

Exhibit No.:  
Issues: Cost of Service/Revenue Allocation/Rate Design  
Witness: Jessica A. York  
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Sponsoring Party: Missouri Industrial Energy Consumers  
Case No.: ER-2024-0319  
Date Testimony Prepared: February 14, 2025

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

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**In the Matter of Union Electric Company  
d/b/a Ameren Missouri's Tariffs to Adjust  
its Revenues for Electric Service**

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) **Case No. ER-2024-0319**  
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Surrebuttal Testimony of

**Jessica A. York**

On behalf of

**Missouri Industrial Energy Consumers**

February 14, 2025



Project 11700







1 **Q IS THERE ANY INFORMATION OR ARGUMENTS IN THE REBUTTAL TESTIMONY**  
2 **OF STAFF WITNESS SARAH LANGE THAT WOULD CAUSE YOU TO CHANGE**  
3 **YOUR OPINIONS AS EXPRESSED IN YOUR DIRECT TESTIMONY AND YOUR**  
4 **REBUTTAL TESTIMONY?**

5 A No. Nothing in the rebuttal testimony of Staff witness Sarah Lange leads me to  
6 reconsider or change my point of view with respect to any of the issues in this case  
7 concerning class cost of service, revenue allocation and rate design.

8 The class cost of service study (“CCOSS”) presented in this case by Ameren  
9 Missouri (“AMO” or “Company”) witnesses is fully consistent with generally accepted  
10 and sound principles and processes being used in the electric utility industry today.  
11 AMO’s study is within the mainstream of practices followed by other regulated electric  
12 utilities.

13 **Q IS STAFF’S CCOSS WITHIN THE MAINSTREAM OF PRACTICE IN THE ELECTRIC**  
14 **UTILITY INDUSTRY?**

15 A No. Staff’s CCOSS is far outside the mainstream and the resulting significant shifts in  
16 revenue requirement between customer classes could have negative consequences.  
17 For example, Tables 4 and 5 of AMO witness Mr. Wills’ rebuttal testimony shows how  
18 the implementation of Staff’s CCOSS results or its proposed revenue apportionment  
19 would push industrial rates above the national average.<sup>1</sup> He highlights the detrimental  
20 effects this could have on economic development<sup>2</sup> and notes that the class shifts  
21 recommended by Staff go the wrong way with respect to aligning the Company’s  
22 relative rates with industry norms.<sup>3</sup>

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<sup>1</sup> Rebuttal Testimony of Steven Wills at page 19.

<sup>2</sup> *Id.* at page 16, lines 14-17, and page 20, lines 2-6.

<sup>3</sup> *Id.* at page 17, lines 18-20.

1 **II. PRODUCTION COST ALLOCATION**

2 **Q AT PAGES 5 THROUGH 11, MS. LANGE ARGUES THAT INVESTMENT IN**  
3 **CERTAIN RENEWABLE RESOURCES WAS DRIVEN BY THE NEED TO COMPLY**  
4 **WITH THE MISSOURI RENEWABLE ENERGY STANDARD (“RES”) STATUTE,**  
5 **WHILE OTHERS WERE DRIVEN BY AN ENERGY NEED. DOES THIS HAVE ANY**  
6 **IMPLICATION FOR COST ALLOCATION?**

7 A No. All it says is that the timing of the addition was driven by a need to comply with  
8 legislative mandates. This does not change the nature of the resource or the fact that  
9 it provides both capacity and energy value, like most other resources. Accordingly, the  
10 conventional approach of treating the generation resource portfolio as an integrated  
11 whole with a mix of resources designed to provide necessary service to customers  
12 reliably, and at the lowest overall reasonable cost, continues to be appropriate.

13 **Q AT PAGES 12 THROUGH 14, MS. LANGE ARGUES THAT UNDER THE**  
14 **COMPANY’S APPROACH TO PRODUCTION COST ALLOCATION, CERTAIN**  
15 **CLASSES PAY A LARGER SHARE OF THE COST FOR RENEWABLE PROJECTS**  
16 **TO BE BUILT BUT GET A SMALLER SHARE OF THE VALUE OF ENERGY**  
17 **GENERATED AND PAY FOR THE GENERATION OF RENEWABLE ENERGY**  
18 **CREDITS (“REC”) BEYOND THEIR NEEDS. DOES THIS WARRANT A PURE**  
19 **ENERGY ALLOCATION OF RENEWABLE COSTS?**

20 A No. First, the system is designed and operated as a portfolio of resources to serve  
21 customers at the lowest overall reasonable cost, consistent with the law. Further,  
22 renewable resources provide both capacity and energy value like most other resources  
23 in the portfolio and consist primarily of fixed costs that do not vary with energy output.  
24 Despite the fact that there are little variable costs associated with renewable energy

