

FILED
April 30, 2024
Data Center
Missouri Public
Service Commission

Exhibit No. 107

Staff – Exhibit 107
Sarah Lange
Surrebuttal
File No. EF-2024-0021

Exhibit No.:
Issue(s): SUTC Tariff
Witness: Sarah L.K. Lange
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: EF-2024-0021
Date Testimony Prepared: March 22, 2024

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

TARIFF/RATE DESIGN DEPARTMENT

SURREBUTTAL TESTIMONY

OF

SARAH L.K. LANGE

**UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI**

CASE NO. EF-2024-0021

*Jefferson City, Missouri
March 2024*

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SARAH L.K. LANGE
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1 **SURREBUTTAL TESTIMONY OF**

2 **SARAH L.K. LANGE**

3 **UNION ELECTRIC COMPANY,**
4 **d/b/a AMEREN MISSOURI**

5 **CASE NO. EF-2024-0021**

6 Q. Are you the same Sarah L.K. Lange, who prefiled rebuttal testimony in this
7 docket?

8 A. Yes.

9 **EXECUTIVE SUMMARY**

10 Q. What does your testimony address?

11 A. I respond to the requested allocation and billing treatment presented in the
12 rebuttal testimony of Maurice Brubaker in File No EF-2024-0021, on behalf of “Missouri
13 Industrial Energy Consumers.”

14 Q. What do you recommend the Commission order?

15 A. I recommend Mr. Brubaker’s requests be rejected, and that the Commission
16 order use of a tariff in substantial compliance with the specimen tariff attached to my Rebuttal
17 Testimony.

18 **“MISSOURI INDUSTRIAL ENERGY CONSUMERS” REQUEST**

19 Q. Can you summarize Mr. Brubaker’s requested allocation and billing treatment?

20 A. Yes. Mr. Brubaker’s recommendation is to apply a percentage-based charge to
21 a subtotal of each customer’s bill.¹

¹ Brubaker rebuttal testimony, pages 9-10.

1 Q. Without citing to any cases, Mr. Brubaker states that this approach is “a familiar
2 and easily implemented approach.” Are you familiar with this approach?

3 A. No, but I am aware of the possibility of general rate increases being ordered as
4 an equal percentage increase to all rate components. While Economic Development Incentives
5 are applied to customers on a percent-of-bill basis, and Missouri American’s Water and Sewer
6 Infrastructure Rate Adjustment for sewer is collected on a percentage of the total bill, these are
7 both limited applications and are not similar in any manner to recovery of a decommissioned
8 coal plant.

9 **Impact of Proposal on Financing Ability and Costs**

10 Q. Did Mr. Brubaker propose tariff language to accomplish true-up and adjustment
11 of his recommended Securitized Utility Tariff Charge (SUTC) treatment?

12 A. He did not.

13 Q. Does Mr. Brubaker’s testimony include a calculation of the SUTC under his
14 recommendation?

15 A. Yes. At page 6 of his rebuttal testimony, Mr. Brubaker testifies,

16 Q. WHAT ARE THE FINANCING COSTS TO BE PAID BY CUSTOMERS?

17 A. Schedule MJL-D1 shows that with an assumed interest rate of 5.59% and a
18 loan term of 15 years, including certain ongoing costs, the monthly revenue
19 requirement would be approximately \$4.3 million. This accumulates to an
20 annual cost of approximately \$52 million.

21 At page 10 he testifies that “the annual bond cost of \$52,017,276 is 1.816% of base rate
22 revenues of \$2,864,661,727,” and “[t]his uniform percentage of 1.816% would be applied to
23 the base rate component of monthly bills of each customer.”

