BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Request of The Empire	)	
District Electric Company d/b/a Liberty for	)	
Authority to File Tariffs Increasing Rates	)	Case No. ER-2024-0261
For Electric Service Provided to Customers	)	
In its Missouri Service Area	)	

MECG'S STATEMENT OF POSITIONS

COMES NOW the Midwest Energy Consumers Group (MECG), and for its Statement of

Positions, respectfully states its position on the following issues as addressed in its pre-filed

testimony. For the remaining issues not addressed below, MECG reserves the right to take a

position based on the evidence presented at hearing.

Billing Determinants and Rate Design

101. What is the appropriate interclass allocation of revenue responsibility for setting rates in this case?

<u>Position:</u>   The basis of setting rates and allocating costs to customers should start from proper

cost causation principles and cost-based rates. The Class Cost of Service Study (CCOS) analysis

provided by MECG and Liberty-Empire show that certain classes are not paying appropriate cost-

based rates. Specifically, MECG recommends the Commission allocate the revenue requirement

among the rate classes as recommended by MECG Witness Maini's recommended CCOSS using

the Average & Excess (A&E) 4 NCP. The A&E methodology considers both demand as well as

class energy usage. As the name implies, the A&E Demand method consists of an average demand

component and an excess demand component. The average demand component, which considers

the class energy, is calculated by dividing the energy usage of each class by the number of hours

in a year (8,760 for a non-leap year). The excess component, which considers the class peak

demand, is calculated as the difference between the customer class' maximum non-coincident peak

or peaks and the average demand. The average demand component for each class is then weighted by the system load factor and the excess component for each class is weighted by 1-load factor.

The A&E approach considers the load profile of customer classes by incorporating the maximum demands, load factor and average energy use. While the average demand measures the duration, the excess portion measures the variability of the load profile of a class. *See* Maini Direct, p 11. This approach has been recognized as reliable by the Commission and should be adopted.

Upon completion of the class cost of service study, the net income for each class (revenues less expenses) is divided by the rate base dedicated to serving that class to calculate the rate of return earned. To the extent that a class rate of return is greater than the system return, then the revenues recovered from the class are more than the costs to serve that class. Similarly, to the extent that a class rate of return is lower than the system return, then the revenues recovered from the class are less than the costs to serve this class. As reflected Below, Liberty Empire's overall earned return under the class cost of service study is 2.75% at present rates.

Figure 1.4: MECG COSS ROR and Relative ROR Index at Present Rates

Class	MECG COSS - ROR	Relative ROR Index at Present Rates
NS Residential	3.03%	1.10
TC Residential	1.38%	0.50
TP Residential	0.12%	0.05
NS General Service	4.25%	1.55
TC General Service	5.41%	1.97
TP General Service	-3.36%	-1.22
NS Large General	3.55%	1.29
TC Large General	2.52%	0.92
NS Small Primary	7.50%	2.73
TC Small Primary	8.31%	3.02
Large Power	6.14%	2.23
Transmission	4.49%	1.63
MS-Miscellaneous	14.02%	5.10
SPL-Municipal St Lighting	1.88%	0.68
PL-Private Lighting	16.40%	5.96
LS-Special Lighting	-4.78%	-1.74
Total Company	2.75%	1.00

As noted above, a properly developed CCOS is important to establish fair and reasonable rates and should be used as the primary guiding principle in allocating revenue requirement to classes and informing rate design. Following this approach fulfils the important goals of promoting equity among classes and encouraging economic efficiency. If revenues are allocated to classes and alsign closely with the class cost responsibility, equity is maintained because eavh class pays its fair share of costs. Furthermore, if rates align with cost of service, they reflect accurate pricing signas that drive consumer behavior, which results in more efficient use of the system and minimizes system costs. *See* Maini, Direct, p. 20.

That said, other factors such as gradualism and rate continuity may also be considered as secondary considerations when it comes to revenue allocation in a particular rate case. From the starting point of MECG's CCOS, MECG recommends that:

- Customer classes with a negative ROR at present rates get the highest increase and customer classes with the highest ROR at present rates receive the lowest increase;

- Customer classes with below system average ROR at present rates receive an above system average increase; and,

- Customer classes with above system average ROR at present rates receive a below system average increase.

