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 Increase Its Revenues for Retail Electric Service.	)))	Case No. ER-2014-0258

AMEREN MISSOURI'S RESPONSE TO STAFF'S RECOMMENDATION

COMES NOW Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), and for *Ameren Missouri's Response to Staff's Recommendation* ("Response") states as follows:

1. On May 6, 2015, Ameren Missouri filed its compliance tariffs to conform to the decisions contained within the Missouri Public Service Commission's ("Commission") *Report and Order* in this case. Prior to filing the tariff sheets, the Company had shared them with the Commission Staff and Office of the Public Counsel ("OPC") and, with one exception (Sheet No. 62.5, discussed further below), Staff and OPC indicated that they agreed that the tariff sheets complied with the *Report and Order.* The Company had also provided a courtesy copy of the compliance tariffs to the Missouri Industrial Energy Consumers prior to their filing.

2. On May 7, 2015, Staff filed a recommendation to reject the compliance sheets, but cited a substantive objection to only one of them – Sheet No. 62.5.

3. On May 11, 2015, the Commission issued an order requiring Ameren Missouri to respond to Staff's recommendation no later than 1:00 pm on May 12, 2015.

4. Sheet No. 62.5 is the rate schedule for the Industrial Aluminum Smelter ("IAS") service classification created by the *Report and Order*. Staff's substantive objection relates to whether the IAS rate should be seasonally differentiated, as contended by the Company, or whether it should be a flat rate, which is what the Staff claims the Commission intends. We

addressed this issue in the motion filed with the compliance tariffs, and address it further below. Because the Staff urges the Commission to reject Sheet No. 62.5, and because the Staff assumes (incorrectly, as we explain below) that if the Commission rejects Sheet No. 62.5, the rest of the tariff sheets would take effect and Noranda Aluminum, Inc. would then be taking service under the Large Transmission Service ("LTS") rate schedule (at its higher rate). The Staff assumes that Ameren Missouri would then over-collect its revenue requirement.

5. While it is true that *if* Sheet No. 62.5 were rejected because the Commission decided it should not be seasonally differentiated, *and* that if Ameren Missouri then failed to file a Sheet No. 62.5 with a flat rate, that it would then over-collect its revenue requirement. However, the Staff is mistaken to the extent it believes that Noranda, in practice, would actually revert to the LTS rate schedule. This is because if the Commission were to reject Sheet No. 62.5 and order a flat rate of $36 per megawatt-hour ("MWh"), the Company would immediately file a new tariff sheet which would be exactly the same as current Sheet No. 62.5 except that it would reflect a $36 per MWh rate (3.6¢ per kilowatt-hour) as both the summer rate and the winter rate. As it did when it filed its original compliance tariffs, the Company would seek expedited treatment so that the new tariff sheet would be approved to take effect at the same time as the rest of the tariff sheets filed on May 6. While the Company did not expressly say so in its motion to approve the May 6 compliance tariffs, it did not -- and does not -- seek or intend for the IAS rate to take effect at a different time than the rest of the tariffs filed to implement the Commission's *Report and Order* in this case. This is why it filed Sheet No. 62.5 separately so that, if the Commission disagreed with the seasonal differentiation of the IAS rate, Sheet No. 62.5 could easily and immediately be replaced with a tariff sheet that had the same rate in both summer and winter -- $36 per MWh -- which would mean that all of the compliance tariffs

would take effect at the same time and would be designed to produce exactly the revenue requirement the Commission ordered. In any event, if the Commission agrees that the IAS rate should be seasonally differentiated, the entire issue is moot and even the Staff would agree that all of the tariffs, as currently filed, comply with the *Report and Order.*

6. The Staff recommendation offers only two reasons not to implement seasonal rates. First, it offers its own opinion of what the Commission intended. Second, it makes an incremental cost argument. We first address the Commission's intention.

7. As explained in the Company's May 6 motion, if the Commission intended for the IAS rate to be flat (i.e., not seasonally differentiated), then there was no reason for the *Report and Order* to provide for an "effective" rate of $36 per MWh. A flat rate of $36 per MWh is not "effectively" $36 per MWh. It *is* $36 per MWh – period. Moreover, all of Ameren Missouri's rates (except for those applicable to the lighting classes) have been seasonally differentiated for many years. Why would the Commission totally reverse course regarding seasonal differentiation for one rate class so long as, over a 12-month period, Noranda will "effectively" pay $36 per MWh? That is the impact it will have, and Staff does not claim otherwise.

