BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Annual Revenues for Electric Service	))))	Case No. ER-2022-0337

REPLY BRIEF OF
THE MISSOURI INDUSTRIAL ENERGY CONSUMERS

COMES NOW the Missouri Industrial Energy Consumers ("MIEC") and for its Reply Brief states as follows:

The only parties providing substantial and competent evidence to support the Commission's decision on class cost of service ("CCOS") in this case are the MIEC, MECG and Ameren Missouri. As discussed in the initial briefs of these three parties, the Commission Staff's CCOS study is riddled with inconsistencies and errors, and advocates cost allocations which could fairly be described as bizarre.

Regarding revenue allocation, the only parties providing substantial and competent evidence are the MIEC and the MECG, which both support options for the Commission to make relatively modest adjustments toward class cost of service ("CCOS"). In contrast, Ameren Missouri, as well as OPC and the parties representing residential consumers, advocate for an equal percentage or greater rate increase for large customers in complete disregard of the CCOS evidence in this case. At the extreme end, the Staff advocates for revenue allocations which are based on its flawed and erroneous CCOS (as well as a late proposal at the evidentiary hearing for an equal percentage allocation conditional on a time-of-use overlay, without basis in the record). Because the Staff's proposed revenue allocation is premised on its flawed

CCOS study, the Staff's allocation is likewise unsupported by the evidence in this case. Contrary to Staff's arguments, its CCOS study fails to reflect cost-causation and fails to comport with any accepted class cost service allocation method. No expert witness in this case could identify any state or any utility using a method comparable to that used by Staff.[1]

Staff's initial brief erroneously argues that the CCOS studies provided by MIEC, MECG and Ameren Missouri rely on an approach for allocation of the production revenue requirement that is inconsistent with Ameren Missouri's participation in the MISO energy and capacity markets.[2] Staff's argument is incorrect and unsupported – the MISO market has increased market efficiency and transparency by making it clear Ameren's marginal cost of energy and capacity, while leaving the embedded cost of Ameren Missouri's generation fleet constructed to meet customers' energy and capacity requirements largely unchanged.[3] Contrary to Staff, the existence of MISO and the operation of its markets have not changed the relevance of 4 NCP A&E and other traditional cost methods.[4]

Staff's initial brief discusses the question raised by Chairman Rupp during the evidentiary hearing in this case, in which he noted that it was a common argument from industrials that revenue responsibilities are "out of whack", and wondering (based off of the A&E method and previous class cost of service studies relied upon)

[1] *See* p. Tr. p. 117, ll. 4 – 22; p. 165 ll. 4 – 6.

[2] Staff Initial Brief at p. 4.

[3] Exh. 41, Surrebuttal Testimony of Steve Wills p. 27, l. 3 – 7.

[4] Id. at ll. 7-12.

how far the different rate classes are from parity.[5] Staff states that it is a "virtual certainty" that "when Ameren Missouri submits a study under which 70 percent of billions of dollars in increasing rate base is allocated to small customers, that study will show that revenue targets established in a prior base no longer align with a new cost of service calculation bloated by hundreds of millions of dollars of additional ratebase".[6] This again demonstrates the flawed nature of Staff's analysis - most of demand and energy usage on Ameren Missouri's system is caused by customers in the residential and SGS classes, so naturally small customers bear the greater allocation of rate base than large customers.[7]

Staff asserts that, absent an update to the CCOSS formally incorporating all the elements of the revenue settlement discussion, the CCOSS cannot serve as a guide for overall revenue allocation of the settlement increase.[8] This is nonsense, amounting to nothing more Staff's weak attempt to avoid addressing the logical consequence of the CCOS in this case.

The only scenario where it would be useful to perform an entirely new CCOSS using the settlement revenue requirement values would be if the goal is to match class revenues exactly with CCOS. This would be absurd and unnecessary. Although the evidence clearly shows that most classes currently are far from cost of service, no party is taking the position that rates must be moved all the way to cost of service.

[5] T. pp. 62, l. 18 – 63, l. 3.

[6] Staff Initial Brief at pp. 13-14.

[7] Exh. 37, Hickman Surrebuttal at p 10.

[8] Staff Initial Brief at p. 26.

MIEC's proposal is to move 50% of the way (not 100%) toward class cost of service. An overall revenue increase of about 5% would mean that roughly 95% of costs are already included in rates. With final rates being 5% above current rates (and roughly 5% below Ameren's proposed rates), coupled with a 50% movement toward cost of service using Ameren's proposed CCOSS as the baseline, and adjusting for the lower level of rate increase, it is perfectly reasonable and consistent with standard practice to follow the method shown on MIEC witness Brubaker's proposed settlement spread[9] for implementation the increase.

MIEC is not aware of any instance where the Commission has required a completely new COSSS completely just because the final revenue requirement (as always) differs from either current or proposed rates. Such an approach would make it practically impossible for parties to settle revenue allocation in any rate case.

As stated by the famed economist John Maynard Keynes: "it is better to be roughly right than precisely wrong". As in all things, including electric utility regulation, the "perfect" should not be allowed to be the enemy of the "better." MIEC witness Brubaker's recommendation to move 50% toward cost of service is fully supported by the evidence.[10]

---

[9] Exh. 353

[10] Despite insinuations by Staff counsel during cross examination of Mr. Brubaker, the 50% movement toward CCOS was included in Mr. Brubaker's direct testimony and was not a "new" proposal. *See* Exh. 353, Tr. p. 379, l. 3 – p. 382, l. 3; see also Exh. 360, p. 41.

Respectfully submitted,

Curtis, Heinz, Garrett & O'Keefe, P.C.

By: /s/ Diana M. Plescia
Diana M. Plescia #42419
130 S. Bemiston, Suite 200
St. Louis, Missouri 63105
Telephone: (314) 725-8788
Facsimile: (314) 725-8789
E-mail: dplescia@chgolaw.com

Attorney for the Missouri Industrial
Energy Consumers

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed to all parties on the Commission's service list in these cases.

/s/ Diana M. Plescia