24 Q. Does Mr. Brubaker’s recommendation address transaction costs, true-ups, or the
25 timing of bond payments?

1 A. No, it does not.

2 Q. What is the expected frequency of bond payments?

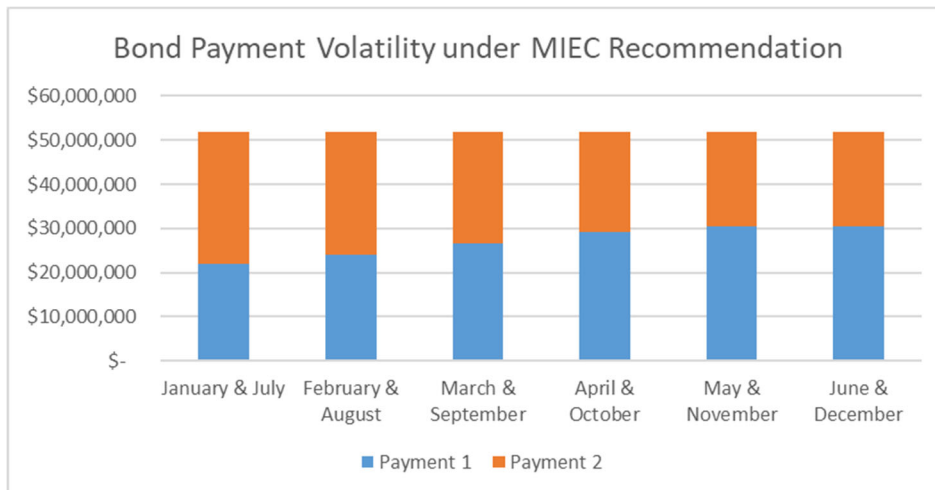
3 A. As of March 8, 2024, Ameren Missouri indicates that its current expectation is
4 that bond-payments will be made as semi-annual fixed payments six months apart.²

5 Q. Will each of the two bond payments in a year be the same amount, or can the
6 Special Purpose Entity (SPE) simply pay what ratepayers have provided so far as a fixed
7 percentage of their bills?

8 A. Bondholders require payments that are fixed in size.

9 Q. How different in size would the two bond payments be using the 1.816% flat
10 annual charge discussed by Mr. Brubaker?

11 A. Depending on the months in which the payments are due, and using Ameren
12 Missouri's normalized true-up revenues by month, the bond payments within a year would be
13 in the range of 6% - 43% different.³ The relative bond payment sizes for each combination of
14 payment dates using Mr. Brubaker's approach are illustrated below:



15

² Ameren Missouri response to Staff DR No. 0025.

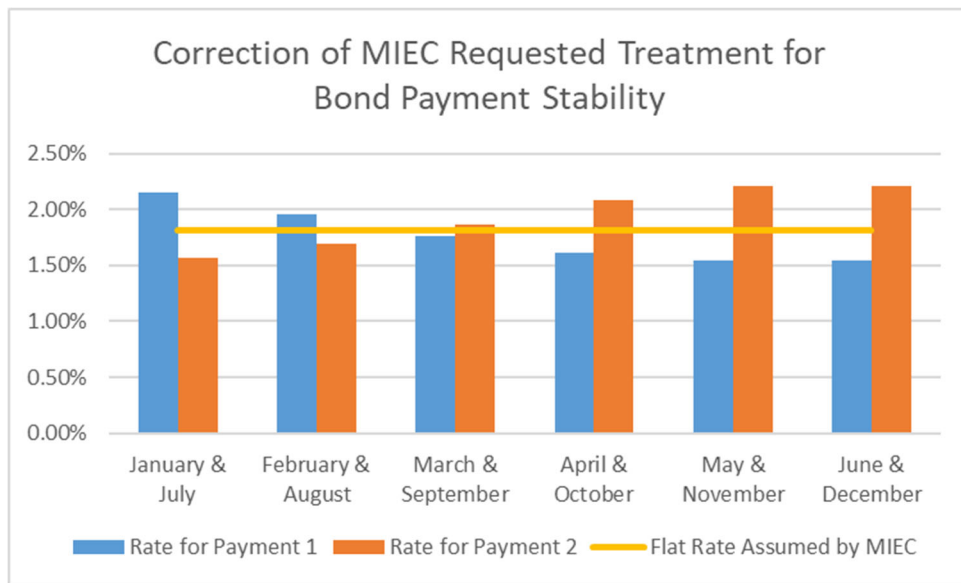
³ In contrast, Staff's recommended Specimen Tariff, and the approach taken in Ameren Missouri's direct-filed tariff rely on the best available sales projections to align recovery with the payment amount.

