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 Adjust Its Revenues for Electric Service	))))	File No. ER-2022-0337 Tracking No. YE-2023-0031

<u>SIERRA CLUB'S STATEMENT OF POSITION</u>

Sierra Club, by and through counsel, provides this Statement of Position, with issues numbered according to the Joint List of Issues filed by Staff on March 22, 2023. Sierra Club takes a position on Issues 4(E) and 30(A). Sierra Club reserves the right to modify its positions or to take additional positions as the case proceeds.

4(E). What should the customer charges associated with the Residential Class rate plans be?

The Commission should not increase the monthly customer charge for any residential customers, regardless of rate plan. Higher customer charges reduce a household's ability to lower their total bill through energy efficiency and conservation and are therefore harmful to customers, especially low-income or fixed-income customers.[1] High customer charges penalize low energy users, including those living in smaller homes, such as multifamily apartments. Low customer charges incentivize energy efficiency and conservation, and they prevent low energy users from being unfairly overcharged for their usage patterns.[2]

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[1] Rebuttal Testimony of James Owen on Behalf of Renew Missouri Advocates ("Owen Rebuttal Testimony"), page 15.

[2] Owen Rebuttal Testimony, page 15.

30. Identification of Avoided Capital Investments for the Sioux and Labadie Coal Plants.

A. Should the Company be required to identify avoided capital investments should the Sioux or Labadie Energy Centers retire earlier than currently planned as recommended by Sierra Club witness Comings?

As part of a 'no regrets' strategy for protecting captive Ameren customers from unreasonable costs, the Commission should require Ameren to identify capital costs that would be avoided if any of the Labadie or Sioux units were to retire before the end of this decade. Currently, Ameren is planning to spend large amounts of money during the next five years in order to maintain the Labadie units through the 2040s and Sioux units through 2030, but there is a likelihood that at least some of these units will not operate through 2030 and Ameren's over-spending on these units would have been wasted. The plans for these units' futures are germane to this rate case today because Ameren could avoid future capital spending and associated cost recovery at the units if there was potential for earlier retirement. The Company could identify these "avoidable" costs ahead of time for the Commission to be able to exclude these from rate base in future rate cases, and thus ratepayers would not pay for unnecessary capital spending. By identifying specific projects that could be avoided if a Sioux or Labadie unit is forced to retire earlier than Ameren currently plans, the Commission can protect customers' costs in the future. There is no down-side to Sierra Club's request other than for Ameren's shareholders who would prefer that Ameren over spend on capital at existing units *and then also* spend on the replacement generation that may soon be needed to replace Labadie and Sioux units. Customers should be protected from this over-commitment of capital spending at these coal units, in the event that Ameren's current end-of-life dates for these units prove wrong as they have already for Ameren's other coal units.

The Labadie and Sioux units could soon require costly retrofits that would trigger a retirement decision. In particular, both plants have high nitrogen oxide ("NO_x") emissions which are a precursor to ozone and therefore vulnerable to regulations.[3] U.S. EPA's recently finalized Good Neighbor Plan will require expensive selective catalytic reduction ("SCR") controls or costly purchase of emissions allowances at these six units by 2027. Ameren's projected spending at these units, provided in discovery in this case, does not include these SCRs, which will cost hundreds of millions of dollars. There is also a risk that the U.S. EPA's Regional Haze plan for Missouri could require NOx or sulfur dioxide ("SO_2") reductions at Labadie.[4]

The Sioux units are costly and unreliable, and should be considered for earlier retirement, even absent the 2027 retire-or-retrofit decision imposed by the Good Neighbor Plan. The Sioux units operate infrequently because they have high variable costs and because they are often unavailable for unplanned reasons.[5] Ameren's own outlook of fuel costs and availability at these units remains poor.[6] The Company currently plans to retire the units in 2030 but given their poor performance, the fact that these units face increased environmental compliance, with major costs imposed in 2027, and with cost-competitive replacement options available, the Sioux units may retire sooner than 2030.

The projected lives, and therefore capital spending plans, for the Sioux or Labadie units were determined without reference to the expansion and extension of federal clean energy credits. The passage of the Inflation Reduction Act ("IRA") in 2022 is a significant change

[3] Direct Testimony of Tyler Comings on Behalf of Sierra Club (CONFIDENTIAL VERSION) ("Comings Direct Testimony"), page 7, pages 21-29.

[4] Comings Direct Testimony, pages 26-27.

[5] Comings Direct Testimony, pages 16-17.

[6] Comings Direct Testimony, pages 17-18.

to the electric utility industry, in large part by providing substantial federal tax credits for new clean energy resources—and this change in law has not yet been included in Ameren's resource planning.[7] The law offers the most comprehensive and substantial set of incentives for building clean energy resources ever put forward in the United States. By extension, lower-cost clean replacement resources make existing fossil investments less competitive. In other words, not only are Labadie and Sioux facing costs to operate that Ameren has not considered yet, the Good Neighbor Plan in particular, but the costs to replace these units should be lower than Ameren's assumptions.

The Company should identify capital spending that is avoidable with earlier retirement at these units. In the next five years, the Company plans to spend large amounts of capital merely to maintain the Sioux and Labadie units.[8] But if any of these units were to retire earlier than currently planned, then there is potential to avoid some of these investments and therefore avoid associated rate increases. This matters for future rate cases because planned capital spending should change with the units' retirement year. Even the consideration of earlier retirement should lead to a re-evaluation of capital spending. That is because some planned spending may either no longer necessary or no longer cost-effective with a shorter resource life.[9] The identification of avoidable costs is therefore important for the Commission's determination of which costs to include in rate base as reasonable and prudent. Including avoidable costs in rates would prevent ratepayers from realizing this savings should the coal units retired earlier. There is no 'downside' to this recommendation other than Ameren not wanting to identify potential savings

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[7] Comings Direct Testimony, pages 10-14.

[8] Comings Direct Testimony, pages 6-7.

[9] Comings Direct Testimony, page 14.

for its customers.

In sum, the Commission should compel the Company to identify ahead of time any "avoidable" spending at Sioux or Labadie units that could be avoided if a unit were to retire by 2030 so that the Commission can determine whether or not to include these costs in rate base in a future rate case.

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Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this day, March 27, 2023, a true and correct copy of the foregoing discovery was sent by email to all counsel.

/s/ Ethan Thompson
Ethan Thompson