BEFORE THE PUBLIC SERVICE COMMISSION STATE OF MISSOURI

In the Matter of a Working Case to)Consider Policies to Improve)Electric Utility Regulation.)

REPLY COMMENTS OF UNITED FOR MISSOURI, INC.

COMES NOW United for Missouri, Inc. ("UFM"), by and through counsel, and states:

1. On July 8, 2016, UFM and a number of other entities filed comments in the above referenced working file. UFM now responds with selective comments to the comments of other entities. These comments are general in nature and, again, selective. UFM's failure to respond to particular comments of others should not be construed as a lack of position or assent on the part of UFM. This docket, by its very nature, is broad, and UFM's engagement with these issues at this time should be considered as part of a dialogue and not a comprehensive statement of position.

2. Other parties, particularly the Midwest Energy Consumers' Group, characterize regulatory lag as necessarily a good thing, claiming that regulatory lag is an "efficiency incentive." The undersigned counsel has extensive experience in seeing the results of this "efficiency incentive" on utility decision making. The regulatory mindset created by the rate case process and regulatory lag can just as often produce an unjustified motive to cut cost at the loss of valuable investments that would benefit Missouri's economy and the utility's customers. This is particularly true for transmission investments.

As UFM observed in its initial comments, the electric system and a robust transmission grid are vital components of a thriving modern economy. The Commission should do everything in its power to adopt policies that encourage good investments in the electric system that foster economic growth. Economic growth brings prosperity. An overborne desire to reduce electric usage and investment brings neither economic growth nor prosperity. Regulatory lag is not necessarily a good thing.

3. In its initial comments, UFM described its support for the use of formula rates. Several comments also discussed using a future test year. UFM supports the use of a future test year in a formula rate paradigm. Again, the Commission should adopt policies that encourage prudent and productive investments that will facilitate economic growth in the future. In order to facilitate future growth, the Commission must be ready to accept investments made in anticipation of commercial and industrial expansion.

This does not mean that the Commission must accept unconstrained spending on the part of utility companies. Formula rate mechanisms typically include processes for retroactive true ups and prudency reviews. With these safeguards in place, the Commission can permit utilities to provide safe and reliable service at just and reasonable rates while facilitating economic growth in the state of Missouri.

4. NRDC and Renew Missouri recommend the Commission support a change to the Missouri Energy Efficiency Investment Act ("MEEIA") to impose a mandate for energy efficiency portfolios on electric utilities of at least 1.5 percent per year. UFM could not more strongly oppose this proposal.

UFM supports protecting a customer's right to use or not use electric energy as he or she sees fit. This includes the freedom to make the economic decision to conserve as is in his or her economic interest. Certainly, the party that knows best how to use or not electricity for his or her own needs is the customer. While UFM would have preferred MEEIA had never been passed—

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allowing the free market unfettered by regulatory intervention to serve customers' energy efficiency needs—the Legislature was at least wise enough to make MEEIA measured guidance to utilities on how they could engage the market place of energy conservation if they so desired. The Legislature's guidance was to treat demand side options on an equivalent basis to supply side options. It also gave them the voluntary option to participate in energy efficiency with limited regulatory oversight with regard to cost recovery and rates.

We live in a country that prizes freedom, particularly economic freedom. The proposed, so called Clean Power Plan ("CPP") is a federal mandate designed to limit that freedom in the use of electricity. It is based on a faith commitment, a prophesy of the distant future. Mankind is notoriously bad at prophesying the distant future. Government is not inherently different in its ability to prophesy the future. Government has no ability, therefore, to build a bridge to our energy future. Our energy future must be left to the free market--with certain economic limitations--to respond to energy needs as they arise. Anything else is governmental interference with the lives and liberties our states are bound to protect.

The CPP is an affront to the economic freedom and federal governance principles on which this union of states was founded. NRDC's and Renew Missouri's proposed mandate is no different. The proposal seeks to impose an arbitrary demand-side savings obligation on customers through utility action. It is arbitrary government manipulation of a basic economic service based on a faith commitment to the future. Missouri should go no further in mandating how free peoples should run their businesses or their lives.

5. Other parties have suggested that the Commission consider revenue decoupling. UFM supports these comments. Revenue decoupling is a complex issue. The Commission has already confronted this issue in File No. AW-2015-0282. While UFM believes that

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implementing decoupling without legislation is problematic, as it expressed in that working file, it does believe the issue is worthy of consideration as part of a legislative package.

In a free market, sellers are permitted to vary their prices in order to produce a revenue that permits them to make a profit, subject to market forces. Utilities should be no different with the regulatory process taking the place of market forces. Revenue decoupling properly designed would provide the flexibility to permit rate changes with such constraints.

WHEREFORE, for the foregoing reasons, United for Missouri, Inc. respectfully requests the Commission consider these its comments in this matter.

Respectfully submitted,

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