1 Q. What level of volatility would exist in real time, when actual revenues are used
2 as opposed to the normalized and annualized revenues used in your calculations above?

3 A. I do not know the level of volatility that would be possible, as revenues vary
4 significantly month-to-month based on actual weather and other factors.

5 Q. Under normalized conditions, would those changes in the percentage be big
6 changes or small changes?

7 A. Under normalized conditions, depending on the months in which payments are
8 due, those changes in percentage billed based on the time of year could be up to 40%. The
9 percentages applicable to Payment 1 and Payment 2, under normalized conditions, depending
10 on the payment dates, are illustrated below, and the applicable rates and percentage of
11 difference within the year are in the table that follows:

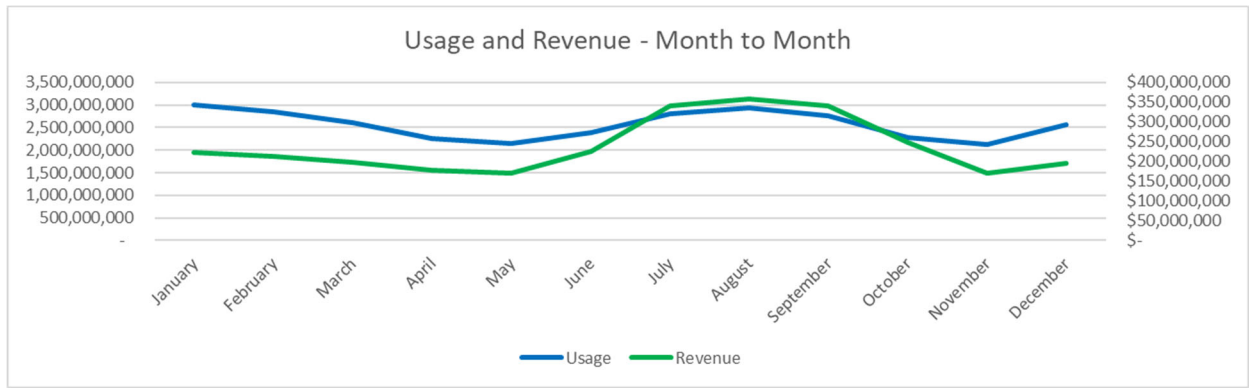


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	Rate for Payment 1	Rate for Payment 2	% Difference	Flat Rate Assumed by MIEC
January & July	2.15%	1.57%	37%	1.82%
February & August	1.96%	1.69%	16%	1.82%
March & September	1.77%	1.87%	-5%	1.82%
April & October	1.61%	2.08%	-23%	1.82%
May & November	1.54%	2.21%	-30%	1.82%
June & December	1.54%	2.21%	-30%	1.82%

