

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

In the Matter of Union Electric Company, d/b/a	)	<b><u>File No. ER-2014-0258</u></b>
Ameren Missouri's Tariff to Increase Its Annual	)	Tariff No. YE-2015-0003
Revenues for Electric Service.	)	

**STATEMENT OF POSITION OF  
THE CONSUMERS COUNCIL OF MISSOURI**

COMES NOW the Consumers Council of Missouri ("Consumers Council" or "CCM"), and provides its statements of position as follows:

**1. Regulatory Policy and Economic Considerations**

Since the economic recession, the electric rates charged to the residential customers of Ameren Missouri have increased by approximately 43%. During this same time period, wage growth and inflation-adjusted incomes have actually decreased. Many customers appearing at the local public hearings testified in this case that the recent electric rate increases that have been granted to this utility have contributed to economic difficulties for their households.

Those difficulties are sharply contrasted against the over-earnings that Ameren Missouri has experienced. From September 2012 through September 2014, the millions of dollars in excess earnings that this electric utility has collected above its currently-approved return on equity (ROE) of 9.8% have been significant. (See Greg Meyer Direct, Schedule GRM-4). These excess earnings are the result of an ever-expanding Fuel Adjustment Clause and a variety of trackers and deferrals that have been permitted by the Commission, along with a generous allowed ROE that have contributed to an uneven playing field for consumers.

The Consumers Council urges the Commission to keep these considerations in mind as it decides each of the issues in this rate case, by bringing balance back to the weighing of interests between consumers and shareholders, so that rates are just and reasonable for all.

**2. Advertising & Communications**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**3. Dues, including EEI and Environmental Working Groups Dues**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**4. Depreciation**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**5. Weather Normalization (SPS and LGS Classes)**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**6. Coal-in-Transit**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**7. Amortizations**

- A. Should the amount of solar rebates paid by Ameren Missouri and recorded to a solar rebate regulatory asset through the end of the true-up period be included in Ameren Missouri's revenue requirement using a 3-year amortization period?

The Commission (and Missouri appellate courts) have consistently stated that regulatory deferrals are not ratemaking decisions and that they do not guarantee unadjusted rate recovery. The primary concern leading to this precedent has been the concern that such deferrals could possibly contribute to over-earnings for the utility. (See James Dittmer Rebuttal).

The Consumers Council was not a party to ET-2014-0085 and did not enter into any stipulation regarding solar rebates. However, Consumers Council was a party to the earnings complaint case, Case No. EC-2012-0223, when Ameren Missouri successfully argued that the solar rebate costs at issue here were a reason to deny a rate reduction for electric consumers.<sup>1</sup>

As such, the utility dodged at least a \$25 million dollar permanent reduction to its revenue requirement by claiming that it was incurring these solar rebate costs. Consumers have essentially paid for these solar rebate costs through the denial of a rate reduction last year. Recovery of these costs have thus already been recognized. Ameren Missouri

---

<sup>1</sup> EC-2014-0223, Report and Order, p. 13, Paragraph 24.

should not be allowed to recover those costs a second time, as would occur with the three-year amortization proposal in this case.

- B. Should the amount of non-MEEIA energy efficiency expenditures incurred by Ameren Missouri and recorded to a regulatory asset through the end of the true-up period be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

In deciding this issue, the Commission should take into account the possibility that the requested regulatory asset may contribute to excessive earnings.

- C. Should the amount of Fukushima flood study costs incurred by Ameren Missouri and recorded to a regulatory asset be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

In deciding this issue, the Commission should take into account the possibility that the requested regulatory asset may contribute to excessive earnings.

## **8. Noranda AAO**

Should the sums authorized for deferral in Case No. EU-2012-0027 be included in Ameren Missouri's revenue requirement and, if so, over what period should they be amortized?

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

## **9. Income Tax**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

## **10. Storm Expense and Two-Way Storm Costs Tracker**

The Consumers Council supports the position of the Office of the Public Counsel on this issue and joins in the recommendation that the Commission cease to authorize any new major storm trackers for Ameren Missouri. Trackers fail to provide the incentive to properly control costs, and furthermore, trackers have the potential to contribute to excessive earnings.

**11. Vegetation Management and Infrastructure Inspection Trackers**

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

**12. Union Proposals**

The Consumers Council takes no position on this issue.

**13. Board of Directors-Related Expenditures**

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

**14. Rate Case Expense**

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

**15. Miscellaneous Revenue Requirement Issues**

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

**16. Return on Common Equity ("ROE")**

In consideration of all relevant factors, what is the appropriate value for Return on Equity ("ROE") that the Commission should use in setting Ameren Missouri's Rate of Return?