1 resources, AMO's Average and Excess ("A&E")<sup>4</sup> production capacity allocator includes  
2 an energy component, which allocates about 60% of production demand-related costs  
3 on the basis of energy.<sup>5</sup> As the Company explained, this offsets the need to potentially  
4 classify renewable generation facilities as energy-related.<sup>6</sup>

5 In addition, the Company explained that renewable resources (i.e., Type 2, as  
6 defined by Staff) account for about 10% of the installed capacity on AMO's system,<sup>7</sup>  
7 and thus the planning and operation of the system has not been materially affected by  
8 the penetration of the Type 2 resources.<sup>8</sup>

9 Regarding the concern about RECs, RES compliance is determined based on  
10 AMO's total retail sales, not for individual customer classes. And, as noted above, the  
11 cost of the resources that generate RECs are allocated in significant part on energy.

12 For all of these reasons, it is unnecessary to allocate renewable resources  
13 differently than non-renewable resources at this time.

14 **Q DID MS. LANGE PRESENT THE RESULTS OF A CCOSS THAT ALLOCATES**  
15 **RENEWABLE RESOURCES ON THE BASIS OF ENERGY, BUT MAINTAINS THE**  
16 **COMPANY'S A&E ALLOCATOR FOR OTHER RESOURCES?**

17 **A** Yes. The results of this approach are presented in the table on page 15 of her rebuttal  
18 testimony. This table also presents the results of AMO's CCOSS. As shown in the  
19 table, the results of Ms. Lange's approach are generally consistent with the Company's  
20 in terms of magnitude and direction. Said another way, both approaches show that the

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<sup>4</sup> The National Association of Regulatory Utility Commissioners' ("NARUC") 1992 Electric Utility Cost Allocation Manual classifies the A&E method as a partial energy-weighting method.

<sup>5</sup> Rebuttal Testimony of Nicholas Phillips at page 7, lines 4-5.

<sup>6</sup> *Id.* at page 5, lines 1-8.

<sup>7</sup> *Id.* at 19, lines 9-10.

<sup>8</sup> *Id.* at lines 10-12.

1 Residential class is under-contributing to its cost of service, while the remaining  
2 non-lighting classes, including Large Power Service (“LPS”), are over-contributing.  
3 Thus, even with a pure energy allocation of renewable resource costs, revenue-neutral  
4 adjustments to revenues at current rates as recommended in both my Direct and  
5 Rebuttal testimonies are justified.

6 **Q DID MS. LANGE COMMENT ON THE APPROPRIATE ALLOCATION OF**  
7 **PRODUCTION TAX CREDITS (“PTC”) AND INVESTMENT TAX CREDITS (“ITC”)?**

8 A Yes. At page 12 of her rebuttal testimony, Ms. Lange states that a reasonable study  
9 would allocate these tax benefits consistently with the allocation of capital costs for the  
10 underlying project.

11 **Q DO YOU AGREE WITH MS. LANGE’S RECOMMENDATION REGARDING THE**  
12 **ALLOCATION OF TAX CREDITS?**

13 A Not entirely. PTCs vary directly with the amount of energy generated by the renewable  
14 resource, so it is reasonable to allocate PTCs on an energy basis. I would agree with  
15 Ms. Lange’s recommendation regarding the allocation of ITCs since they are related to  
16 capital investment.



1 Q AT PAGES 17 AND 18, MS. LANGE SUGGESTS THAT AMO’S PARTICIPATION IN  
2 MIDCONTINENT INDEPENDENT SYSTEM OPERATOR (“MISO”) MARKET  
3 ACTIVITIES MAKES THE COMPANY’S APPROACH TO PRODUCTION COST  
4 ALLOCATION UNREASONABLE. DO YOU AGREE?

5 A No. Staff witness Ms. Lange suggests that participation in MISO is a reason to abandon  
6 the traditional A&E allocation method in favor of something else that is more  
7 energy-related. It is important to recognize that the energy market in MISO was  
8 developed for the purpose of making the most efficient utilization of the energy  
9 generation in MISO so as to reliably serve the load at the lowest overall reasonable  
10 variable cost by utilizing the lowest variable cost generation resources as a priority, in  
11 order to deliver benefits to the entire MISO footprint. It does not have anything to do  
12 with capacity resource responsibility or cost allocation.

13 Further, the Company confirmed that it does not invest in resources for energy  
14 market purposes or the wholesale generator revenues,<sup>9</sup> and that absent the MISO  
15 market, the Company would still plan its system and to serve its customers just as it  
16 had done prior to when AMO joined MISO about two decades ago.<sup>10</sup>

17 Q DID AMO ADDRESS MS. LANGE’S ATTEMPT TO IMPOSE THE MISO MARKET’S  
18 “BUY-ALL SELL-ALL” FRAMEWORK INTO THE ALLOCATION OF THE  
19 COMPANY’S EMBEDDED COSTS?

