

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

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to)
Increase Its Annual Revenues for)
Electric Service.) **File No. ER-2021-0240**

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to)
Increase Its Annual Revenues for)
Gas Service.) **File No. GR-2021-0241**

STAFF STATEMENTS OF POSITION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and submits the following Statements of Position. Staff would note that on November 24, 2021, the parties filed a Stipulation and Agreement in Case No. ER-2021-0240, which resolved the issues in that case related to Ameren Missouri's revenue requirement and certain other issues enumerated therein. Thereafter, on December 3, 2021, two Stipulations and Agreements were filed in Case No. GR-2021-0241 which together completely resolved the issues in that case. In addition, another stipulation has since been reached in Case No. ER-2021-0240, which resolved a few remaining issues in that case. Therefore, the parties filed an updated list of issues, etc. on December 6, 2021, which reflects only the following issues from the previously filed List of Issues which have not been resolved pursuant to the aforementioned stipulations and agreements and which remain for hearing. Issue numbers are from the previously filed List of Issues for ease of reference.

17. Residential TOU Rates (Electric)

A. *Should the Company be required to change the names for its TOU rate plans?*

Staff Position: Yes. In general, the current promotional names are not descriptive and in and of themselves portray the ToU rate schedules as money-saving opportunities. These names do not indicate the risks of bill increases that are attendant to the optional rates Ameren Missouri promulgated in the last rate case. Staff recommends adoption of more objective or informative names for Ameren Missouri's use in education and promotional materials.¹

22. Class Cost of Service, Revenue Allocation and Rate Design (Electric)

A. *How should production costs be allocated among customer classes within a Class Cost of Service Study?*

Staff Position: Staff recommends that production costs, expenses, and revenues, other than those associated with Keokuk, wind, landfill gas, and solar generation, be allocated among the customer class on a measure of demand. Given the use of Keokuk, Wind, Landfill Gas, and Solar generation (other than Community Solar) for the generation of renewable energy certificates, which are required based on the energy consumed by each class, and their non-dispatchable nature, the revenue requirement components associated with these plants are most reasonably allocated on class energy consumption. Community Solar costs are most appropriately assigned directly to community solar customers.² Reasonable cost allocation requires a high level of confidence in the amount of energy consumed in each hour of the normalized test year both at a utility-wide level and at the rate schedule or class level, whether data for all hours is used directly in the study, or whether that data is used only for the development of a relatively small number of hours of peak data. Other factors to be considered in selection of a reasonable net production revenue requirement allocation are a given utility's relationship with emerging policy issues including the proliferation of regional energy (and potentially capacity) markets, the level of detail of customer and class usage information, the shift of resource mixes to non-dispatchable generation, whether the utility's resource mix is optimized for serving its own load or for participation in energy markets, the emergence of net metering customers and distributed generation, emergence of dual or winter peaking load characteristics, and required inputs for desired rate design development – such as seasonal, time of day, or other more complex

¹ ER-2021-0240 Class Cost of Service Report page 53

² ER-2021-0240 Class Cost of Service Report page 42

rate designs. Additional discussion of these issues is found in the 2019 Regulatory Assistance Project (“RAP”) “Electric Cost Allocation for a New Era” manual, by Jim Lazar, Paul Chernick, William Marcus, and Mark LeBel.³

The Commission should not order approval of a specific allocation method as a general matter because the appropriate method will vary from case to case based on the utility’s characteristics and available data.⁴

B. How should the non-fuel, non-labor components of production, operation and maintenance expense be classified and allocated among customer classes within a Class Cost of Service Study?

Staff Position: These costs, expenses, and revenues are most appropriately considered within the context of a holistic generation revenue requirement, and considerations are as described in response to Issue 22 A, above.⁵

C. How should any rate increase be allocated to the several customer classes?

Staff Position: The results of Staff’s CCoS Studies indicate that the lighting rate class appears to be over-contributing to Ameren Missouri’s return on investment, and that the LPS class may be under-contributing to Ameren Missouri’s return on investment, however most classes are generally within a reasonable range of providing their target contribution to Ameren Missouri’s Staff-recommended rate of return upon application of a system average increase to revenue requirement.⁶ Based on the results of Staff’s direct CCoS Studies and its expert judgement considering the precision of such studies in general and known shortcomings of these studies in particular Staff recommends that the increase be allocated to the classes as an equal percentage increase.⁷ Based on application of the Staff-recommended Rate of Return to the Ameren Missouri CCoS study, no study filed in the case supports introduction of revenue neutral shifts.⁸

Policy considerations, such as rate continuity, rate stability, revenue stability, minimization of rate shock to any one-customer class, meeting of incremental costs, and consideration of promotional practices are also taken into account

³ CCoS Report pages 41-42.

