BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation of the Effects of Rate Design Modifications associated with Demand-Side Cost Recovery	)))	Case No. EW-2011-0372

Comments of the Missouri Industrial Energy Consumers Concerning "Rate Design Modifications" Regarding Demand-Side Cost Recovery

Comes now the Missouri Industrial Energy Consumers ("MIEC") and files the following comments concerning the "Rate Design Modification" language contained in the Missouri Energy Efficiency Investment Act ("MEEIA").[1]

The MEEIA provides:

> Prior to approving a rate design modification associated with demand-side cost recovery, the Commission shall conclude a docket studying the effects thereof and promulgate an appropriate rule.

Pursuant to this directive, the Commission held a roundtable session on June 29, 2011, to obtain comments on how to proceed in connection with this requirement. These comments are being filed in accordance with the schedule developed at that roundtable session.

I. Decoupling is Not Rate Design

The main question to be decided at this time is: What is rate design?

MIEC believes that rate design describes the interface between the utility and the customer, and includes such concepts as straight fixed/variable rate design where customer and demand charges are increased and energy charges are decreased,[2] introduction of demand charges into rate structures, and whether flat or inverted rates should be adopted for residential

[1]Section 393.1075.5, RSMo, Supp. 2010.

[2]Similar to the rate design concept that the Commission has implemented for natural gas distribution companies.

customers as opposed to declining block rates. This is the commonly understood concept of rate design. For example, a NARUC glossary describes rate design as:

> "The type of prices used to signal consumers and recover costs. For example, these can involve block pricing, multi-part prices, seasonal rates, time-of-use rates, and bundled services."[3]

A recent publication on decoupling[4] clearly makes this distinction in Chapter 7 which is entitled "Rate Design Issues Associated With Decoupling." The chapter discusses a different form of customer charge, inclining block rates, seasonally differentiated rates and time-out-use rates as rate design alternatives. Clearly, if decoupling was the same thing as rate design, the RAP Publication would not discuss "Rate Design Issues Associated With Decoupling" (emphasis added), it would simply present decoupling as a rate design alternative.

Contrary to the plain meaning of rate design, some entities participating in the workshop have tried to interpret "decoupling" as a form of rate design. However, decoupling is clearly not rate design. Decoupling is a mechanism which guarantees that a utility can collect a specified amount of revenues (established during the test year of its most recent general rate proceeding) regardless of weather conditions, the economy and the success of consumer conservation efforts. Decoupling would amount to a major shift in the regulatory paradigm and would transfer substantial risk from utilities to consumers. Decoupling, rather than being a rate design mechanism, is a revenue recovery guarantee for utilities.

There is nothing in MEEIA that can be construed to authorize decoupling. The applicable language of MEEIA speaks of "cost recovery," not the recovery of lost revenues resulting from conservation efforts, and certainly not lost revenue resulting from changes in the economy or weather being different from normal.

---

[3]NARUC – IRC Staff Subcommittee Glossary, September 2007, at page 63.

[4]Revenue Regulation and Decoupling: A Guide to Theory and Application, The Regulatory Assistance Project, June 2011, pages 24 - 30.

II. The Impact of Changes in Rate Design Cannot Be Determined Generically

Given the correct understanding of rate design, and the discussion at the June 29 workshop, it is obvious that the impact of changes in rate design will be a function of two things: (1) The current design of rates, and (2) the modification sought to be made to those rates.

Rate design and rate modification are not matters appropriately addressed in workshops or other generic forums. Rather, these matters are utility specific and must be developed and addressed in the context of an evidentiary proceeding where data may be evaluated and opponents and proponents of particular rate designs can be subject to discovery and cross examination. This is only possible in the context of a regular evidentiary proceeding.

III. The Commission Should Enact A Rule Providing that the MEEIA's Rate Design Provision Cannot be Evaluated Generically

For the above reasons, MIEC believes all the MEEIA requires the Commission to do is promulgate a rule specifying that rate design impacts cannot be evaluated on a generic basis, but rather must be evaluated in the context of an evidentiary proceeding when a utility makes a filing involving a change in its rate design, such as straight fixed/variable rates, alteration of the structure of flat or declining block rates in the residential class, etc. This approach would allow the process to move forward with a minimum of delay and would be an efficient use of resources.

Respectfully submitted,

BRYAN CAVE, LLP

By: */s/ Diana Vuylsteke*_____

Diana M. Vuylsteke, # 42419
211 N. Broadway, Suite 3600
St. Louis, Missouri 63102
Telephone: (314) 259-2543
Facsimile: (314) 259-2020
E-mail: dmvuylsteke@bryancave.com

Attorney for the MIEC

July 22, 2011