Exhibit No. 750

MECG – Exhibit 750
Steve W. Chriss
Direct Testimony
File Nos. ER-2021-0240 & GR-2021-0241

Exhibit No:
Issue(s): Class Cost of Service / Revenue Allocation / Rate Design
Witness: Steve W. Chriss
Sponsoring Party: Midwest Energy Consumers Group
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2021-0240

DIRECT TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

MIDWEST ENERGY CONSUMERS GROUP

SEPTEMBER 17, 2021

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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 Decrease Its Revenues for Electric Service.	)))	File No. ER-2021-0240

AFFIDAVIT OF STEVE W. CHRISS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW STEVE W. CHRISS and on his oath declares that he is of sound mind and lawful age; that he prepared the attached Direct Testimony; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ *Steve W. Chriss*
Steve W. Chriss

Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Steve W. Chriss. My business address is 2608 SE J St., Bentonville, AR 72716-0550. I am employed by Walmart Inc. ("Walmart") as Director, Energy Services.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Midwest Energy Consumers Group ("MECG"), which is an incorporated association representing the interests of large commercial and industrial users of electricity. MECG members take electric service from Union Electric Company d/b/a Ameren Missouri ("Ameren" or "the Company") primarily on Service Classification No. 3(M) Large General Service Rate ("LGS"), Service Classification No. 4(M) Small Primary Service Rate ("SP"), and Service Classification No. 11(M) Large Primary Service Rate ("LP").

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My duties included research and analysis on domestic and international energy and regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties included appearing as a witness for PUC Staff in electric, natural gas, and telecommunications dockets. I joined the energy department at Walmart in July 2007 as Manager, State Rate Proceedings. I was promoted to Senior Manager, Energy Regulatory Analysis, in June 2011. I was promoted to my current position in October, 2016 and the position was re-titled in October, 2018. My Witness Qualifications Statement is attached as Exhibit SWC-1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I submitted testimony in Docket Nos. ER-2010-0036, EO-2012-0009, EC-2014-0224, ER-2014-0258, ER-2016-0023, EA-2016-0208, ER-2016-0179, ER-2016-0358, ET-2018-0063, ER-2018-0146, EM-2018-0012, ER-2018-0145, ER-2019-0335, and ER-2019-0374.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes. I have submitted testimony in over 240 proceedings before 40 other utility regulatory commissions. I have also submitted testimony before legislative committees in Kansas, Missouri, North Carolina, and South Carolina. My testimony has addressed topics including, but not limited to, cost of service and rate design, return on equity, revenue requirements, ratemaking policy, large customer renewable programs, qualifying facility rates, telecommunications deregulation, resource certification, energy efficiency/demand side management, fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings on construction work in progress.

Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?

A. Yes. I am sponsoring the exhibits listed in the Table of Contents.

Q. DO MECG'S MEMBERS HAVE A SIGNIFICANT IMPACT ON MISSOURI'S ECONOMY?

A. Yes. For example, as shown on Walmart's website, Walmart operates 156 retail units and four distribution centers and employs over 43,000 associates in Missouri. In fiscal year ending 2021, Walmart purchased $6.9 billion worth of goods and services from Missouri-based suppliers, supporting over 68,000 supplier jobs.[1]

Purpose of Testimony and Summary of Recommendations

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide MECG's response to class cost of service and rate design issues in Ameren's rate case filing and to provide recommendations to assist the Commission in its thorough and careful consideration of the customer impact of the Company's proposed rate increase.

Q. PLEASE SUMMARIZE MECG'S RECOMMENDATIONS TO THE COMMISSION.

A. MECG's recommendations to the Commission are as follows:

1) MECG supports the allocation of production plant fixed costs using the Company's proposed Average & Excess ("A&E") allocator based on the four non-coincident

[1] http://corporate.walmart.com/our-story/locations/united-states#/united-states/missouri

peaks ("NCP") for each customer class (together, "A&E 4NCP") allocator as modified slightly to comply with Section 393.1620.1(1) RSMo.

2) MECG does not oppose the remainder of the Company's proposed cost of service study. To the extent that alternative cost of service models or modifications to the Company's model are proposed by other parties, MECG reserves the right to address such changes in rebuttal testimony.

3) Due to the level of the Company's proposed increase, if the Commission were to award Ameren its proposed revenue requirement increase, the Commission should reject the Company's revenue allocation proposal and assign an equal percentage increase to all classes.

4) If the Commission awards a revenue requirement increase that is lower than that proposed by the Company, MECG recommends the Commission take significant steps to address the above cost rates paid by Small General Service ("SGS"), LGS, SP, and LPS. Specifically, MECG recommends that the Commission allocate the revenue increase using the following steps:

    a. Apply half of the difference between the approved revenue requirement and Ameren's proposed revenue requirement as a reduction to SGS, LGS, SP, LPS, and Company Owned Lighting based on the proportional contribution of each class to the overall revenue neutral shift to cost of service from the Company's proposed cost of service study; and

    b. Apply the remaining half of the difference between the approved revenue requirement and Ameren's proposed revenue requirement on an equal percentage basis to all customer classes.