⁴ CCoS Report page 40.

⁵ CCoS Report, pages 37-42.

⁶ CCoS Report, page 46.

⁷ CCoS Report, page 48.

⁸ Sarah Lange Rebuttal page 14.

in Staff's recommendation of Ameren Missouri's class revenue recovery through rate design. In providing its rate design recommendation, Staff will recommend revenue-neutral shifts so that once the rate increase has been applied, a given rate class does not underpay by greater than 5% of its revenue requirement while another rate class or rate classes overpay by greater than 5% of its revenue requirement.⁹

F. Should the Commission approve MCEG's proposed shift to increase the demand component for Large General Service and Small Primary Service and decrease energy charges?

Staff Position: No. The energy rate required to recover only the cost of market energy for LGS and SPS customers is a year-round average of \$0.0275/kWh and \$0.0255/kWh for the LGS and SPS rate schedules, respectively.¹⁰ A customer's NCP demand is not relevant to Ameren Missouri's generation capacity or MISO resource adequacy.¹¹

G. Should the Commission approve MCEG's recommendation to require the Company to present analyses of alternatives to the hours-use rate design by 2025?

Staff Position: Yes, if not sooner.¹²

H. How should distribution costs be allocated or assigned among customer classes within a Class Cost of Service Study?

Staff Position: Step 1 is to identify assets that serve (A) more or less all customers in a geographic area ("interconnected assets"), and (B) one customer or a very small group of customers ("customer-specific assets"). It is most reasonable to assign the costs of assets that serve specific customers to those customers, and to develop allocators for those assets that serve multiple customers. Step 2 is to divide the network assets within each account into groups of like assets based on the retirement unit information provided. For example, FERC account 365 contains both conductors and various devices. Not all accounts will require this step. Step 3 is to group together the network assets within each account by the voltage at which the asset operates or facilitates operation of other assets. Ideally, this step would be applied to each specific voltage at which the system operates or at which customers are served; in the absence of adequate information, more general voltages like "secondary," "primary,"

⁹ CCoS Report, page 47-48.

¹⁰ Sarah Lange Rebuttal page 8.

¹¹ Sarah Lange Rebuttal page 10.

¹² Sarah Lange Rebuttal page 11.

“HV,” may be used in lieu of service voltages like 120 Volt, 240 Volt, 600 Volt, 12 kV, 34 kV, etc.¹³

However, given the lack of information available to Staff in this case, Staff was unable to follow this approach and instead relied upon the Ameren Missouri-derived allocators, modified as described in the CCoS Report at pages 24-37. This Staff approach is the most reasonable allocation available at this time.

I. What is the appropriate level of Rider B credits to be applied to the bills of customers providing their own substation equipment?

Staff Position: If the Staff’s relied-up allocations of distribution revenue requirement are relied upon and/or no shifts to revenue responsibility are made, then the Rider B level should receive the equal percentage increase applied to all other rate elements.¹⁴ If shifts are made to reduce the revenue responsibility of classes in which Rider B customers are served based on the Ameren Missouri allocation of distribution revenue requirement, the discounts provided to customers under Rider B should be suspended until a future case in which Ameren Missouri provides the information necessary to include the cost of primary customer substations in the bills of primary customers (and such costs are so included).¹⁵ Ameren Missouri’s CCoS did not allocate the cost of customer-specific substations to the customer classes or customers who benefit from those customer-specific substations, nor did Ameren Missouri allocate the imputed revenue requirement that would justify a credit.¹⁶

WHEREFORE, the Staff of the Missouri Public Service Commission submits the foregoing Statements of Position.

¹³ CCoS Report page 23.

¹⁴ CCoS Report pages 24-25.

¹⁵ CCoS Report page 54.

¹⁶ Sarah Lange Surrebuttal page 11.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, on this 7th day of December 2021, to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case.

/s/ Jeffrey A. Keevil