8. However, even if one were to assume that the Commission did not make a conscious decision about the "flat" versus "seasonally differentiated" issue (again, if it did not, then why the use of the phrase "effective rate"?), it should approve a seasonally-differentiated rate for Noranda, for the reasons given in the Company's May 6 motion. Noranda has been paying a seasonally-differentiated rate since the day it came on Ameren Missouri's system on May 31, 2005. The Company will suffer a financial detriment in 2015 if Noranda switches from the seasonally-differentiated rate it paid (at lower, winter rates since January) to a flat rate for the summer and Noranda will receive a financial benefit for 2015, at Ameren Missouri's expense.

Noranda will also be paying a flat rate, while all other rate classes pay a seasonally-differentiated rate, even though the costs to serve all rate classes – including the IAS class – are higher in the summer.

9. The premise of Noranda's request for a lower rate – and the *Report and Order's* action to provide it – was that Ameren Missouri would not suffer a financial detriment.[1] Failing to maintain seasonally-differentiated rates for Noranda is at odds with that premise.

10. Finally, as noted, the Staff also objected to seasonal differentiation based upon the claim that the seasonal rates are unreasonable because the proposed winter rate is below $31.50 per MWh, which Staff argues is the incremental cost assumption the Commission used in finding Noranda's contribution at a fixed rate. Even if one were to assume that the Commission relied upon Ms. Kliethermes' estimate of $31.50 per MWh,[2] the premise of Staff's criticism is incorrect because it is based upon an inappropriate comparison of two different types of rates – seasonally-differentiated rates versus flat rates. $31.50 per MWh represents the average incremental cost for an entire 12-month period. If that incremental cost estimate were differentiated between winter and summer, it would be clear that the incremental cost to serve the IAS class in the summer would be higher and the incremental cost to serve the IAS class in the winter would be lower – resulting in an average of $31.50 per MWh. In fact, using Staff's own calculation, the winter portion of that IAS incremental cost would be $30.51 per MWh, meaning the winter rate proposed by Ameren Missouri is higher than the winter incremental cost to serve Noranda. Staff's argument compares the *annual* incremental cost to the *seasonal* incremental cost, and thus mixes apples and oranges, resulting in an invalid comparison.

[1] *See* Report and Order, Issued April 29, 2015, p. 135, ¶ 10.
[2] To be clear, the *Report and Order* made no such finding regarding Staff's estimate or any other parties' estimate. Rather it stated, "(e)ven if it is assumed that the incremental cost is $31.50 per MWh as estimated by Staff…".

11. In summary, the Staff recommendation does not dispute the fact that the rates applicable to all of Ameren Missouri's classes (sans street lighting) are designed around seasonal differences in serving the customers of those classes. The Staff recommendation also does not dispute that Noranda would pay less than a $36 per MWh rate in 2015 if a flat rate is imposed for the IAS class in this case. If the Commission agrees that the IAS rate should be seasonally differentiated, the Staff recommendation suggests that the Staff would agree that all of the currently-filed compliance tariffs fully comply with the *Report and Order.* If the Commission determines that the IAS rate should be flat, then the Company will immediately withdraw current Sheet No. 62.5 and replace it with a sheet with a flat rate, and all of the rates will take effect at the same time, designed (as Staff would agree) to produce the revenue requirement approved by the Commission.

WHEREFORE, Ameren Missouri respectfully requests that the Commission approve the compliance tariffs filed on May 6, 2015, including Sheet No. 62.5, and its seasonally-differentiated rates. Alternatively, if the Commission determines that the IAS rate should be flat and rejects Sheet No. 62.5 as filed May 6, Ameren Missouri requests that the Commission approve all of the compliance tariffs except Sheet No. 62.5 to be effective May 30, 2015, on the condition that Ameren Missouri, no later than the first business day after it withdraw Sheet No. 62.5 as filed on May 6, withdraws said sheet and replaces it with an identical Sheet No. 62.5, except that the replacement sheet will have a summer and winter rate that are the same: 3.6¢ per kWh.[3]

[3] As noted, Ameren Missouri would also seek expedited treatment of the effective date of the replacement tariff sheet and request that it be made effective with all of the other compliance tariff sheets, on May 30, 2015.

Respectfully submitted,

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

/s/ *Wendy K Tatro*
Wendy K. Tatro, #60261
Director & Assistant General Counsel
Matthew R. Tomc, #66571
Corporate Counsel
Ameren Services Company
P.O. Box 66149, MC 1310
St. Louis, MO 63166-6149
(314) 554-3484 (phone)
(314) 554-4673
(314) 554-4014 (fax)
AmerenMOService@ameren.com

James B. Lowery, Mo. Bar #40503
SMITH LEWIS, LLP
P.O. Box 918
Columbia, MO 65205-0918
(T) 573-443-3141
(F) 573-442-6686
lowery@smithlewis.com

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, transmitted by e-mail or mailed, First Class, postage prepaid, this 12th day of May, 2015, to counsel for all parties on the Commission's service list in this case.

_*/s/Wendy Tatro*________________________