5) The Commission should require the Company to show all components of bill calculation of Electronic Data Interchange ("EDI") bills.
6) For the purposes of this docket, at the Company's proposed revenue requirement for the LGS and SP classes, MECG recommends that the Commission:
    a. Accept Ameren's proposed customer charges and on-peak and off-peak adjusters for both LGS and SP, and Ameren's proposed Rider B credits and reactive charge for SP;
    b. Increase the summer and winter demand charges for LGS and SP by three times the percent class increases; and
    c. Apply the remaining proposed increase on an equal percentage basis to the summer and winter energy charges.
7) If the Commission awards an increase for these classes that is lower than that proposed by the Company, then the Commission can then take larger steps to address the over-recovery of demand-related costs through energy charges and associated intra-class subsidies. Specifically, the Commission should set the demand charges per MECG's recommendation above and apply the approved reduction in the class revenue requirement by reducing all base rate energy charges on an equal percentage basis.

Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE COMPANY INDICATE MECG'S SUPPORT?

A. No. The fact that an issue is not addressed herein or in related filings should not be construed as an endorsement of, agreement with, or consent to any filed position.

General Concerns Regarding Ameren's Proposed Revenue Requirement

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED REVENUE REQUIREMENT INCREASE IN THIS DOCKET?

A. My understanding is that Ameren has requested a revenue increase in this docket of approximately $299 million, or 11.97 percent, based on a test year ending December 31, 2020, with certain pro forma adjustments to include known and measurable items through September 30, 2021. *See* Counsel Filing Letter, page 1 and Schedule 1 – Min. Filing Reqmt. 3(B)1.

Q. HAVE THE COMPANY'S RATES SIGNIFICANTLY INCREASED FOR LARGE USERS OVER THE LAST 13 YEARS?

A. Yes. For example, analysis for FERC Form 1 data shows that between 2008 and 2020, and not inclusive of the increases proposed in the instant docket, Ameren's reported revenue per kWh sold to LGS customers has increased from $0.0563/kWh to $0.0772/kWh, an increase of 37.1 percent. However, as recently as 2018, revenue per kWh sold to LGS customers was 50.3 percent higher than 2008, with relief brought about primarily by the Tax Cuts and Jobs Act. Figure 1 and Exhibit

SWC-2 show the increase in revenue per kWh sold (left axis) and the cumulative percent increase over the period (right axis).

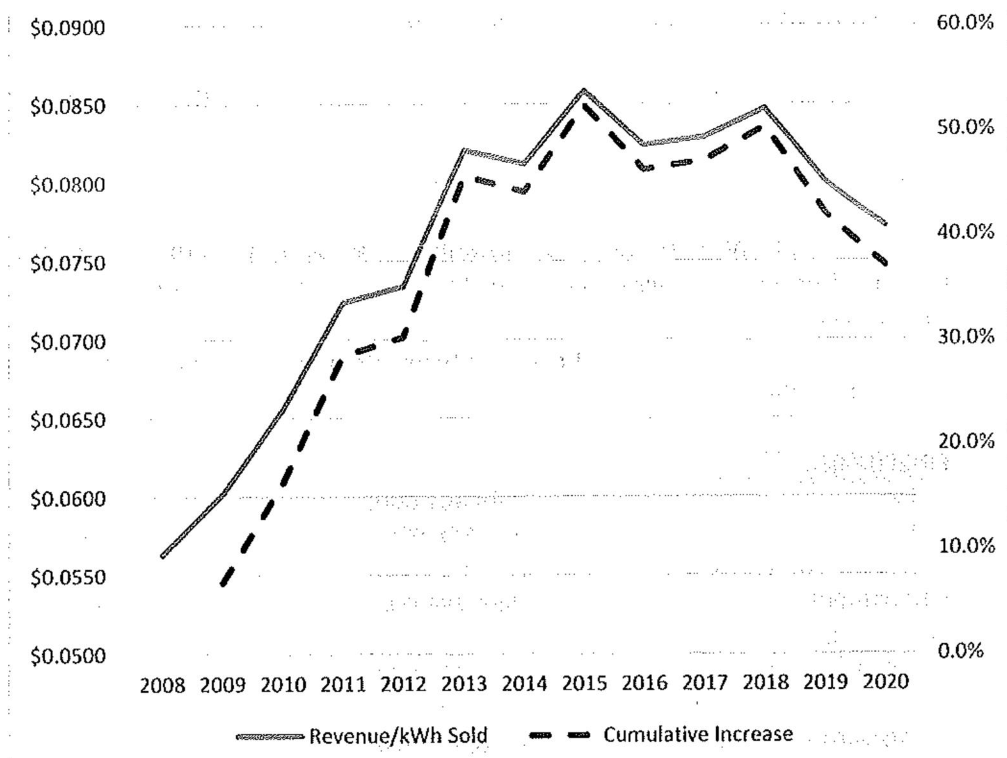

Figure 1. FERC Form 1 Reported LGS Revenue Per kWh Sold and Cumulative Percent Increase, 2008 - 2018. Source: Exhibit SWC-2

Q. HAVE LGS AND SP CUSTOMERS PAID RATES IN EXCESS OF COST OF SERVICE DURING THIS PERIOD AS WELL?

A. Yes. As I will discuss in more detail below, LGS and SP customers have paid rates in excess of cost of service for the time period shown in Figure 1.