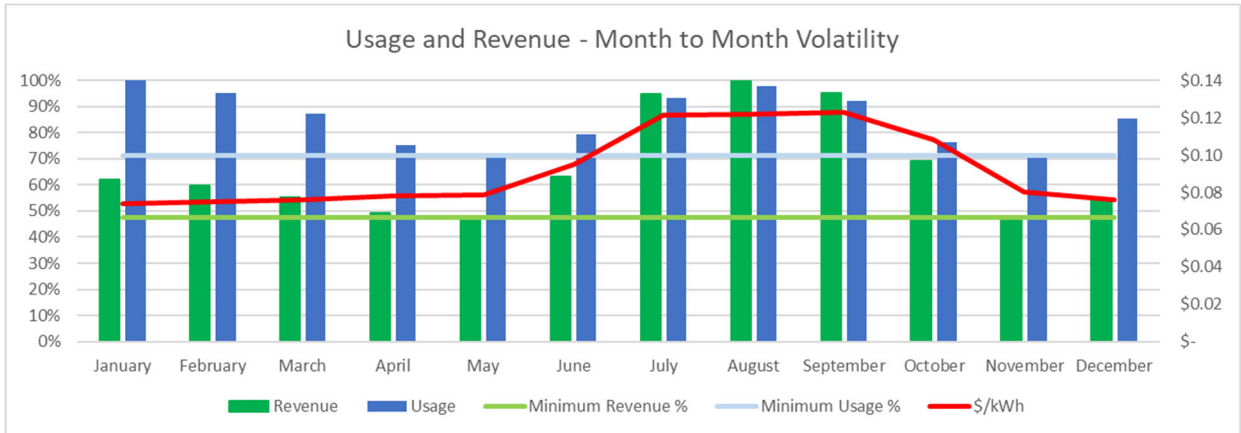
Q. Do revenues vary more month-to-month, or does usage vary more month-to-month?

A. Because Ameren Missouri’s rates are generally designed to recover more revenue for summer usage than for non-summer usage, revenues vary more month-to-month than energy varies. The graph below illustrates the month-to-month volatility of each on a normalized and annualized basis:



However, the interaction of usage with Ameren Missouri’s seasonally-differentiated rate schedules results in the volatility of the revenues exacerbating the volatility of the usage. The graph below provides each month’s revenues and each month’s usage as a percent of the highest month’s revenues and highest month’s usage, respectively. It also provides the \$/kWh average rate in effect for that month across all classes:

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In the graph above, the light blue line at just over 70% shows that in every month in the normalized determinants, usage was within 70% of its level in its highest month. However, the light green line at below 50% shows that normalized revenues varied by up to that amount relative to its highest level. In other words, the blue bars (usage) have less variation in height, and are more stable, than the green bars (revenue), which have more variation in height, and are less stable. The difference in variation is caused by the seasonal rates, which are illustrated with the red line.

10

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Q. Above you presented a bar graph illustrating the volatility of intra-year bond payments under Mr. Brubaker's recommended approach. Could you provide a comparison of those results with the results under Staff's recommendation based on energy usage?

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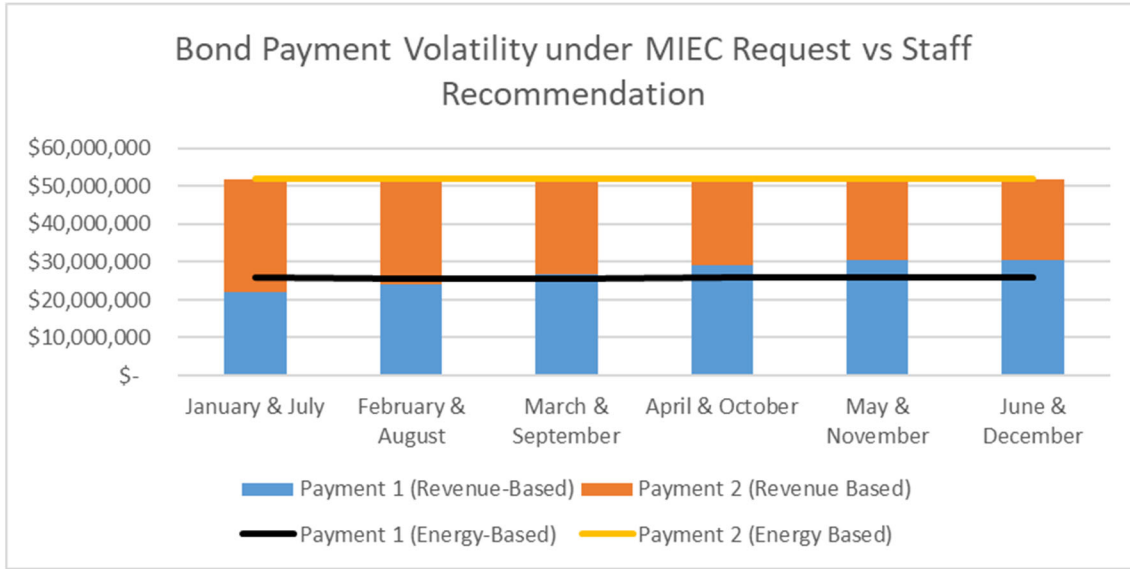
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A. Yes. The black line, which represents the division between the first and second payment, is essentially flat under the Staff approach, meaning that no matter what months are chosen for the bond payment, under normalized and annualized conditions, the first bond payment will be essentially the same size. Moreover, that range of volatility is from 0.66 % to a high of 4.0%.