The Consumers Council supports the recommendation of the Office of the Public Counsel Ameren Missouri's be allowed a return on common equity of 9.01%.

In determining the proper ROE, the Consumers Council also urges the Commission to take into account any decision it will make in this rate case to continue the Fuel Adjustment Clause, and at what sharing percentage, along with recognition of any trackers awarded to Ameren Missouri in this case that shift the utility's business risk onto the ratepayers, and thus adjust the allowed ROE downward to account for such risk-shifting mechanisms. If rate of return ratemaking is applied fairly to consumers, a lower risk of doing business should translate into a lower allowed ROE for the utility.

**17. Labadie ESPs**

The Consumers Council takes no position on this issue.

**18. Lobbying Expenditures**

Should rent allocated to Ameren Missouri for Ameren Services' office in Washington D.C. be included in the revenue requirement?

The Consumers Council supports the position of the Staff on this issue.

**19. Incentive Compensation**

The Consumers Council supports the position of the Staff on this issue.

**20. Class Cost of Service, Revenue Allocation and Rate Design**

The Consumers Council supports the position of the Office of the Public Counsel on these issues.

The Consumers Council opposes any proposal to increase the fixed residential customer charge.

**21. Economic Development Rate Design Mechanisms**

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

**22. MEEIA Low-Income Exemption**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**23. Street Lighting**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**24. LED Street Lighting**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**25. Other Tariff issues**

The Consumers Council reserves the right to take a position on this issue at a later time,

based upon the evidence presented at the evidentiary hearing.

**26. Stand-by Service**

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

**27. Ameren Services Allocations**

The Consumers Council supports the position of the Office of the Public Counsel on these issues.

**28. Net Base Energy Costs**

The Consumers Council supports the position of the Office of the Public Counsel on these issues.

**29. Fuel Adjustment Clause ("FAC")**

The Consumers Council recommends that the Commission discontinue the Fuel Adjustment Clause (FAC). Ameren Missouri does not need this surcharge in order to fairly recover its prudently incurred fuel costs, and the existence of the FAC has contributed to excessive earnings at ratepayer expense.

- A. Did the Company fail to comply with the “complete explanation” provisions of 4 CSR 240-3.161(3)(H) and (I) and, if so, would this justify the elimination of the Company’s fuel adjustment clause?

The Consumers Council supports the position of the Office of the Public Counsel on these issues.

- B. Did the Company fail to provide information on the magnitude, volatility and the Company’s ability to manage the costs and revenues that it proposes to include in its FAC and, if so, would this justify the elimination of the Company’s fuel adjustment clause?

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

- C. If the FAC continues should the sharing percentage be changed to 90%/10%?

Ameren Missouri has significantly control over the costs that are passed through the

FAC; consumers have zero control over the utility's costs. If an FAC is allowed to continue at all and consumers are thus forced to bear the risk of variations in such costs in between rate cases, that risk should be shared equally with a sharing mechanism that is no less than 50%/50%, embedding at least half of such costs in base rates. Public Counsel's position of a 90%/10% split would be a step in the right direction, providing an incrementally better incentive to the utility for controlling costs.

- D. Should transmission charges associated with power that is generated by Ameren Missouri for its load or transmission charges associated with off-system sales be included in the FAC as transportation of "purchased power"?

The Consumers Council supports the position of the Office of the Public Counsel that the Commission should not continue Ameren Missouri's FAC. If the Commission decides to grant Ameren Missouri an FAC, fuel commodity costs, purchased power costs, the cost of transporting the fuel commodity, purchased power transmission costs, off-system sales and the revenues from capacity sales should be the only costs and revenues included. (Mantle rebuttal).

- E. If the FAC continues, what costs and revenues should be included in the Company's FAC:
  - 1. Should only fuel and purchased power costs, transportation of the fuel commodity, transmission associated with purchased power costs and off-system sales revenues be included?

The Consumers Council supports the position of the Office of the Public Counsel that the Commission should not continue Ameren Missouri's FAC. If the Commission decides to grant Ameren Missouri an FAC, fuel commodity costs, purchased power costs, the cost of transporting the fuel commodity, purchased power transmission costs, off-system sales and the revenues from capacity sales should be the only costs and revenues included. (Mantle rebuttal).

- 2. Should cost types in which the Company has incurred less than \$360,000 in the test year be included?

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

- 3. Should revenue types in which the Company received less than \$360,000 in the test year be included?

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

4. What charges and revenues associated with the MISO market be included?

The Consumers Council supports the position of the Office of the Public Counsel that the Commission should not continue Ameren Missouri's FAC. If the Commission decides to grant Ameren Missouri an FAC, fuel commodity costs, purchased power costs, the cost of transporting the fuel commodity, purchased power transmission costs, off-system sales and the revenues from capacity sales should be the only costs and revenues included. (Mantle rebuttal).