Q. PLEASE EXPLAIN.

A. An examination of the revenue neutral[2] results for Ameren rate cases filed since 2007 show that rates for the LGS and SP classes have been set well in excess of cost of service since the 2007 rate case.[3] Table 1 summarizes the Company's final class cost of service study results in each rate case.

Table 1. Summary of Revenue Changes, Per Ameren Cost of Service Study Results, Required to Move LGS and SP to Cost of Service in Previous Ameren Rate Cases.

Rate Case	Revenue Change Required to Move LGS/SP to Cost of Service	
	($)	(%)
ER-2007-0002		
LGS	($43,441,000)	-10.2
SP	($8,148,000)	-4.5
ER-2008-0318 (LGS & SP)	($47,863,000)	-7.66
ER-2010-0036 (LGS & SP)	($64,785,000)	-9.74
ER-2011-0028 (LGS & SP)	($63,653,000)	-8.94
ER-2012-0166 (LGS & SP)	($59,937,000)	-7.99
ER-2014-0258 (LGS & SP)	($68,705,063)	-8.54
ER-2016-0179 (LGS & SP)	($26,675,524)	-3.40
ER-2019-0335 (LGS & SP)	($84,130,291)	-10.44

Source: Direct Testimony of Steve W. Chriss, Table 1 and Schedule SWC-3 on behalf of The Midwest Energy Consumers Group, Case No. ER-2019-0335

Q. HAS AMEREN PROPOSED A REVENUE REQUIREMENT CHANGE FOR LGS AND SP CUSTOMERS THAT REFLECTS MOVEMENT TOWARDS THE COST TO SERVE THOSE CUSTOMERS?

A. No. Per Ameren's cost of service study results in this case, at the Company's

[2] Revenue neutral results represent the revenue change for each class necessary to bring that class to its cost of service level per the cost of service study results, as determined prior to any rate change granted to the utility.
[3] Since 2007, the LGS and SP classes have been treated together for purposes of conducting class cost of service studies.

proposed revenue requirement, the LGS and SP classes should receive a 1.4 percent increase. Therefore, even if Ameren is granted the full proposed 11.93 percent rate increase, Ameren's own cost of service study indicates that LGS and SP should receive only a 1.4 percent rate increase. *See* Direct Testimony of Michael W. Harding, page 5, Table 2. However, as I will discuss in more detail below, the Company has proposed an 11.96 percent increase for LGS and an 11.98 percent increase for SP. *Id.*, page 6, Table 3. As such, Ameren is proposing that LGS rates be set approximately $53.5 million above cost of service and that SP rates be set approximately $23.3 million above cost of service. In total, Ameren's proposal would mean that LGS and SP customers together would pay rates that are almost $77 million per year above cost of service levels. *See* Exhibit SWC-3.

Q. SHOULD THE COMMISSION CONSIDER THE IMPACT OF THE PROPOSALS IN THIS DOCKET ON LGS AND SP CUSTOMERS IN SETTING THE CLASS REVENUE REQUIREMENTS AND RATE DESIGNS IN THE IMMEDIATE PROCEEDING?

A. Yes. Electricity represents a significant portion of operating costs for MECG members. When rates increase, that increase in cost puts pressure on the other expenses required by a business to operate. The Commission should consider the impact on customers thoroughly and carefully in their examination of all facets of this case, to ensure that any increase in Ameren's rates is only the minimum amount necessary for the utility to provide adequate and reliable service to each customer class.

Cost of Service and Revenue Allocation

Q. GENERALLY, WHAT IS MECG'S POSITION ON SETTING RATES BASED ON THE UTILITY'S COST OF SERVICE?

A. MECG advocates that rates be set based on the utility's cost of service for each rate class. This produces equitable rates that reflect cost causation, sends proper price signals, and minimizes price distortions.

Production Plant Cost Allocation

Q. WHAT IS YOUR UNDERSTANDING OF THE PURPOSE OF PRODUCTION PLANT FIXED COST ALLOCATION?

A. Production plant cost allocation is the process of allocating to each customer class the fixed costs of a utility's generation assets. Fixed costs are defined as costs that do not vary with the level of output and must be paid even if there is no output.[4]

Q. DO A UTILITY'S FIXED PRODUCTION PLANT COSTS CHANGE WITH CHANGES IN THE AMOUNT OF ELECTRICITY GENERATED?

A. No. The utility's fixed production plant costs do not change with changes in the amount of electricity generated. For example, if a generating unit is not dispatched and produces no energy, the fixed costs are not avoided by the utility or customers. Generation units can be built and operated for different reasons, such as lower fuel costs, or reliability, but the way in which a generation unit is operated does not change

[4] Pindyck, Robert S. and Daniel L. Rubinfeld, "Microeconomics", 5th ed., 2001, page 206.

the fact that the fixed costs are, in fact, fixed, and should be treated as such in the production capacity cost allocation.