20 A Yes. This issue was addressed in the rebuttal testimony of Company witness  
21 Mr. Phillips. He explained that the buy-all sell-all framework is not reflective of the  
22 drivers of the embedded costs of AMO’s system, and unreasonably and unnecessarily

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<sup>9</sup> *Id.* at page 14, lines 8-9.  
<sup>10</sup> *Id.* at lines 10-12.

1 exposes customer classes to market prices as a determinant of their cost of service.<sup>11</sup>  
2 He further states that modifying the method to allocate production demand-related cost  
3 in this case would lead to unforeseeable and inequitable shifts in revenue  
4 apportionment across the customer classes.<sup>12</sup>

5 **Q MS. LANGE CONCLUDES THAT THE PEAKS SELECTED IN AMO'S STUDY ARE**  
6 **NOT REASONABLY RELATED TO THE AMO CAPACITY REQUIREMENTS IN THE**  
7 **MISO MARKET. WHAT IS YOUR RESPONSE?**

8 A As explained in my previous testimony in this case, the Company has historically  
9 planned for summer peak demand, and has started planning for winter peak demand  
10 in its most recent Integrated Resource Plan ("IRP"). There is no indication in recent  
11 IRPs that spring or fall peak demands drive the Company's investment in production  
12 capacity.

13 This observation was confirmed by AMO in the rebuttal testimony of Mr. Phillips.  
14 Specifically, Mr. Phillips explained that while MISO uses a seasonal resource adequacy  
15 framework with which the Company must demonstrate compliance, no compelling  
16 evidence exists to suggest that each of the four seasons in MISO's construct equally  
17 contribute to the need for AMO to invest in new plant to meet the requirement.<sup>13</sup>

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<sup>11</sup> *Id.* at page 20, lines 10-13.

<sup>12</sup> *Id.* at lines 13-15.

<sup>13</sup> *Id.* at page 19, lines 12-18.

1 Q YOU MENTIONED THAT SUMMER AND WINTER PEAK DEMANDS DRIVE AMO'S  
2 INVESTMENT IN PRODUCTION CAPACITY. DOES AMO'S A&E 4NCP  
3 ALLOCATOR CAPTURE THESE PEAKS?

4 A Yes. AMO plans its system to meet its native load obligations.<sup>14</sup> The four peaks used  
5 in AMO's production capacity allocator include three summer and one winter peak.  
6 Thus, the Company complies with MISO's resource adequacy framework in all  
7 seasons, but its investment in production capacity is driven by summer and, to a lesser  
8 extent, winter system peak demand.

9 Q PLEASE SUMMARIZE YOUR CONCLUSIONS REGARDING THE ALLOCATION OF  
10 PRODUCTION CAPACITY COSTS IN AMO'S CCROSS.

11 A I continue to support AMO's proposed A&E 4NCP method of allocating production  
12 capacity costs and continue to recommend that Staff's proposed method be rejected.  
13 The Company has explained that Staff's recommendations are not consistent with the  
14 design and operation of its system.

15 **III. DISTRIBUTION COST ALLOCATION**

16 Q HAVE YOU REVIEWED MS. LANGE'S REBUTTAL TESTIMONY AS IT RELATES  
17 TO DISTRIBUTION COST ALLOCATION?

18 A Yes. Ms. Lange discusses her concerns with AMO's classification and allocation of  
19 distribution costs at pages 26 through 38 of her rebuttal testimony. She mainly takes  
20 issue with AMO's study of the primary distribution system and raises concerns  
21 regarding customer-specific infrastructure.<sup>15</sup>

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<sup>14</sup> *Id.* at page 14, lines 7-8.

<sup>15</sup> Rebuttal Testimony of Ms. Lange at page 27, lines 1-3.

1 Q DO YOU HAVE ANY ADDITIONAL TESTIMONY TO OFFER IN RESPONSE TO THIS  
2 TESTIMONY?

3 A No. I believe that testimonies previously filed in this case (both direct and rebuttal) by  
4 AMO witnesses, by Ms. Kavita Maini of the Midwest Energy Consumers Group and by  
5 me adequately address the issues which Staff witness Ms. Lange raises concerning  
6 the distribution system.

7 Q DID MS. LANGE COMPARE THE RESULTS OF AMO'S CCOSS TO ITERATIONS  
8 OF THE AMO CCOSS WITH HER RECOMMENDED CORRECTIONS?

9 A Yes. Ms. Lange has provided a few tables comparing AMO's CCOSS results to the  
10 AMO's CCOSS with various "corrections" that she believes should be made. These  
11 comparisons are presented on pages 24, 25, and 29 of her rebuttal testimony.