5. Should transmission revenues continue to be included in the FAC?

The Consumers Council supports the position of the Office of the Public Counsel that the Commission should not continue Ameren Missouri's FAC. If the Commission decides to grant Ameren Missouri an FAC, fuel commodity costs, purchased power costs, the cost of transporting the fuel commodity, purchased power transmission costs, off-system sales and the revenues from capacity sales should be the only costs and revenues included. (Mantle rebuttal).

### **30. Noranda Rate Proposal**

- A. Is Noranda experiencing a liquidity crisis such that it is likely to cease operations at its New Madrid smelter if it cannot obtain relief of the sort sought here?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- B. Would rates for Ameren Missouri's ratepayers other than Noranda be lower if Noranda remains on Ameren Missouri's system at the reduced rate?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- C. Would it be more beneficial to Ameren Missouri's ratepayers other than Noranda for Noranda to remain on Ameren Missouri's system at the requested reduced rate than for Noranda to leave Ameren Missouri's system entirely?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- D. Is it appropriate to redesign Ameren Missouri's tariffs and rates on the basis of Noranda's proposal, as described in its Direct Testimony and updated in its Surrebuttal Testimony?

The Consumers Council reserves the right to take a position on this issue at a later time,



based upon the evidence presented at the evidentiary hearing.

1. If so, should Noranda be exempted from the FAC?

The Consumers Council supports the position of the Office of the Public Counsel on this issue.

2. If so, should Noranda's rate increases be capped in any manner?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

3. If so, can the Commission change the terms of Noranda's service obligation to Ameren Missouri and of Ameren Missouri's service obligation to Noranda?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

4. If so, should the resulting revenue deficiency be made up by other rate payers in whole or in part?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

5. If so, how should the amount of the resulting revenue deficiency be calculated?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

6. If so, can the resulting revenue deficiency lawfully be allocated between ratepayers and Ameren Missouri's shareholders?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- i. How should the revenue deficiency allocated to other ratepayers be allocated on an interclass basis?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- ii. How should the revenue deficiency allocated to other ratepayers be allocated on an intra-class basis?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- 7. If so, what, if any, conditions or commitments should the Commission require of Noranda?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- E. What is Ameren Missouri's variable cost of service to Noranda?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- 1. Should this quantification of variable cost be offset by an allowance for Off-System Sales Margin Revenue?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- 2. What revenue benefit or detriment does the Ameren Missouri system receive from provision of service to Noranda at a rate of \$32.50/MWh?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- F. Should Noranda be served at rate materially different than Ameren Missouri's fully distributed cost to serve them? If so, at what rate?

The Consumers Council reserves the right to take a position on this issue at a later time, based upon the evidence presented at the evidentiary hearing.

- G. Is it appropriate to remove Noranda as a retail customer as proposed by Ameren Missouri in its Rebuttal Testimony?

No. The Consumers Council believes that it would be inappropriate and illegal to remove Noranda as a retail customer as proposed by Ameren Missouri. The revenues that Ameren Missouri would receive from Noranda under Ameren Missouri's proposal would not cover its cost of providing service to Noranda, and Ameren Missouri's proposal would result in higher bills for its other customers. Moreover, the proposal by Ameren Missouri

would create yet another inappropriate purpose for the Fuel Adjustment Clause.

1. Can the Commission cancel the Certificate of Convenience and Necessity that was granted for Ameren Missouri to provide service to Noranda and, if so, would the cancellation of the CCN be in the public interests?

The Commission does not have the statutory authority to cancel a Certificate of Convenience and Necessity ("CCN"), and doing so would be detrimental to the public interest.

2. Can the Commission grant Ameren Missouri's proposal since notification regarding the impact of this proposal on its other customers' bills was not provided to Ameren Missouri's customers?

No.

3. If the Commission grants Ameren Missouri's proposal, should the costs and revenues flow through the FAC?

No.

4. Can Ameren Missouri and Noranda end their current contract without approval of all of the parties to the Unanimous Stipulation and Agreement in the case in which Ameren Missouri was granted the CCN to serve Noranda?

No. The parties to the Unanimous Stipulation and Agreement are legally bound by the terms of that agreement. Even if legal, ending the contract after ten years would upset the balance of the bargain made by the parties to that agreement, to the detriment of consumers.

Respectfully submitted,

/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](mailto:john@johncoffman.net)

Attorney for the 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 on the official service list of this case at the Missouri Public Service Commission, on this 20<sup>th</sup> day of February, 2015.

/s/ John B. Coffman

---