

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

In the Matter of the Compliance of Union Electric)
Company, doing Business as Ameren Missouri,)
With Certain Requirements related to SB 564) **Case No. EO-2019-0044**
And Related Matters)

CERTAIN LETTERS RECEIVED BY STAFF

COMES NOW the Staff of the Missouri Public Service Commission and hereby deposits in this docket certain letters received by Staff from Ameren Missouri concerning the application of various provisions of SB 564, to-wit:

- Letter of February 28, 2018;
- Letter of April 9, 2018; and
- Letter of April 10, 2018.

WHEREFORE, Staff prays that the Commission will receive the attached letters; and grant such other and further relief as is just in the circumstances.

Respectfully submitted,

/s/ Kevin A. Thompson

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing and all attachments was served electronically upon all parties to this docket, or their representatives, according to the Service List maintained by the Data Center of the Missouri Public Service Commission on this 31st day of August, 2018.

/s/ Kevin A. Thompson



February 28, 2018

Re: Senate Bill 564, provisions under the cap

Dear Natelle:

In the February 20, 2018 Public Service Commission Staff Analysis of S.B. 564 the PSC Staff argued that it is not clear if the rate caps in S.B. 564 cover increases due to solar investment, solar rebates, EDR discounts and the 2% cap on the large power service class. We believe that the rate caps contained in S.B. 564 clearly cover all of these items for the following reasons.

The rate caps are calculated by determining the difference between the "average overall rate" at any point in time while the statute applies to the electrical corporation, and the "average overall rate" at the starting point for the cap. *See* Section 393.1655.3 and .4. The "average overall rate" includes both the "average base rate" and the "average rider rate" for the electric utility. *See* Section 393.1655.7(1) and (3). Solar investment and solar rebate costs will unquestionably be included in either the utility's base rates or in a rate under a rider—there is no other means to recover those costs. Consequently they will be subject to the caps.

Any impact on rates occasioned by application of the EDR discounts and the 2% cap on the large power service class will also be subject to the caps, but for a different reason. The caps are calculated using the "average base rate" which averages the rates of all rate classes. Any costs shifted from one rate class to another will still be included in the calculation of the rate cap on the average base rate.

If you would like to discuss these issues, or any other issues related to S.B. 564 further, please don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Warren Wood", written over a large, light-colored scribble.

Warren Wood

cc: Sen. Ed Emery
Rep. T.J. Berry



April 9, 2018

Re: SB 564 & HB 2265 Responses to Questions

Dear Natelle:

On March 26, 2018 I received an e-mail from Lloyd Wilson with the following 3 documents attached:
PSC Rate Impact Analysis HB 2265 – HCS HB 2265 – SB 564 etc
Response to Senator Romine – March 15 letter
Response to Senator Romine – March 15 email 1

Regarding the PSC Rate Impact Analysis, thank you for the numbers under all these different scenarios and breaking out the base case to help with understanding how \$200M/yr of additional capital investments would impact rates without legislation. Also appreciate the breaking out of PISA rate impacts separately. As I understand the numbers and timeframes in the letter it appears to confirm that PISA's impact on rates generally falls between 0.25% and 0.35% per year under the provisions of SB 564 and HB 2265.

After carefully reviewing the MoPSC Staff's responses to Senator Romine's e-mails I would note two areas of clarification on the operation of these bills. I have copied the questions and responses from the MoPSC documents below and highlighted the portions of the responses of interest and applicable provisions in SB 564 and HB 2265.

From the "Response to Senator Romine – March 15 email 1" document, question no. 2, top half of page 1:

- 2. Does the moratorium in 393.1655.2 allow Kansas City Power & Light Company to raise rates after June 3, 2020?*

The pending rate cases were filed on January 30, 2018 and rates will likely become effective December 30, 2018. Pursuant to the moratorium, rates presumably would not be raised until December 30, 2021. However, if KCPL chooses to elect PISA deferral accounting treatment under 393.1400.5 prior to the effective date of rates in its pending rate case, the moratorium could allow KCPL to raise rates after June 3, 2020, since the effective date of rates in its last rate case prior to election of PISA treatment was June 3, 2017.

RESPONSE: Under the provisions in these bills highlighted below the MoPSC would not be able to grant a base rate change in KCP&L's current rate case if they opted into PISA during the pendency of their current rate case. This would effectively dismiss their current rate case as it would prevent any change in base rates prior to June 3, 2020, well after the operation of law date in their current rate case of December 30, 2018.

