

In the Matter of an Investigation of Missouri )  
Jurisdictional Generator Self-Commitments ) File No. EW-2019-0370  
Into SPP and MISO Day-Ahead Markets. )

COMES NOW Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri” or the “Company”) and hereby responds to the above-referenced Sierra Club Comments (the “SC Comments”), as follows:

1. Most of the Sierra Club’s opinions on the utilities’ unit commitment processes were anticipated and addressed in Ameren Missouri’s July 8, 2019 *Response to Order Opening an Investigation of Missouri Jurisdictional Generator Self-Commitments and Self Scheduling and to Order Directing Comments* (“Ameren Missouri’s Original Response”) and will not be repeated here. Staff obviously took Ameren Missouri’s Original Response into account when it prepared its August 23, 2019 report (the “Staff Report”) or “Report”).

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the three-year period ending May 2019.<sup>1</sup> Those margins are reflected in the Company's fuel adjustment clause ("FAC") to the benefit of its customers.<sup>2</sup> The data and information provided to the Staff and used by it in its Report confirms these facts.<sup>3</sup>

3. The Staff Report is also devoid of any claim that Ameren Missouri (or any other utility) did not fully supply the data and information the Commission's orders in this docket directed it to provide, or did not provide the additional data and information that the Staff requested that it provide beyond that specified in those orders. That facts are that Ameren Missouri fully complied with those orders and worked directly with the Staff on providing the additional information the Staff indicated it needed to fulfill its obligations respecting its Report pursuant to those same orders.

4. The Staff Report's central conclusion – that the appropriate means of, and place to, evaluate the prudence of utilities' commitment decisions (including the impact on customers)

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<sup>1</sup> The actual margin on these units is greater than this figure because the units produced significant quantities of energy beyond that which was must run. Please also note that in putting together this response, Ameren Missouri has discovered that there was a mistake in Exhibit A to Ameren Missouri's Original Response. Exhibit A reported that the margin for these units for that portion of the energy that was must run totaled just under \$1.3 billion (\$799.8 million for Labadie, Sioux, and Rush Island, \$87.8 million for Osage and Keokuk, \$16.9 million for Meramec, and \$393.8 million for Callaway). The Callaway figure was double-counted and was already included in the \$799.79 million which was labeled Labadie, Sioux, and Rush Island, but should have been labeled Labadie, Sioux, Rush Island, and Callaway. This brings the total margin for that portion of the energy which is must run to \$904.5 million.

<sup>2</sup> To the extent those margins exceed the base set in a rate proceeding at any given time the Company would retain 5% of the difference or, conversely, if less than the base would absorb 5% of the difference.

<sup>3</sup> It should be noted that the SC Comments also ignore the Staff's finding that the number of hours that the Midcontinent Independent System Operator, Inc. ("MISO") day-ahead market cleared at the Company's unit minimums was very low, which is indicative of the fact that the units would clear in the MISO day-ahead market a majority of the days of the year regardless of whether the Company self committed them. And one cannot conclude, even for those hours where the dispatch may have been at unit minimums, that the commitment decision was imprudent, in particular given the limitations of MISO's 24-hour algorithm; one must look ahead several days when making unit commitment decisions.

is in FAC prudence reviews for the respective utilities – is correct for several reasons. First, every utility’s generation mix is substantially different and the operating circumstances that lead to the unit commitment decisions each utility must make are also substantially different. Second, as between Ameren Missouri and those utilities operating on the western side of the state, the Regional Transmission Organizations (“RTOs”) themselves are also different, including the cost of generation in each RTO and the relative mix of different types of generation in each RTO, both of which also impact each utility’s commitment decisions. And third, as discussed further below, the question is whether utilities are prudently operating their systems and the answer to that question depends on each utilities’ own circumstances and operations which must necessarily be examined on a utility-by-utility basis.

#### **RESPONSE TO CERTAIN OTHER CONTENTIONS**

5. As noted, many of Sierra Club’s substantive contentions were addressed in the Ameren Missouri’s Original Response but a few of them bear some additional comment here.

6. Rate Adjustment Dockets. As already explained, the Staff is correct to conclude that the appropriate place to examine these issues is in an FAC prudence review. Contrary to Sierra Club’s suggestion otherwise, a place that is not appropriate for such a review is an FAC rate adjustment docket. By its very design – and under the Commission’s FAC rules, which were just exhaustively examined and amended only last year – the issue in FAC rate adjustment dockets is a narrow one: does the proposed adjustment comply with the terms of the Commission-approved FAC tariff sheets? If it does, the Commission must either approve the adjustment or allow it to take effect by operation of law. This is how the FAC has (and properly so) operated from its inception nearly 15 years ago, and is how similar mechanisms (e.g., the PGA) have always worked. If that were not the case, every FAC adjustment (three of them yearly for Ameren Missouri plus several more for the other three electric utilities) would likely

become complex, contested and heavily litigated dockets every time any stakeholder wanted to take issue with some decision a utility had made. This would not only defeat the purpose of rate adjustment mechanisms, but would create an undue burden on utilities, the Staff, and the Commission itself.