Q. IS IT YOUR UNDERSTANDING THAT PRODUCTION PLANT CAPACITY IS SIZED TO MEET THE MAXIMUM DEMAND IMPOSED ON THE SYSTEM BY THE COMPANY'S CUSTOMERS?

A. Yes. It is my understanding that the timing and size of a utility's production plant capacity additions are generally made to meet the maximum demand placed on the utility's system by all customer classes, also known as its coincident peak ("CP"). All of a utility's generation units are needed to meet that demand, and removing any of the units from that stack will limit the utility's ability to do so.

Q. WHY IS IT IMPORTANT FOR THE ALLOCATION OF PRODUCTION PLANT COST TO RECOGNIZE THAT PRODUCTION CAPACITY IS DESIGNED TO MEET SYSTEM PEAK?

A. Basing the allocation of production plant fixed costs on the utility's system peak ensures that the resulting rates reflect cost causation and minimizes cost responsibility shifts between rate classes. Allocation of fixed production plant costs on a variable, or energy, basis can introduce shifts in cost responsibility from lower load factor classes to higher load factor classes. Under an energy allocator, two customer classes can have the same contribution to system peak demand in the test year and cause the Company to incur the same amount of fixed cost to meet that demand, but because one class uses more kWh than the other, that class will pay more of the demand cost than the class that uses fewer kWh. Additionally, use of an energy allocator implies that the generation plant to which that allocator is applied has no fixed cost, which is plainly not the case.

Q. WHAT IS YOUR UNDERSTANDING OF CHANGES IN MISSOURI LAW REGARDING PRODUCTION PLANT COST ALLOCATION?

A. While I am not an attorney, my understanding is that Section 393.1620.2 RSMo states:

> "In determining the allocation of an electrical corporation's total revenue requirement in a general rate case, the commission shall only consider class cost of service study results that allocate the electrical corporation's production plant costs from nuclear and fossil generating units using the average and excess method or one of the methods of assignment or allocation contained within the National Association of Regulatory Utility Commissioners 1992 manual or subsequent manual."

Additionally, Section 393.1620.1(1) RSMo defines "Average and excess method" as:

> "...a method for allocation of production plant costs using factors that consider the classes' average demands and excess demands, determined by subtracting the average demands from the noncoincident peak demands, for the four months with the highest system peak loads. The production plant costs are allocated using the class average and excess demands proportionally based on the system load factor, where the system load factor determines the percentage of production plant costs allocated using the average demands, and the remainder of production plant costs are allocated using the excess demands;"

Q. ARE YOU GENERALLY FAMILIAR WITH THE PRODUCTION COST ALLOCATORS INCLUDED IN THE ELECTRIC UTILITY COST ALLOCATION MANUAL PUBLISHED BY THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS IN JANUARY, 1992 ("NARUC MANUAL")?

A. Yes. The NARUC Manual describes 13 production plant allocation methods, as summarized below. In examining the methods, particularly those in which generation resources are assigned operating roles as baseload or peaking resources, it is important to recognize that the NARUC Manual was published in 1992, several years before the Federal Energy Regulatory Commission issued Order 888 in 1996 and Order 2000 in 1999, which enabled the creation of Independent System Operators and Regional Transmission Organizations. The centralized operation of these organizations across broader regions renders a utility-specific assignment of generation resources to roles, and associated production plant cost allocators, less relevant now than they would have been when the NARUC Manual was published.

1) Peak Demand Methods

a. Single Coincident Peak Method ("1CP"), which allocates production plant costs according to customer class contributions to the utility's highest measured one-hour demand in the test year. *See* NARUC Manual, page 44.

b. Summer and Winter Peak Method, which, if the summer and winter peaks are close in value, allocates production plant costs according to the average of customer class contributions to those seasonal peaks. *Id.*, page 45.

c. The Sum of the Twelve Monthly Coincident Peak Method ("12CP"), which, if monthly peaks "lie within a narrow range", allocates production plant costs according to the average of customer class contributions to the CP in each month of the year. *Id.*, page 46.

d. Multiple Coincident Peak Method, which allocates production plant costs according to the average of customer class contributions to more than one peak, which can represent more than one of the monthly CP, or more than one specified hour across the year, even within a month. *Id.* In my experience, in fully vertically integrated jurisdictions, this methodology uses one or more of the monthly CP, typically focused on the traditional four summer peak months. More generally, the NARUC Manual suggests thresholds for inclusion of five and ten percent of the maximum system peak.

e. All Peak Hours Approach, which allocates production plant costs according to the average of customer class contributions to all defined peak hours. *Id.*, page 47.

