper provided in Attachment B that reflects all of the updates to the rate cap analysis that have been discussed above. **Attachment D** outlines the calculation of the amount of revenue that must be re-allocated to the other rate classes in order to reduce the LPS rates to the level required by the statute. The amount of revenue that must be allocated in order to respect the statutory cap on LPS rates is calculated as follows. The average per kWh cap defined by statute multiplied by the LPS kWh billing units stipulated in this case, 3,555,986,080 kWh, results in a revenue cap equal to $229,744,560. In order to calculate the cap applicable to base revenue allocations, we subtract out the FAC and RESRAM revenues. Using the same stipulated billing units, FAC and RESRAM revenues equal $17,815,490 and $1,137,916 respectively, or $18,953,406 in total. Therefore, the cap on LPS base revenue is $210,791,155 ($229,744,560 - $18,953,406).[8] An equal percentage application of the stipulated $140 million revenue increase implies an increase for the LPS class that results in a total LPS base revenue requirement of $217,294,088. The difference between this post-allocation revenue and the cap is the amount that needs to be reallocated. The difference between $217,294,088 and $210,791,155 is $6,502,933, the amount of revenue reallocated. The specific amounts of revenue reallocated to each class are shown in **Attachment E**. The reallocation is determined consistent with the total allocation ordered in this case, an equal

[8] Difference of 1 due to rounding.

percentage to each class. The only exception to this is the Company-Owned Lighting class. The Company-Owned Lighting class did not receive an allocation of the total increase, but did receive an equal percentage increase from the reallocation associated with the cap.

19. While it may seem counter-intuitive that the LPS class was not originally triggered by a requested rate increase of 11.6%, but it is triggered now by an authorized rate increase of 5.15%, the change in Rider rates during the pendency of the case actually increased the overall LPS rate by 8.3%. That increase more than offset the approximately 6% reduction in the amount of revenue increase originally sought by the Company as compared to the final outcome of the case. As such, the statutory provision for capping the LPS class rate is clearly triggered, and the value of $6,502,933 must be reallocated from the LPS class to the other rate classes.

WHEREFORE, for the foregoing reasons, Ameren Missouri respectfully requests that the Commission accept this *Response* as compliant with the *Order*, approve the Compliance Tariffs Ameren Missouri has filed to be effective for service rendered on and after July 1, 2023, and for such other and further relief as the Commission deems appropriate under the circumstances.

Respectfully submitted,

/s/ Jermaine Grubbs

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CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of June, 2023, a copy of the foregoing filing was served, via e-mail, on counsel for the Missouri Public Service Commission Staff, the Office of the Public Counsel, all parties of record, as well as entities who have sought to intervene in File No. ER-2022-0337.

/s/ Jermaine Grubbs
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