Applicable SB 564 language, 393.1655.2, pages 18 and 19, lines 12 through 18:

12 **2. Notwithstanding any other provision of law and except as**
 13 **otherwise provided for by this section, an electrical corporation's base**
 14 **rates shall be held constant for a period starting on the date new base**
 15 **rates were established in the electrical corporation's last general rate**
 16 **proceeding concluded prior to the date the electrical corporation gave**
 17 **notice under subsection 5 of section 393.1400 and ending on the third**
 18 **anniversary of that date.**

Applicable HB 2265 language, 393.1655.2, page 24, lines 10 through 14:

10 **2. Notwithstanding any other provision of law and except as otherwise provided for**
 11 **by this section, an electrical corporation's base rates shall be held constant for a period**
 12 **starting on the date new base rates were established in the electrical corporation's last**
 13 **general rate proceeding concluded prior to the date the electrical corporation gave notice**
 14 **under subsection 5 of section 393.1400 and ending on the third anniversary of that date.**

From the "Response to Senator Romine – March 15 letter" document, question no. 5, bottom half of page 2:

With respect to Section 393.1400.2(1):

5. *Could the requirement that the balance of the regulatory asset be included in rate base "without any offset, reduction, or adjustment" exempt the revenue requirement associated with that inclusion from the rate caps?*

There are two contradictory principles within the PISA/rate cap provisions of SB 564.

1. Section 393.1400.2(1) states: "In each general rate proceeding concluded after the effective date of this section, the balance of the regulatory asset as of the rate base cutoff date shall be included in the electrical corporation's rate base without any offset, reduction or adjustment based upon consideration of any other factor, other than [prudence disallowances]".

2. Section 393.1655.3 and 4 state, "the electrical corporation shall not recover any amount in excess of such [percent] as a performance penalty".

Section 393.1400.2(1) suggests that once an amount is included in the regulatory asset, absent a prudence disallowance, the full amount is recoverable. Therefore, it is unclear whether the regulatory asset is subject to the rate caps of Section 393.1655.3 and 4.

RESPONSE: There is no contradiction. 393.1400.2(1) specifically applies to amounts to be placed in the PISA regulatory asset, it does not mandate full recovery in rates. 393.1655.3 and .4 apply a hard cap on the electrical corporation's increase in the 'average overall rate'. If an electrical corporation's 'average overall rate' exceeds the specified cap the PSC is prohibited from allowing recovery above the cap and shall reduce the approved rate increase to bring it back down to the cap.

Both bills are clear that the PISA regulatory asset balance shall be recovered in rates (393.1400.2(3), 2nd sentence) and therefore shall be included in the 'total retail revenue requirement' and are therefore in the 'average base rate', which is included in the 'average overall rate', which is subject to the cap. The applicable language in the bills is as follows:

Applicable SB 564 language, 393.1655.7, page 21, lines 89 through 96:

89 (1) "Average base rate", a rate calculated by dividing the total
 90 retail revenue requirement for all the electrical corporation's rate
 91 classes by the total sales volumes stated in kilowatt-hours for all such
 92 rate classes used to set rates in the applicable general rate proceeding,
 93 exclusive of gross receipts tax, sales tax, and other similar pass-through
 94 taxes;

95 (2) "Average overall rate", a rate equal to the sum of the average
 96 base rate and the average rider rate;


Applicable HB 2265 language, 393.1655.7, pages 25 and 26, lines 71 through 76:

71 (1) "Average base rate", a rate calculated by dividing the total retail revenue
 72 requirement for all the electrical corporation's rate classes by the total sales volumes stated
 73 in kilowatt-hours for all such rate classes used to set rates in the applicable general rate
 74 proceeding, exclusive of gross receipts tax, sales tax, and other similar pass-through taxes;

75 (2) "Average overall rate", a rate equal to the sum of the average base rate and the
 76 average rider rate;

If you would like to discuss these issues, or any other issues related to SB 564 or HB 2265 further, please don't hesitate to contact me.

Sincerely,



Warren Wood

cc: Sen. Ed Emery
 Rep. T.J. Berry



April 10, 2018

Re: SB 564 & HB 2265 FAC, RESRAM and ECRM Deferral Provision Operation

Dear Natelle:

In the Senate Commerce hearing on HB 2265 last week you were asked a question on the operation of the deferral provisions in the bill as they relate to the FAC, RESRAM and ECRM. Ameren Missouri believes the language in SB 564 and HB 2265 in this area is clear and will operate as described below. In summary, there is no mechanism to recover amounts disallowed in rate cases for exceeding the hard cap in a "balloon payment" after the expiration of the rate caps or otherwise.