2) Energy Weighting Methods

a. A&E, which I will discuss in more detail below, and is suggested by the NARUC Manual as an appropriate method to use if the Commission determines it appropriate to include average demand, which is essentially energy, in production plant cost allocation. *Id.*, page 49.

b. Equivalent Peaker Method, which is based on generation planning and designates generation units as either demand (peaking) or energy (baseload), or some mix thereof, to determine the percent of production plant costs that are to be allocated to the customer classes based on demand and energy. The NARUC Manual notes that this method ignores the relative fuel costs and savings that can occur with different generation types. *Id.*, page 52 to page 55.

c. Base and Peak Method, which is similar to the Equivalent Peaker Method, but assigns the energy portion of production plant cost based on class contributions to on-peak energy usage. *Id.*, page 55 to page 56.

d. Judgmental Energy Weightings, which is essentially a catch all for the Peak and Average Demand methodology, which the Commission has previously rejected as it "has the effect of double counting average demand,"[5] and the 12CP and 1/13th Average Demand methodology, which in my experience has only been used at the Florida Public Service Commission. *Id.*, page 57.

3) Time-Differentiated Embedded Cost of Service Methods

a. Production Stacking Methods, which, similarly to the Equivalent Peaker Method, designate certain generation resources as baseload to be allocated on an energy basis, with remaining generation to be allocated on a demand basis. *Id.*, page 59 to page 60.

b. Base-Intermediate-Peak Method, which assigns generation resources to peak hours, secondary peak, or intermediate, hours, and baseload hours. Costs for peak resources would then be allocated per a CP allocator, for intermediate resources would be allocated per class contributions to the intermediate period, and for baseload resources would be allocated per an energy allocator. *Id.*, page 60 to page 62.

c. Loss of Load Probability ("LOLP") Production Cost Method, in which hourly

[5] *See* File No. ER-2014-0258, Report and Order, April 29, 2015, page 71.

LOLPs are calculated and the hours grouped into on-peak, off-peak, and shoulder periods. Production plant costs are allocated to rating periods according to the relative proportions of LOLPs occurring in each, and then allocated to classes using the allocators determined to be appropriate for each rating period. *Id.*, page 62.

d. Probability of Dispatch Method, which analyzes the hourly load curve for the utility and the generation resources normally used to serve each hourly load. The annual revenue requirement of each generation resource is then divided by the number of hours it operates in the year to create a "per hour cost." The per hour costs are then allocated to classes according to class energy usage in each hour. *Id.*

Q. WHAT IS YOUR UNDERSTANDING OF THE PRODUCTION COST ALLOCATOR PROPOSED BY AMEREN IN THIS DOCKET?

A. My understanding is that Ameren proposes an A&E allocator based on the four non-coincident peaks ("NCP") for each customer class, or A&E 4NCP. The Company proposes to use the four NCP for each customer class regardless of when during the year those NCP occurred, and those four NCP are averaged in the calculation of the allocator. Additionally, the Company proposes to manually adjust the Lighting Classes to recognize that the classes tend to peak during off-peak winter periods. *See* Direct Testimony of Thomas Hickman, page 14, line 18 to page 15, line 6.

Q. WHAT IS YOUR UNDERSTANDING OF AN A&E ALLOCATOR?

A. An A&E allocator is an allocator that recognizes the contribution of each class to the utility's average demand, which is total annual kWh divided by 8,760 hours in a typical year, as well as the relative peak demand of each class. As such, A&E is a methodology often used when a Commission determines that production plants are used to provide energy as well as peak demand. However, the A&E allocator differs from other allocators that have an energy component in that it does not double count the energy portion of the allocator, as is the case with the Peak and Average allocator as discussed above. Additionally, the A&E allocator does not rely on fixed subjective resource weightings that are incompatible with the flexible nature of regional transmission organization dispatch of generation, as is the case with the Base-Intermediate-Peak allocator. As such, even with its use of energy as part of the allocator, the A&E allocator is, in my experience, an objective, transparent, and reasonable production plant cost allocator.

Mechanically, the CP or NCP peak demand value for each class – in Ameren's case, 4NCP – is subdivided into average demand and excess demand. The average demand, or energy portion for each class, is weighted by the system load factor. The excess demand portion, which is the difference between the average demand and the peak demand for each class, is weighted by 1 minus the system load factor. As a result, as system load factor increases and the system gets less peaky, the overall weighting of the average demand portion of the allocator increases, and conversely, as the system load factor decreases and the system gets more peaky, the overall weighting of the excess demand portion of the allocator increases. At a theoretical maximum of 100 percent system load factor, the A&E allocator is essentially an energy allocator.

Q. HAVE YOU EXAMINED THE COMPANY'S PROPOSED A&E 4NCP ALLOCATOR?

A. Yes. Upon examination of the calculation of Ameren's proposed allocator, it appears that allocator differs slightly from that specified in Section 393.1620.1(1) RSMo, in that the months used for the 4NCP in the A&E 4NCP are "determined...for the *four months with the highest system peak loads.*" As shown in Exhibit SWC-4 row (9), the four months with the highest system peak loads are February, June, July, and August, but in rows (10) through (14) the class NCPs used for the calculation of the allocator are, depending on the class, from January, March, April, May, June, July, August, and September.

