

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

In the Matter of a Working Case to)	
Consider Policies to Improve)	File No. EW-2016-0313
Electric Utility Regulation.)	

COMMENTS OF UNITED FOR MISSOURI, INC.

COMES NOW United for Missouri, Inc. (“UFM”), by and through counsel, and states:

1. On June 8, 2016, the Commission issued an *Order Opening a Working Case to Consider Policies to Improve Electric Utility Regulation* “to facilitate stakeholder discussions regarding possible policies intended to improve the way in which the Commission regulates Missouri’s investor-owned electric utilities.”

2. On June 22, 2016, Chairman Hall filed a *Notice of Policy Initiatives for Stakeholder Consideration (“Chairman’s Notice”)* “regarding electric rate case adjustment procedures, grid modernization incentives, low-income utility rates, and rate case expense sharing.”

3. In response to the Chairman’s Notice, UFM provides the following comments:

a. **Electric Rate Case Adjustment Procedures.** UFM generally supports the concept outlined in the Chairman’s electric rate case adjustment procedures. The undersigned counsel has had extensive experience administering “formula rates” on file with the Federal Energy Regulatory Commission (“FERC”), within both the Midcontinent ISO and the Southwest Power Pool. Formula rates provide regulatory certainty, which is a benefit to investors and customers alike.

However, it is important to get the details right. While a formula rate tariff can provide regulatory certainty, a poorly designed tariff can cause uncertainty. UFM believes the work done by FERC on formula rates should provide the Commission Staff with invaluable guidance in this regard.

b. Grid Modernization Incentives. UFM generally supports the concept of grid modernization incentives as outlined in the *Chairman's Notice*. Electric utility services and a robust transmission grid are essential to economic growth in the state of Missouri. UFM encourages the Commission to pursue policies that will encourage and enhance the use of this essential component of commerce in the state of Missouri. Investors should receive adequate incentives to make investments in the state's electric utility infrastructure to make Missouri an attractive place to expand industry and commerce. The general principles outlined in the *Chairman's Notice* shows movement in the right direction.

c. Low-Income Utility Rates. UFM does not support the concept of low-income utility rates. It is impossible to legislate compassion. Though often tried, it always fails miserably. Missouri law related to utility services is predicated on the principle of non-discrimination. Any other approach accepts an inherent system confiscation of property. The Commission rightly found long ago that,

The establishment of the truth of such averment (that rates to manufacturers were below the cost of service) would reveal not only unquestionably unjust discrimination, but also an unreasonable low rate to this class (the manufacturers), and intolerable oppression upon the general metered water users in that they would be compelled to pay in part for water and service furnished to the favored class. The exercise of power crystallized into legislation that unjustly discriminates between users of water in this manner, in effect deprives those discriminated against of the use of their property without adequate compensation or due process of law, and turns it over to the favored class. It is in essence a

species of taxation which takes the private property of the general or public metered water users for the private use of metered water users engaged in manufacturing. This is an abuse of power.¹

These principles are so critical to the concept of justice in the Missouri Public Service Commission Law that the Commission portrayed the violation of such principles as “oppression” and “an abuse of power.” The Commission should not now pursue a course that would result in oppression.

Rather, UFM proposes that compassion resides with the individual, local communities, and churches. Legislating compassion destroys compassion. Therefore, UFM encourages the Commission to pursue policies that will facilitate and foster private, voluntary methods of helping low-income customers. The old Dollar Help and Dollar More programs are perfect examples of the types of methods the Commission should pursue. Private, voluntary compassion is the only real solution to this intractable problem.

d. Rate Case Expense Sharing. UFM strongly opposes the principles outlined in the *Chairman’s Notice* on this issue. Rate cases are obligations imposed on utilities by government as part of the regulatory compact. Rate cases are a legitimate part of doing business in Missouri. Rate case costs are comparable to taxes or any other regulatory compliance costs. Therefore, they must be recoverable. It would be inappropriate to subject the recovery of rate case costs to an arbitrary sharing or partial disallowance. The Commission already has sufficient authority to disallow recovery of any imprudently incurred rate case expenses.

¹ *Civic League of St. Louis v. City of St. Louis*, 4 Mo. P.S.C. 412 (1916).

4. UFM encourages the Commission to investigate how it might improve the utilities' Missouri Energy Efficiency Investment Act ("MEEIA") programs. UFM has made this point in various prior dockets. MEEIA calls for the Commission to, "[e]nsure that utility financial incentives are aligned with helping customers use energy more efficiently"² The Commission should look to the free market as a guide in this effort. The best way to align these incentives is to adopt a model that has the utility compensated for productive services rendered and not for targets achieved. The transaction should be designed so that the willing seller and the willing buyer of efficiency services can see a transaction as mutually beneficial. To the maximum extent possible, utilities should see their program expenses, throughput disincentive compensation, and performance incentive as being compensated from the payment for services rendered, not as a regulated reimbursement from other ratepayers. So then, the utility will be driven to serve customers and not to meet arbitrary targets. Other ratepayer moneys should only be utilized to "sweeten the pot" as the final inducement for the customer to enter into the transaction if the utility benefits in the avoided cost of the next unit of generation.

There is one clear barrier to achieving this improvement, and that is the customer's initial investment in the energy efficiency project. Minimizing the initial burden of the investment and spreading the expenditure over time will allow the customer to compare the cost of the program with the energy cost savings facilitated by the program. The payments over time will also provide the utility company with a revenue stream, which will create an incentive to "do the deal." For this reason, the Commission should explore the option of on bill financing.

² Section 393.1075.3(2) RSMo.

WHEREFORE, for the foregoing reasons, United for Missouri, Inc. respectfully requests the Commission consider these its comments in this matter.

Respectfully submitted,

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