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If implemented on an annual basis, billing on energy usage should be expected to be much more stable than billing on a percentage of bill basis.

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Q. Is Ameren Missouri aware of a utility securitized tariff bond rate in any jurisdiction that is billed as a percentage adjustment to the bills of customers?

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7

A. As of March 7, 2024, Ameren Missouri indicated that “The Company is not presently aware of any securitized tariff bonds in any jurisdictions that are billed as a percentage of a customer's bill or a subset thereof, and further does not have any specific knowledge of the impact that such a billing mechanism would have on the bond rating.”⁴

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11

Use of Mr. Brubaker’s Requested Charge Design in Other Cases

12

Q. Did Mr. Brubaker identify any cases and jurisdictions in which the described allocation was used in response to discovery requests?

13

⁴ March 22, 2024, Supplemental Response to Staff DR No. 0027.

1 A. Yes. In response to Staff Data Request (DR) No. 0028, Mr. Brubaker says an
2 example of a case that applied “an equal percent allocation based on base rate (non-fuel)
3 revenues of the various customer classes” is Ameren Missouri’s most recent rate case,
4 ER-2022-0337.

5 Q. Did ER-2022-0337 implement a bill rider, such as a SUTC, and is it a good
6 example of treatment consistent with Mr. Brubaker’s recommendation in this case?

7 A. No, ER-2022-0337 was a general rate increase. Fuel-related revenues were
8 included in the implementation of the rate increase, intra-class revenue shifts occurred for
9 residential customers, and the increases in the case occurred through tariffed rates per unit, not
10 a percentage adjustment.

11 Q. Mr. Brubaker’s response to Staff’s data request also states, “Ameren Illinois has
12 several riders that apply adjustments as an equal percent. Two are the ‘Electric Deferred Income
13 Tax Adjustment’ and ‘Modernization Action Plan....’ What amount of these recovery
14 mechanisms are related to decommissioned coal generating facilities?

15 A. Ameren Illinois was divested of all coal and other fossil generation in the early
16 to mid-2000s, and only recently has been allowed to lawfully hold interests in a very narrow
17 range of generating assets. The Ameren Illinois adjustments referenced by Mr. Brubaker do
18 not pertain to decommissioned coal generating facilities, and necessarily pertain to
19 transmission, distribution, or general utility functionalized revenue requirements.

20 Q. Did Mr. Brubaker provide other examples in response to discovery where his
21 recommended allocation was “recently used in many cases for non-fuel costs is an equal percent
22 allocation based on base rate (non-fuel) revenues of the various customer classes”?

1 A. Yes. Mr. Brubaker provided the following list of cases:

- 2 • Louisiana PSC Docket No. U-29203, Hurricanes Katrina and Rita
- 3 • Louisiana PSC Docket No. U-30981, Hurricanes Gustav and Ike
- 4 • Louisiana PSC Docket No. U-32764, Hurricane Isaac
- 5 • Louisiana PSC Docket No. U-35991, Hurricanes Laura, Delta, Zeta and Winter Storm Uri
- 6 • Louisiana PSC Docket No. U-36154, Hurricane Ida
- 7 • Louisiana PSC Docket No. U-36350, Hurricane Ida
- 8 • Louisiana PSC Docket No. U-36625, Hurricane Ida
- 9 • Entergy Louisiana, LLC Formula Rate Plan Annual Adjustments
- 10 • Entergy Arkansas, Inc. Formula Rate Plan Annual Adjustments

11 Q. Would you expect that dockets related to hurricanes have more costs associated
12 with decommissioned coal plants, or with transmission, distribution, and other related costs?