Q. HAVE YOU CALCULATED THE 4NCP A&E PER THE LANGUAGE IN SECTION 393.1620.1(1) RSMo?

A. Yes, as shown in Exhibit SWC-5. This calculation uses the class NCPs from the four months with the highest system peak loads (February, June, July, and August), and also accepts Ameren's lighting proposal and the Company's use of a single CP for the calculation of the system load factor. As shown in Table 2, the difference in outcomes is relatively small, with the largest changes being an addition of 0.24 percent to Residential and a reduction of 0.25 percent to LPS.

Table 2. Comparison of Ameren Proposed and Section 393.1620.1(1) RSMo A&E 4NCP Results.

Customer Class	Ameren Proposed A&E 4NCP (%)	Per 393.1620.1(1) A&E 4NCP (%)	Difference (%)
Residential	52.53	52.76	+0.24
SGS	10.93	10.89	-0.03
LGS/SP	28.71	28.77	+0.05
LPS	7.50	7.24	-0.25
Lighting	0.34	0.33	-0.01

Source: Exhibit SWC-5

Q. **HAVE YOU CALCULATED ALLOCATORS FOR OTHER PRODUCTION PLANT COST ALLOCATION METHODS INCLUDED IN THE NARUC MANUAL THAT MECG BELIEVES ARE ALSO REASONABLE?**

A. Yes. Based on the discussions above regarding the nature of production plant costs and allocators included in the NARUC Manual and an examination of Ameren's system peaks from their proposed test year data, it would be reasonable to allocate production plant costs on a 1CP basis or multiple CP basis at either five or ten percent of maximum system peak.

Q. **BASED ON YOUR ANALYSIS, HOW MANY CPS SHOULD BE INCLUDED IN THE TWO MULTIPLE CP ALLOCATORS?**

A. Based on my analysis of Ameren's monthly peaks for the test year, a multiple CP production plant cost allocator should use a 2CP based on the system peaks in July and August at the five percent of maximum system peak level and a 3CP based on the system peaks in June, July, and August at the 10 percent of maximum system peak level. *See* Figure 2.

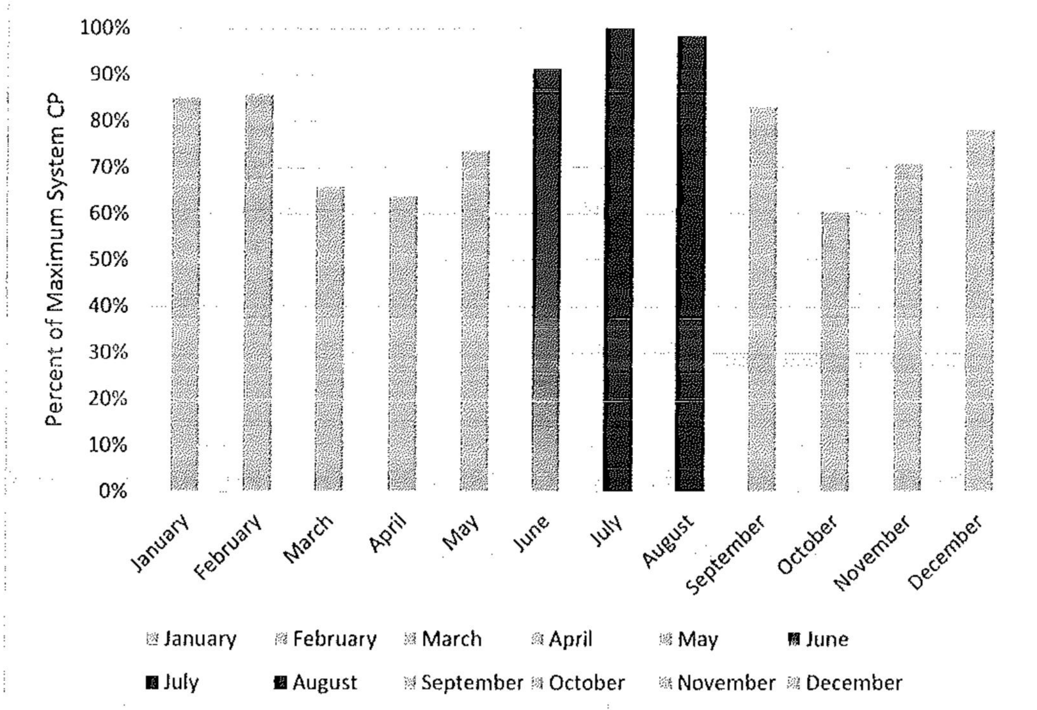

Figure 2. Ameren Monthly System CP as a Percentage of Maximum System CP. Source: Exhibit SWC-6

Q. WHAT ARE THE RESULTING REASONABLE CP-BASED ALLOCATORS BASED ON AMEREN'S PROPOSED TEST YEAR DATA?

A. The resulting reasonable CP-based allocators are shown in Table 3 along with the Ameren Proposed and Section 393.1620.1(1) 4NCP allocators for comparison purposes. One notable difference between the CP-based allocators and the A&E allocators is that a portion of production plant cost is allocated to Lighting by the A&E allocators.