Section 393.1655.4 expressly provides that an electrical corporation's overall average rate cannot increase by a CAGR of more than 2.85% (measured in the case of Ameren Missouri from April 1, 2017). Moreover, that subsection expressly provides that amounts in excess of that percentage cannot be recovered; they are a "performance penalty."

"Average overall rate" is the sum of the electrical corporation's average base rate and average rider rate. Section 393.1655.7(2). Note that the average rider rate includes rider rates except the MEEIA rider. Section 386.1655.7(3).

Application of Section 393.1655.5 Between Rate Cases

Section 393.1655.5 provides that if the "change in rates" under either 386.266 (FAC, ECRM) or section 393.1030 (RESRAM) would cause the average overall rate to exceed the 2.85% CAGR the FAC/ECRM/RESRAM rate(s) is reduced so that the average overall rate increase meets the 2.85% CAGR limit. Reducing the FAC/ECRM/RESRAM rate(s) will, mechanically, create a pool of dollars that cannot be reflected in that rider rate and that pool of dollars is then "deferred to and included in the regulatory asset arising under section 393.1400 . . ." [the PISA regulatory asset]. Section 393.1655.5 has no application during rate cases; it only applies where a change in the FAC, ECRM or RESRAM rate would cause the CAGR to be exceeded, in the absence of the adjustment required by Section 393.1655.5. This could only occur as a result of an increase in one or more of those rider rates between rate cases.

Compliance with the Rate Caps During a Rate Case

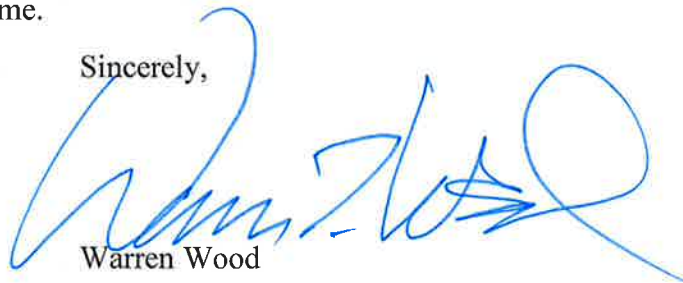
Section 393.1400.2(1) then prescribes what happens to the PISA regulatory asset which, by operation of Section 393.1655.5 would now *include* deferrals that occurred under Section 393.1655.5. Neither Section 393.1655 nor Section 393.1400 create two different PISA regulatory assets nor do they create some kind of "sub-account" within the PISA regulatory asset. Instead, by the very nature of the PISA regulatory asset all dollars deferred to it are fungible and lose their identity like a cup of water poured into a lake. When a rate case occurs, the cost of capital on the balance of that regulatory asset together with 1/20th of the regulatory asset balance, along with all of the other components of the revenue requirement, are then spread over the billing units to set base rates for each rate class and from those an average base rate will be calculated. Section 393.1400.2(1), (3).

Which brings us back to Section 393.1655.4 and the 2.85% CAGR. If that average base rate plus the average rider rate prevailing during a rate case causes an exceedance of the CAGR, the average base rate has to be reduced so that the electrical corporation "shall not recover any amount in excess of such 2.85% as a performance penalty." Section 393.1655.4. When that happens, the revenue requirement upon which base rates are to be set must be reduced by an amount sufficient to reduce the average *overall* rate so that "any amount in excess of such 2.85%" is not recovered. Consequently, that reduction in revenue requirement is permanently lost (the performance penalty) and it can never be recovered. Section 393.1655.4. There is no mechanism to recover these amounts in a "balloon payment" after the expiration of the rate caps or otherwise. And this would be true even if the PISA regulatory asset had a zero balance because the revenue requirement always has to be low enough so that the average overall rate does not breach the CAGR cap.

The bottom line is that it is clear to Ameren Missouri how Senate Bill 564 and House Bill 2265 operate: (a) between rate cases any rate increases due to the application of rate adjustment mechanisms (other than the MEEIA rider) are limited by the applicable rate cap, with any exceedance deferred into the PISA regulatory asset; (b) in a rate case, any exceedance of the rate cap is permanently lost to the electric utility as a "performance penalty" and can never be recovered in the future, and (c) there is no "balloon payment" after the rate caps expire that would allow the electric utility to recover costs previously forfeited as a performance penalty. If either bill is enacted, Ameren Missouri will implement it consistent with this understanding.

If you would like to discuss these issues, or any other issues related to SB 564 or HB 2265 further, please don't hesitate to contact me.

Sincerely,



Warren Wood

cc: Sen. Ed Emery
Rep. T.J. Berry