12 Q WHAT ARE YOUR OBSERVATIONS ABOUT THE RESULTS OF MS. LANGE'S  
13 VARIOUS CCOSS COMPARISONS?

14 A The tables show that even with Ms. Lange's various corrections, the results are  
15 generally consistent with AMO's CCOSS results in terms of magnitude and direction.  
16 In other words, the Residential class still under-contributes to its cost of service while  
17 the remaining non-lighting classes over-contribute.

1 **IV. PLANT IN SERVICE ACCOUNTING (“PISA”)**

2 **Q DOES MS. LANGE TAKE ISSUE WITH AMO’S ALLOCATION OF THE PISA**  
3 **REVENUE REQUIREMENT?**

4 A Ms. Lange states that the causation of the PISA amounts in AMO’s revenue  
5 requirement are Missouri statutes and AMO’s management decisions.<sup>16</sup> She proceeds  
6 to state that AMO allocates PISA amounts on the basis of the allocation of the  
7 underlying plant. It appears that Ms. Lange takes issue with AMO’s approach,  
8 specifically for PISA amounts related to distribution plant, because she believes AMO’s  
9 approach to distribution cost allocation is unreasonable.<sup>17</sup>

10 **Q HOW DID STAFF ALLOCATE THE PISA REVENUE REREQUIREMENT?**

11 A As explained in my rebuttal testimony, a review of Staff’s CCROSS model showed that  
12 PISA amounts were included in the Administrative and Overhead (“A&O”) category.  
13 Staff allocated A&O costs on the basis of energy.<sup>18</sup>

14 **Q WHAT IS YOUR RECOMMENDATION REGARDING THE ALLOCATION OF THE**  
15 **PISA REVENUE REQUIREMENT?**

16 A PISA is used for investments that do not vary with energy usage, such as grid  
17 modernization and infrastructure improvement projects. Allocating PISA amounts on  
18 the basis of the allocation of the underlying plant is cost-causation based while Staff’s  
19 recommended energy-based allocation is not cost-based at all.

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<sup>16</sup> *Id.* at page 43, lines 20-21.

<sup>17</sup> *Id.* at page 43 lines 23-27 through page 44, lines 1-2.

<sup>18</sup> Direct Testimony of Sarah Lange at page 43, lines 7-8.

1 **V. MISSOURI ENERGY EFFICIENCY INVESTMENT ACT (“MEEIA”)**

2 **Q PLEASE SUMMARIZE MS. LANGE’S COMMENTS REGARDING MEEIA TO WHICH**  
3 **YOU WILL RESPOND.**

4 A At pages 46-48 of her rebuttal testimony, Ms. Lange seems to take issue with MIEC  
5 witness Brubaker’s suggestion that increasing Residential rates to cost of service would  
6 provide more of an incentive for those customers to participate in demand response  
7 and energy efficiency programs, as the bill savings from doing so would be greater.  
8 She responds by suggesting that the same could be true for business customers.

9 **Q WHAT IS YOUR RESPONSE TO MS. LANGE’S SUGGESTION?**

10 A It seems the data in Ms. Lange’s rebuttal testimony supports Mr. Brubaker’s position.  
11 AMO’s CCROSS in this case shows that business customers are already paying rates  
12 in excess of their cost of service, while residential customers’ rates are well below their  
13 cost of service. And, as shown in the chart on page 48 of her rebuttal testimony,  
14 business customers are expected to provide a larger portion of the Company’s total  
15 projected demand and energy savings through their participation in demand response  
16 and energy efficiency programs than residential customers.

17 **VI. REVENUE ALLOCATION**

18 **Q DOES MS. LANGE’S REBUTTAL TESTIMONY CHANGE YOUR**  
19 **RECOMMENDATIONS REGARDING CUSTOMER CLASS REVENUE**  
20 **APPORTIONMENT?**

21 A No. Even with the various tweaks to AMO’s CCROSS that Ms. Lange discusses in her  
22 rebuttal testimony, the results support revenue-neutral adjustments to move the major  
23 rate classes closer to cost of service. Thus, I continue to recommend revenue-neutral

1 adjustments to move all major classes 33% of the way toward cost of service, followed  
2 by the application of any approved revenue change on an equal percent basis.

3 **Q DID AMO COMMENT ON YOUR RECOMMENDED CLASS REVENUE**  
4 **APPORTIONMENT IN ITS REBUTTAL TESTIMONY?**

5 A Yes. While the Company supports its own revenue allocation proposal, it has  
6 acknowledged the reasonableness of making a greater movement toward cost of  
7 service as recommended by MIEC or MECG.<sup>19</sup>

8 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

9 A Yes, it does.

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<sup>19</sup> Rebuttal Testimony of Nicholas Bowden at page 63, lines 15-22, and page 64, lines 1-15.