To accomplish these guiding principles, MECG developed a CCOS based multiplier to allocate the increase among the classes for its Direct testimony. That recommendation is as follows:

Figure 2.1: MECG COSS Based Multiplier and MECG Recommended Class Multiplier

Column	1	2	3
Class	MECG COSS	MECG COSS Class Multiplier	MECG Recommended Class Multiplier
NS Residential	27.7%	0.94	0.88
TC Residential	42.5%	1.43	1.15
TP Residential	61.7%	2.08	1.20
NS General Service	17.7%	0.60	0.80
TC General Service	10.1%	0.34	0.80
TP General Service	98.7%	3.33	1.25
NS Large General	24.3%	0.82	0.85
TC Large General	34.1%	1.15	1.01
NS Small Primary	-1.0%	-0.03	0.74
TC Small Primary	-5.0%	-0.17	0.74
Large Power	5.6%	0.19	0.76
Transmission	10.4%	0.35	0.77
MS-Miscellaneous	-22.7%	-0.77	0.70
SPL-Municipal St Lighting	55.1%	1.86	1.20
PL-Private Lighting	-30.1%	-1.01	0.70
LS-Special Lighting	240.8%	8.13	1.25
Total Company	29.64%	1.00	1.00

The multipliers are calculated by taking the class increase and dividing it by the sustem average. Under this recommendation the class multiplier would be applied to the final authorized increase. For example, if the final authorized increase is 10%, the NS residential class would receive an increase of 10% times the 0.88 multiplier to receive an increase of 8.8%. These recommendations contained in the Direct Testimony of Kavita Maini incorporate start from a resliable CCOS approach, then incorporate significant moderation for certain clases to temper the rate impacts while still adhering to cost of service principles.

In response to the Commisison Staff's rebuttal indicating a preference that all rate schedules within a class receive the same increase, MECG offered an alternative allocation in its surrebuttal testimony. The alternative recommendation uses the same CCOS starting point, and rather than providing an allocation based on the sub class rate shedules presents a proposed allocation at the class level. That recommendation is shown in the following chart:

Figure 1: MECG Alternative Revenue Allocation at Class Level

Class	MECG COSS Increase Percent	COSS Multiplier (Class Increase/Overall Increase)	MECG Recommended Multipliers At Class Level	Class Impacts with Company's Average Increase of 29.64% using MECG Multipliers
Residential Class	42.40%	1.43	1.147	34.0%
General Service Class	10.40%	0.35	0.780	23.1%
Large General Service	32.30%	1.09	1.002	29.7%
Small Primary Service	-1.50%	-0.05	0.682	20.2%
Large Power Service	5.60%	0.19	0.759	22.5%
Transmission Service	10.40%	0.35	0.780	23.1%
Lighting Service	11.80%	0.40	0.823	24.4%
Overall Increase	29.64%	1.00	1.000	

This alternative proposed allocation is generally consistent with bringing all classes 30 percent closer towards the costs to serve. Both of the approaches put forward in MECG's testimony are based on accepted CCOS principles, incorporate gradualism, and would be a reasonable allocation of the revenue requirement to the classes in this case.

102. Which party's Class Cost of Service Study should be used in this case?

Position: The CCOS methodology used by MECG (Average and Excess 4 NCP) is well established and reasonable for this case. In its Rebuttal testimony the company's witness Mr. Timothy Lyons agreed it was appropriate to accept MECG's A&E 4NCP allocator. *See* Maini, Surrebuttal p. 2.

a. How should production costs be allocated within the Class Cost of Service study in this case?

Position: Here, MECG's Average and Excess Non coincident Peak ("A&E 4NCP") is most reasonable for allocation of production plant. Bolstering MECG's position, this approach was adopted by the Company in its Rebuttal testimony. The A&E approach is superior to the others offerered in this case because it considers the load profile of customer classes by incorporating the maximum demands, load factor and average energy use. While the average demand measures the duration, the excess portion measures the variability of the load profile of a class. For example, as noted in the Commission decision in its Report and Order in Docket ER-2010-0036 (pages 84-85):

> Some customer classes, such as large industrials, may run factories at a constant rate, 24 hours a day, 7 days a week. Therefore, their usage of electricity does not vary significantly by hour or by season. Thus, while they use a lot of electricity, that usage does not cause demand on the system to hit peaks for which the utility must build or acquire additional capacity. Another customer class, for example, the residential class, will contribute to the average amount of electricity used on the system, but it will also contribute a great deal to the peaks on system usage, as

residential usage will tend to vary a great deal from season to season, day to day, and hour to hour.