Table 3. Comparison of CP-Based Allocators with Ameren Proposed and Section 393.1620.1(1) A&E 4NCP Results.

Customer Class	1CP (%)	2CP @ 5% of Max (%)	3CP @ 10% of Max (%)	Per Section 393.1620.1(1) A&E 4NCP (%)	Ameren Proposed A&E 4NCP (%)
Residential	53.34	53.36	53.08	52.76	52.53
SGS	10.86	10.85	10.79	10.89	10.93
LGS/SP	28.56	28.36	28.52	28.77	28.71
LPS	7.23	7.42	7.61	7.24	7.50
Lighting	0.00	0.00	0.00	0.33	0.34

Sources: Exhibits SWC-5 and SWC-6

Q. WHAT IS MECG'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. For the purposes of this docket, MECG supports the allocation of production plant cost using the Company's proposed A&E 4NCP allocator as modified slightly to comply with Section 393.1620.1(1) RSMo. MECG believes that the A&E 4NCP methodology is reasonable, and for commercial and industrial customers, the results of the Company's proposed allocator are generally similar to the reasonable CP-based allocators calculated above.

Revenue Allocation

Q. HOW DOES THE COMPANY REPRESENT WHETHER RATES FOR A CUSTOMER CLASS ACCURATELY REFLECT THE UNDERLYING COST OF SERVICE?

A. The Company represents this relationship in its cost of service study results through the use of class-specific rates of return. *See* Schedule TH-D1. These rates of return can be converted into a rate of return index ("RRI"), which is an indexed measure of the relationship of the rate of return for an individual rate class to the total system rate of return. An RRI greater than 1.0 means that the rate class is paying rates in excess of the costs incurred to serve that class, and an RRI less than 1.0 means that the rate class is paying rates less than the costs incurred to serve that class. As such, those rate classes with an RRI greater than 1.0 shoulder some of the revenue responsibility for the classes with an RRI less than 1.0.

Q. HAVE YOU CALCULATED A RRI FOR EACH CUSTOMER CLASS BASED ON AMEREN'S COST OF SERVICE RESULTS?[6]

A. Yes, as shown in Table 4 below.

Table 4. Rate of Return Index, Ameren Proposed Cost of Service Study Results.

Customer Class	Rate of Return (%)	RRI
Residential	3.10	0.65
Small General Service	5.15	1.08
Large General Service/Small Primary Service	7.35	1.54
Large Primary Service	7.70	1.62
Company Owned Lighting	9.02	1.89
Customer Owned Lighting	-4.57	(0.96)

Sources: Exhibit SWC-7 and Schedule TH-D1

Q. DO THE RATES FOR THE LGS AND SP CLASSES PROVIDE A RATE OF RETURN FOR THE COMPANY IN EXCESS OF THEIR COST OF SERVICE LEVELS?

A. Yes. As shown in Table 4, Ameren's cost of service results show that LGS and SP, with an RRI of 1.54, provide a rate of return significantly above the cost of service

[6] The slight modification to Ameren's A&E methodology discussed above would not materially change the rate of return index calculated for each class.

level for the class. Additionally, SGS, LPS, and Company Owned Lighting are also paying rates in excess of their respective cost of service levels, though SGS is much closer to cost of service than the other rate classes.

Q. HAVE LGS AND SP RATES PROVIDED A RATE OF RETURN ABOVE THEIR COST OF SERVICE LEVELS SINCE THE COMPANY'S 2007 RATE CASE?

A. Yes. As shown in Table 5, LGS and SP rates have provided a rate of return above their cost of service levels in every rate case back to and including the Company's 2007 rate case. In total, as shown in Table 1 earlier in this testimony, this has resulted in LGS and SP customers paying rates well in excess of the Company's cost to serve them since 2007.[7] As such, rate relief is long overdue.

Table 5. LGS/SP Rate of Return, Ameren Cost of Service Study Results, Past Rate Cases.

Case	LGS/SP Rate of Return (%)	Total Missouri Rate of Return (%)	Rate of Return Index Value
ER-2007-0002 (LGS)	5.86	2.74	2.14
ER-2007-0002 (SP)	4.47	2.74	1.63
ER-2008-0318	7.01	4.06	1.73
ER-2010-0036	6.12	1.89	3.24
ER-2011-0028	8.26	4.59	1.80
ER-2012-0166	6.32	2.89	2.19
ER-2014-0258	7.57	4.44	1.71
ER-2016-0179	9.73	5.41	1.80
ER-2019-0335	11.35	7.37	1.54
Present Case	7.35	4.76	1.54

Source: Table 4, Direct Testimony of Steve W. Chriss, Table 3, on behalf of The Midwest Energy Consumers Group, Case No. ER-2019-0335

[7] Prior to 2007 Ameren had not had a general rate case for approximately 20 years.

Q. HAS THE COMPANY CALCULATED THE REVENUE NEUTRAL[8] REVENUE CHANGES REQUIRED TO BRING EACH CLASS TO COST OF SERVICE PER THE COMPANY'S COST OF SERVICE STUDY IN THIS CASE?

