

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

In the Matter of the Establishment of a)
Working Case Regarding a)
Commission Rule Governing Revenue) Case No. AW-2021-0070
Stabilization Mechanisms.)

CONSUMERS COUNCIL OF MISSOURI’S INITIAL COMMENTS

COMES NOW the Consumers Council of Missouri (“Consumers Council” or “CCM”), provides its initial comments regarding a potential rule regarding a mechanism pursuant to Section 386.266.3 RSMo as follows:

1. Consumers Council is a non-governmental, nonpartisan, nonprofit corporation that is dedicated to educating and empowering consumers statewide and to advocating for their interests. Consumers Council was active in the legislative process that created Section 386.266.3, and has intervened in some of the docketed rate cases cited by others as involving “revenue stabilization mechanisms”. Consumers Council appreciates this opportunity to participate in this working case in order to share its perspective on the potential impact of such mechanisms on the level and variability of energy rates for residential customers.

2. As an initial matter, Consumers Council is concerned that the term “revenue stabilization mechanism” is imprecise and is not helpful to a productive regulatory discussion. Throughout the United States, this term is used to describe a wide variety of different ratemaking surcharges and rate design adjustments. In some states, “revenue stabilization mechanism” has been used

as label for full-blown formula rates, and it has been extremely controversial. The use of this term in the context of this case is likely to create confusion, especially if an attempt is made to compare it to other state regulatory practices.

3. Section 386.266 does not even use the term “revenue stabilization mechanism”. Rather it uses the term “adjustment mechanism”. Subsection 3 refers to:

“periodic rate adjustments outside of general rate proceedings to reflect the nongas revenue effects of increases or decreases in residential and commercial customer usage due to variations in either weather, conservation, or both.”

4. It should be noted that stabilizing revenues does not lead to stabilizing rates. In fact, the impact is the opposite. Rates are generally *not stable* with this type of adjustment in effect, as such adjustments tend to allow rates to fluctuate based on variations and trends outside the control of individual consumers. The three examples cited in comments for adjustments of this type that have been approved by this Commission are also varied in procedures and scope.

5. The Consumers Council generally supports the initial comments filed by the Office of the Public Counsel (OPC) on October 9, 2020. Especially, paragraph 2 of those comments which urge that any rule on this topic to have a clear provision for requiring a specific reduction to the allowed return on equity for any utility that takes advantage of such an adjustment. Consumers Council proposes that the actual level of reduction be spelled out in detail in the rule. Stabilizing the revenue of the utility moves that utility’s earnings ever closer to a

guarantee, and no such reduction in risk should be allowed without a corresponding reduction in return. Lower risk, lower return.

6. Consumers Council also wholeheartedly supports paragraph 4 of the OPC comments. Any such rule should address the need for a clear waiver or exception to making adjustment during an economic downturn. Many states that have similar adjustments mechanisms (i.e., “decoupling”) experienced unconscionable rate increases earlier this year, when energy usage dropped due to the Covid-19 pandemic and the related economic downturn. When usage dropped during this crisis, energy rates went up almost automatically, at a time when many residential consumers were obviously suffering. This is the type of regulatory safety clause that should be included to protect the inherent ability of the Commission to take swift and appropriate action to protect consumers. Such “out clauses” are an important part of just and reasonable rates, whenever ratemaking is moving towards ever more automatic adjustments.

Respectfully submitted,

Dated: October 13, 2020

/s/ John B. Coffman

John B. Coffman MBE #36591
John B. Coffman, LLC
871 Tuxedo Blvd.
St. Louis, MO 63119-2044

Ph: (573) 424-6779

E-mail: john@johncoffman.net

Attorney for Consumers Council of
Missouri

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all parties listed on the official service list on this 13th day of October, 2020.

/s/ John B. Coffman
