

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

In the Matter of a Workshop Docket to)
Explore the Ratemaking Process) Case No. AW-2019-0127

**MISSOURI DIVISION OF ENERGY’S RESPONSE TO
STAFF’S PROPOSED DRAFT RULE**

COMES NOW the Missouri Department of Economic Development – Division of Energy (“DE”), by and through the undersigned counsel, and for its *Response to Staff’s Proposed Draft Rule* states as follows:

1. The Missouri Public Service Commission (“Commission”) established this docket on November 6, 2018, setting November 28, 2018 as the date for a workshop. Commission Staff (“Staff”) provided a draft rule for discussion on November 27, 2018. DE attended the workshop along with numerous stakeholders; it was decided at the workshop that parties could file comments in this docket by January 15, 2019. DE appreciates the opportunity to file its comments in this case.

2. The Missouri Comprehensive State Energy Plan recommends convening interested stakeholders for an in-depth examination of current ratemaking practices, with a goal of making feasible improvements and exploring several topics:

- a. Time-differentiated rates;
- b. Forward test year for expense items;
- c. Decoupling;
- d. Performance-based rates;
- e. Street lighting rate reform;

- f. Recovery mechanism for grid modernization activities; and,
- g. Utility business models.¹

3. The above topics have been addressed through several forums, such as Case No. EW-2016-0313² and the process leading to the passage of Senate Bill 564 (2018). The comments in this pleading are responsive to Staff's November 27, 2018 draft rule filing.

4. As indicated at the November 28, 2018 workshop, DE's primary comments on Staff's proposal relate to the consideration of rate design issues within the regulatory framework. First, DE notes that rate design issues can be complex and require thoughtful deliberation by parties; revisions to the ratemaking process should allow for and contemplate this deliberation and the associated need for discovery and testimony.

5. Second, DE notes some practical considerations associated with the establishment of interim rates. Staff's draft rule at 4 CSR 240-10.145(12) would enable an interim rate increase in lieu of an expedited rate case schedule, with such interim rates effective 30 days from their filing. The proposed rule does not address how such interim rate increases would be enacted – or, stated differently, the proposed rule enables tariffs to effectuate revenue requirement increases without providing guidance or direction as to actual rate design developments. Rate design, as noted above, can be a complex subject, with competing interests and parties supporting changes to (or the creation/elimination of) different rate elements. The rule also does not provide an explicit opportunity for parties to recommend – or the Commission to order – alternative interim rates. Absent guidance as to the design of interim rates or an ability for such rates to be modified, it

¹ Missouri Department of Economic Development – Division of Energy. 2015. "Missouri Comprehensive State Energy Plan." <https://energy.mo.gov/sites/energy/files/MCSEP.pdf>. Page 238.

² See, e.g., DE's comments dated July 8, 2016.

would seem that a utility could, with thirty days' notice, enact entirely new rate designs as a part of an interim rate filing.

6. There may be no perfect solution to address this second issue. Thirty days may be insufficient time for a review of a proposed rate design, but extending the effective date of interim rates to enable their potential modification would begin to negate the concept of such rates being "interim." Prescribing the design of interim rates – e.g., the allocation of increases or decreases to particular rate elements – would foreclose the consideration of issues such as cost causation, affordability, encouraging efficiency, and gradualism.

7. Lastly, DE concurs in general with comments at the workshop noting that any draft rule should be designed to address specific process deficiencies – time reductions for the rate case process should be based on improvements to identified issues, deficiencies, or other rate case factors.

WHEREFORE, the Division of Energy respectfully offers its *Response to Staff's Proposed Draft Rule*.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 15th day of January, 2019.

/s/ Michael Lanahan
Michael Lanahan