As the Commission recognized in its 2010 decision, the class average and excess demand calculations provide important insights regarding the relative variability in each class's load profile.   Classes with higher variability use the system less efficiently, are generally weather sensitive and cause demand on the system to hit peaks. From a relative standpoint, classes with excess demand percentage shares that exceed their respective average demand percentage shares have higher variability in their load profile such as the TC residential class. Conversely, classes with average demand percentage shares higher than their excess demand shares have lesser variability and utilize the system more efficiently such as the Large Power and Transmission classes.   Figure 1.3 below from MECG's direct testimony illustrates this difference in variability in monthly peak demand for two classes, namely, TC residential and LP classes respectively:
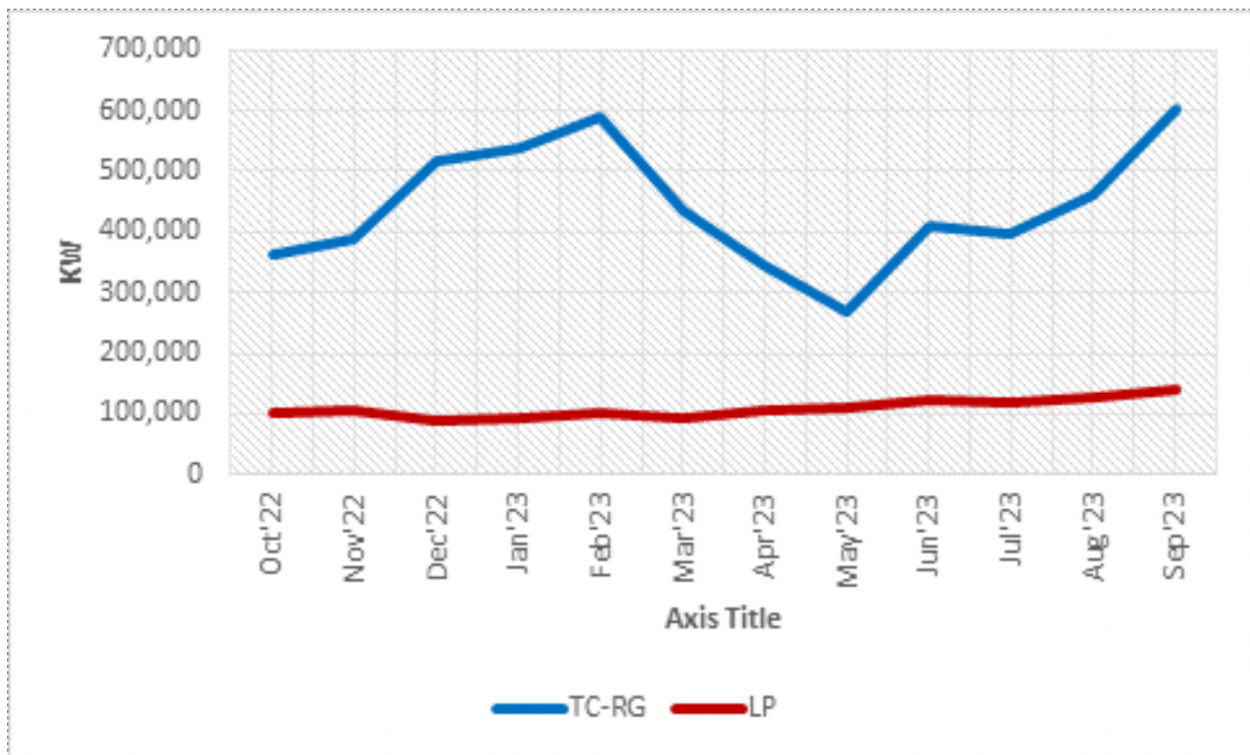
The A&E approach considers the load profile of customer classes by incorporating the maximum demands, load factor, and average energy use. This approach has been recognized as reliable by the Commission in prior decisions. In addition, the A&E allocator for production costs has been largely adopted by Missouri electric utilities in recent rate cases including Ameren Missouri and Evergy. In this case, MECG recommends the Commission adopt MECG's A&E 4NCP allocator (and the related MECG COSS results).

b. How should distribution costs be allocated within the Class Cost of Service study in this case?

Position: MECG supports the company's metholdology for allocating the distribution plant in FERC accounts 364-368 as reasonable. Further, MECG supports the Company's view of allocating the demand related classified costs on the basis of 1-NCP as opposed to Staff's 12-NCP allocation. For costs classified as demand a 12 NCP to allocate distrubtion plant is inconsistent with cost causation. Since distribution infrastructure needs to be sized to meet maximum demands, a measure of non-coincedent peaks is more appropriate.