A. Yes, as shown in Table 6.

Table 6. Revenue Neutral Shift Results, Ameren Proposed Cost of Service Study.

	Revenue Neutral Shift	
Customer Class	**($000)**	**(%)**
Residential	$93,202	7.32
Small General Service	($4,258)	-1.55
Large General Service/Small Primary Service	($66,501)	-9.14
Large Primary Service	($17,855)	-9.47
Company Owned Lighting	($6,183)	-17.35
Customer Owned Lighting	$1,594	55.96

Source: CCOS Spreadsheet, tab SCH 1

For LGS and SP specifically, the revenue neutral change required is a reduction of approximately $66.5 million.

Q. DOES THE COMPANY STATE THAT EQUAL RATES OF RETURN FOR EACH CLASS ARE AN APPROPRIATE STARTING POINT WHEN DESIGNING RATES?

A. Yes. The Company states that equal rates of return (i.e., rates set at cost of service) for all customer classes are an appropriate starting point for designing rates for three reasons:

1) Equity and fairness to all electric customers;

[8] Revenue neutral refers to the changes necessary to bring each class to cost of service assuming no overall change in the utility's revenues.

2) Encouraging cost-effective utilization of electricity; and
3) Competition, in that cost-based electric rates permit the Company to compete with alternative fuels, co-generation, and other electric providers for new commercial and industrial customers. *See* Direct Testimony of Michael W. Harding, page 3, line 13 to page 4, line 10.

Q. HAS THE COMPANY STATED IN THE PAST THE ROLE OF A REGULATOR RELATIVE TO COST OF SERVICE IN THE SETTING OF RATES?

A. Yes. In Case No. EC-2014-0224, Ameren witness Terry M. Jarrett states that "[t]he regulator's job is to make sure the rates are fair according to the cost of service for each class." *See* Case No. EC-2014-0224, Rebuttal Testimony of Terry M. Jarrett, page 6, line 9 to line 10.

Q. WHAT IS YOUR UNDERSTANDING OF AMEREN'S PROPOSED REVENUE ALLOCATION IN THIS CASE?

A. My understanding is that Ameren has put forth a two-step revenue allocation proposal:

1) Increase or decrease current base retail revenues on a revenue neutral basis for the two Lighting classes; and
2) Allocate the increase or decrease on an equal percentage basis after any potential revenue neutral adjustments in step 1. *See* Direct Testimony of Michael W. Harding, page 5, line 8 to page 6, line 2.

Q. IS THE COMPANY'S PROPOSAL EFFECTIVELY AN EQUAL PERCENTAGE INCREASE FOR ALL CUSTOMER CLASSES WITH THE EXCEPTION OF CUSTOMER-OWNED LIGHTING?

A. Yes, Ameren's proposal is effectively an equal percent increase as all classes, with the exception of Customer-Owned Lighting, are proposed to receive increases between 11.80 percent and 11.99 percent, versus an average increase of 11.93 percent. *See* Direct Testimony of Michael W. Harding, page 6, Table 3.

Q. HOW DOES THE COMPANY CHARACTERIZE ITS REVENUE ALLOCATION PROPOSAL?

A. The Company characterizes its revenue allocation proposal as "a modest departure from establishing class revenue requirements on the basis of equal class rates of return as shown in its CCOSS." *Id.*, page 5, line 4 to line 5. This characterization is, at best, a complete misrepresentation of the Company's proposal, which not only departs from establishing class revenue requirements on the basis of equal class rates of return, but charges headlong to move rates further from cost-based levels. As an example, the Company actually proposes an above average increase for both LGS and SP – 11.96 percent and 11.98 percent, respectively. This proposed increase is greater than the 11.93 percent system average increase counter to their own evidence that supports a 1.4 percent cost-based increase and moves LGS and SP further from cost-based rates. *Id.*, page 6, Table 3.

Q. WHAT IS MECG'S RECOMMENDATION TO THE COMMISSION IF THE COMMISSION WERE TO AWARD AMEREN ITS PROPOSED REVENUE REQUIREMENT INCREASE?

A. Due to the level of the Company's proposed increase, if the Commission were to award Ameren its proposed revenue requirement increase, the Commission should reject the Company's revenue allocation proposal and assign an equal percentage increase to all classes.

Q. WHAT IS MECG'S RECOMMENDATION TO THE COMMISSION IF THE COMMISSION AWARDS A REVENUE REQUIREMENT DECREASE LOWER THAN THAT PROPOSED BY THE COMPANY?

A. If the Commission awards a revenue requirement increase lower than that proposed by the Company, MECG recommends the Commission take significant steps to bring the rates paid by SGS, LGS, SP, and LPS closer to their cost of service-based levels. Specifically, MECG recommends that the Commission allocate the revenue increase using the following steps:

1) Apply half of the difference between the approved revenue requirement and Ameren's proposed revenue requirement as a reduction to SGS, LGS, SP, LPS, and Company Owned Lighting based on the proportional contribution of each class to the overall revenue neutral shift to cost of service from the Company's proposed cost of service study; and