13 A. I would expect the hurricane dockets referenced by Mr. Brubaker to largely
14 concern distribution and transmission costs.⁵

15 Concerning Hurricanes Katrina and Rita, addressed in Docket No. U-29203,
16 Mr. Brubaker provided testimony on behalf of “Louisiana Energy Users Group and Valero
17 Refining – New Orleans, L.L.C.,” in which he testified that:

18 Entergy’s claimed storm damage revenue requirement consists of
19 both transmission-related and distribution-related elements. Mr. Pettett’s
20 exhibits summarize the costs into the categories of distribution and
21 transmission/generation.

22 Based on the information in Mr. Pettett's testimony, the vast
23 majority of the storm damage costs were incurred on the distribution
24 system as opposed to the transmission system. For [Entergy Louisiana],
25 Mr. Pettett's exhibits have distribution-related revenue requirements of
26 \$43.3 million and transmission/generation-related revenue requirements
27 of \$11.1 million. This means that 80% of the claimed revenue
28 requirement associated with storm damage restoration is attributable to
29 the distribution system.

30 For EGSI-LA, Mr. Pettett's numbers show \$18 million at the distribution
31 level and \$8.2 million at the transmission level. This means that roughly

⁵ U-29203 Final Recommendation of the Administrative Law Judge, at page 14, paragraph 8.

1 70% of [Entergy Gulf States 's costs were incurred to restore the
2 distribution system and only 30% on the transmission system.

3 Relying on Mr. Brubaker's testimony in U-29203, little if any of the costs securitized
4 were associated with generation, and there is no apparent evidence that a coal plant retirement
5 was involved.

6 For the charge design associated with Hurricanes Katrina and Rita, the relevant
7 parties stipulated that "any allocation of storm costs to the industrial class of the two companies
8 will be allocated to individual customers within that class on a base revenue basis"⁶ but that
9 "this agreement shall be non-precedential regarding the positions of the parties on any
10 individual issue."

11 Concerning Hurricanes Gustav and Ike, addressed in Docket No. U-30981,
12 Mr. Brubaker provided testimony on behalf of "Louisiana Energy Users Group and Valero
13 Refining – New Orleans, L.L.C.," in which he testified that:

14 In the case of ELL, \$354 million, or 88.28% of the damages were to the
15 distribution system with \$56 million, or 13. 72% to the transmission
16 system. In the case of EGSL, \$179 million, or 73.44% of the damages
17 were to the distribution system and \$65 million, or 26.56% of the
18 damages were to the transmission system.

19 While time did not permit an extensive review of the cases referenced by Mr. Brubaker,
20 those I reviewed confirmed my reasonable assumption that securitized hurricane costs are
21 largely related to transmission and distribution revenue requirements.⁷

22 Q. Is there a case you are aware of where customer revenue at a class level was a
23 basis for designing a rider rate?

⁶ U-29203 Final Recommendation of the Administrative Law Judge, at page 14, paragraph 7.

⁷ Hurricane Katrina occurred in August of 2005, Hurricane Rita occurred in September 2005, Hurricane Gustav occurred in August of 2008, Hurricane Ike occurred in September of 2008, Hurricane Isaac occurred in August of 2012, Winter Storm Uri occurred in February of 2021, and Hurricane Ida occurred in August of 2021.