7. FAC Reporting. Nor should the FAC rules – which as noted were exhaustively reviewed and updated just last year – be reopened yet again to add more burdensome mandates for the monthly reporting of data that won't become relevant (if at all) until the utility's prudence review occurs. Discovery is available in prudence review dockets where parties to the utility's last rate case are automatically made parties, and where others can seek to intervene according to the Commission's intervention rules. The Commission already affords proper parties with an appropriate and fair forum to obtain data and information and raise criticisms such as those the Sierra Club lodges at utilities in the SC Comments, and to obtain redress for them from the Commission, if indeed the Commission were to conclude a utility acted imprudently. There is no need for yet more regulation and reporting outside that already-established process. To give the Commission an idea of the data Sierra Club claims should be provided every month through new, mandated reporting requirements consider the fact that Sierra Club is suggesting that hourly data be provided for (in Ameren Missouri's case) 60 different generating units – more than 43,000 lines<sup>4</sup> of data – every single month. Not only is this kind of hourly data meaningless given that unit commitment decisions must be made on a daily, not hourly basis, but producing it is a time-consuming and laborious process; it's not as simple as clicking a mouse or pushing a button.

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<sup>4</sup> 60 units\*24 hours/day\*30 days/month.

8. Utility Competence in the RTO Markets. Any claim that utilities are not “well-versed” in operating in these markets, including with respect to unit commitment decisions, is plainly false. In the case of Ameren Missouri, the Company reviews generating unit profitability in the wholesale market on a daily basis. The review is a prospective, operational view of commitment decisions designed to produce prudent decisions to the benefit of the Company’s customers. That process utilizes specialized models to evaluate unit profitability on a daily basis, allowing Ameren Missouri to plan around the limitations in MISO’s algorithm which, as explained in Ameren Missouri’s Original Response, only analyzes commitments for the next 24 hours. In fact, Ameren Missouri’s process focuses specifically on the next 10 days, allowing it to make unit commitment decisions that consider the overall profitability of the unit over a multi-day period and thus avoid costly stop and restart costs and the wear on tear on baseload units that would occur if the units were frequently turned on and off as a result of the limitations of just a 24-hour analysis. Indeed, Sierra Club itself agrees that “a multi-day market price signal . . . would allow a centralized optimal dispatch.” SC Comments, p. 11. Ameren Missouri has advocated for -- and continues to advocate for -- this improvement in the MISO commitment process, so long as any changes are designed in a way that produces customer benefit, but in the meantime, Ameren Missouri utilizes its own multi-day analysis to optimize its unit commitment decisions within the limitations of the market in which it operates today.

9. Other Miscellaneous Issues. While the Company won’t address all its remaining disagreements with the SC Comments, a couple of points should be made here.

- a. The idea that the Company (or any utility) can know all actual costs a given commitment decision will cause in the future at the time that decision is made is false. The Company has decades of experience operating baseload units and as testimony it submitted in File No. ER-2014-0258 indicates, its baseload

units were not designed for and will not tolerate frequent cycling well. Such cycling will inevitably lead to operating and capital costs that cannot easily be quantified; these units cannot be turned on and off like a light switch.

- b. Another fallacy is the idea that units ought to be offered on the basis of accounting costs instead of incremental costs. Decisions about offering a unit are made on an incremental cost basis. This is standard behavior for Market Participants operating in organized markets. Analogous decisions are routinely made by all kinds of businesses on an incremental cost basis, including by merchant generators who do not have regulated retail customers. Consider as another example the owner of a gas station. The price at the pump (i.e., the offer to the market of gas buyers) is not the accounting cost of the gas in the tank under the ground now; the pump price is a function of what it will cost to refill the tank. If the gas station were to price the gas at its accounting cost, then the last station to fill up its tanks before a price drop would go out of business waiting for prices to come back up. As replacement costs rise, so does the pump price, and vice-versa, regardless of the accounting cost of the gasoline in the tank. Just as using accounting costs to set the pump price would lead the gas station owner to the wrong decision, using accounting costs to determine offers into the MISO market would lead Ameren Missouri to the wrong decision.

## **CONCLUSION**

10. The object of this docket has been fulfilled. The utilities have properly responded to the questions and data requirements reflected in the Commission's orders and to additional requests made by the Staff. The Staff has examined the answers and data and has made a

specific and reasonable recommendation respecting the proper evaluation of utility commitment and self-scheduling<sup>5</sup> decisions in the RTO markets in which Missouri utilities operate. That recommendation is a sound one; the Commission has a well-established, fair, and effective process in place to address these issues, as needed. The Company therefore respectfully suggests that beyond continuing the exercise its oversight responsibilities in the context of each individual utility's prudence reviews, and participating to the extent it deems appropriate at RTOs in efforts to improve RTO market operations, there is nothing more for the Commission to do on this topic.

Respectfully submitted,

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**ATTORNEYS FOR UNION ELECTRIC  
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<sup>5</sup> As noted in Ameren Missouri's Response, Ameren Missouri uses self-scheduling on a very limited basis and thus has not focused on it in this response.