104. What are appropriate designs of non-residential rates in this case?

Position: The CCOS studies in this case show an underrecovery of fixed costs thorugh demand charges under the current rate design. Specifically, at present, the billing demand charges recover 23% of the total base rate costs while the cost of service study indicates that 57% of the costs should be recovered from these demand charges. This suggests that there is over recovery of fixed costs from the energy charges. *See* Maini Direct, p. 26. To make movement towards cost of service guidance MECG recommends the Commission address this imbalance with limited steps in this case. For the LGS and SP classes, MECG concurs in part with the Company's rebuttal testimony to increase demand charges by 1.25 times the overall class increase, with the remaining

revenue requirement not recovered in the demand charges recovered through a uniform percentage increase in customer and kWh charges. In addition, MECG continues to recommend no changes to the tail block energy charges for these classes. The increases being allocated to the energy tail block should instead be recovered from the winter and summer billing demand charges. Maini Surrebuttal, p. 15.

For the LP class MECG recommends a different approach, in part, to reconginze that Liberty Empire is a dual peaking utility by narrowing the differential between the winter and summer demand charges. For this class, MECG recommends increasing the percentage share of billing demand based cost recovery compared to existing rates; increasing the facility charges; and recovering the remaining increase by modifying the first energy block and and leaving the tail block unchanged.

109. Should the Transmission Service ("TS") Interruptible Credit be increased?

Position: Schedule TS consists of time and seasonally differentiated demand charges, time and seasonally differentiated energy charges, a substation facilities charge and a customer service charge respectively. This rate has interruptible provisions which includes a maximum level of curtailment at 100 hours. Customers served on this rate are provided with a credit of $4.01 per KW-month or $48.12 per KW-year in exchange for providing interruptible service.

As background, interruptible customers forgo firm service and in so doing benefit the utility system as a whole. Liberty utilizes the interruptible load to net against its load forecast prior to determining the planning reserve margin requirement. According to SPP rules, utilities' system load obligations are currently based on firm load plus a 15% planning reserve margin on an installed capacity basis. So, for illustrative purposes, if it is assumed that the Liberty system firm load was 1000 MW, it would need to have 1000 MW plus 150 MW capacity =1150 MW to comply

with the SPP resource adequacy requirement. Now if it were further assumed that Liberty had 100 MW of interruptible load, the utility would be required to carry 1035 MW of capacity (900 MW + 135 MW), a reduction of 115 MW in reserve margin requirements compared to the situation without the 100 MW of interruptible load. Thus, interruptible customers benefit the system by avoiding the acquisition of generation resources for the amount of the interruptible load plus the planning reserve margin requirement. This is the reason that customers that provide interruptible service get interruptible credits. To be clear, this is not a discount but rather a credit to compensate interruptible customers for forgoing firm service and being available for curtailment. *See* Maini Direct, p. 32.

While it can be argued that the interruptible credit should increase up to the CONE value at $7.13/KW-month, in this rate case, MECG recommends an increase in credit from the current $4.01/KW-month to $6/KW-month so that the interruptible load resource remains more cost effective than building capacity and therefore provides system benefits. At the same, the increase in credit from the existing amount will help provide equitable compensation for the value provided by the interruptible load. The Company has indicated that it is facing high uncertainty from a resource adequacy perspective which means that it is important for the Company to retain this load and it would therefore make sense to compensate the resource adequately.

Treating this demand response resource on an equivalent basis as supply side resources would result in a significantly higher credit. Increasing in the interruptible credit in this case is a win-win proposition as it will benefit all customers to acquire a cheaper resource to address SPP's resource adequacy needs and the customer providing interruptible load receives an increase in compensation to recognize its value and ensure that it can continue to make the business case to remain an interruptible load.

WHEREFORE, MECG submits its Statement of Positions.

Respectfully,

/s/ Tim Opitz
Tim Opitz, Mo. Bar No. 65082
Opitz Law Firm, LLC
308 E. High Street, Suite B101
Jefferson City, MO 65101
T: (573) 825-1796
tim.opitz@opitzlawfirm.com

ATTORNEY FOR MIDWEST
ENERGY CONSUMERS GROUP

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 30th day of September 2025:

/s/ Tim Opitz