1 A. Yes. The bill credits authorized for Missouri electric utilities related to the Tax
2 Creation and Jobs Act were not applied to customer bills as a percentage adjustment, but they
3 were allocated based on class-level revenues and then applied on a per-kWh basis. The
4 “Unanimous Stipulation and Agreement” in Ameren Missouri’s case ER-2018-0362 provided,
5 in pertinent part:

6 a. The total \$166,524,911 reduction will be allocated to seven rate
7 classes (Service Classifications 1(M), 2(M), 3(M), 4(M), 5(M), 6(M) and
8 11(M)) in proportion to the total class revenues that rates established in
9 File No. ER-2016-0179 were designed to produce.

10 b. The revenue requirement reduction applicable to each rate class as a
11 result of the prior step (item 7.a) will be divided by the total kilowatt-
12 hour (“kWh”) billing units stated for that class in Exhibit A to the
13 Unanimous Stipulation and Agreement approved by the Commission in
14 File No. ER-2016-0179. For the 5(M) and 6(M) service classifications,
15 which do not have stated total kWh in Appendix A, the total kWh will
16 be 140,442,436 kWh and 76,147,883, respectively. The result of this
17 calculation will be a cents-per kilowatt-hour rate for each service
18 classification that will be applied to all billed usage of customers taking
19 service under those classifications (stated as a separate line item on the
20 customers’ bills) to yield separate line item bill credits. See Exhibit B
21 attached hereto for the cents-per kilowatt-hour reduction to be applied to
22 each rate class.

23 The billing provisions actually used in Case No. ER-2018-0362 were similar to the
24 proposed SUTC tariffs proposed by Evergy and proposed by Liberty, which were ultimately
25 rejected.

26 Q. What was the source of credits issued through File No. ER-2018-0362?

27 A. The credits disbursed through File No. ER-2018-0362 were calculated as the
28 difference between the Federal Income tax rates in place during the pendency of the prior
29 Ameren Missouri rate case – File No. ER-2016-0179 and the Federal Income tax rates in place
30 at the time of the passage of Section 393.170, RSMo, which required the credits issued through

1 File No. ER-2018-0362. Federal income tax liability is calculated from the allowed return on
2 equity, which is calculated off of net rate base. In a rate case, net rate base is what is allocated
3 to the various classes to estimate each studied class's class cost of service.

4 Q. Were the credits from the TCJA subject to the requirements of the SUTC statute,
5 or to bondholder expectations?

6 A. No.

7 Q. How would a decommissioned coal plant be allocated in a class cost of service
8 study?

9 A. As a decommissioned coal plant is not useful for service, it would not be
10 included in a class cost of service study.⁸

11 **CONCLUSION**

12 Q. Does this conclude your surrebuttal testimony?

13 A. Yes it does.

⁸ As noted in my direct testimony, Staff recommends allocation of any SUTC on loss-adjusted energy because:

1. The cost recovery at issue here are the costs of the decisions of Ameren Missouri's management that resulted in a plant that cannot lawfully be operated. As energy is the most basic unit sold by an electric utility, allocation on energy is reasonable.
2. Ameren Missouri testifies that the retirement of Rush Island creates an "energy need."
3. Ameren Missouri testifies that its decisions to retire coal-fired generation and certain oil and natural gas units are driven by environmental policy goals and legislation, not by a traditional capacity objective of meeting system peak demand.
4. Customers can and do switch among rate classes and rate schedules, and rate classes and rate schedules come and go over time. Unreasonable outcomes are likely without sufficient tariff provisions that – as yet – have not been developed. The loss-adjusted energy approach has been adopted for Evergy Missouri West Schedule SUR and Liberty SUTC.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Petition of Union Electric)
Company d/b/a Ameren Missouri for a)
Financing Order Authorizing the Issue of)
Securitized Utility Tariff Bonds for Energy)
Transition Costs related to Rush Island)
Energy Center)

Case No. EF-2024-0021

AFFIDAVIT OF SARAH L.K. LANGE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW SARAH L.K. LANGE, and on her oath states that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony of Sarah L.K. Lange*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



SARAH L.K. LANGE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 19th day of March 2024.



Notary Public

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070