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 Adjust	**)**	**File No. ER-2022-0337**
its Revenues for Electric Service.	**)**	

AMEREN MISSOURI'S INITIAL POST-HEARING BRIEF

COMES NOW Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "the Company") and hereby files its Initial Post-Hearing Brief.

Introduction

The parties to this electric rate review case entered into a *Stipulation and Agreement*[1] that resolved the vast majority of the issues in the case so that only three issues and various corresponding sub-issues remain for decision. An evidentiary hearing on the remaining issues for decision[2] was held on April 12 – 14, 2023.[3] The *Stipulation and Agreement* was addressed at the On-the-Record Presentation held on April 14, 2023.[4]

Issue 1 is multifaceted covering the sub-issues of Class Cost of Service, Revenue Allocation, Rate Design and the proposed Rate Switching Tracker. Three major themes emerge for Issue 1 and its dozens of sub-parts. First, regarding rate design, the major theme is that, while the Company has come a long way on modernizing rate design for its customers, there is still much work to be done as the Company finishes up deployment of the remaining one-third of AMI[5] metering and collaborates with stakeholders to explore rate design structures as part of the to-be-opened working docket ordered in the Company's last electric general rate review (File No. ER-

[1] File No. ER-2022-0337, *Stipulation and Agreement*, filed April 7, 2023, EFIS Item No. 264.
[2] The issue and sub-issue numbering follows the *Updated Issues List*, filed April 10, 2023, EFIS Item No. 266, in File No. ER-2022-0337.
[3] File No. ER-2022-0337, Evidentiary Hearing Transcripts, EFIS Item Nos. 272 – 274.
[4] File No. ER-2022-0337, Transcript Volume 10, EFIS Item No. 275.
[5] Advanced Metering Infrastructure a/k/a smart meters.

2021-0240). Accordingly, now is not the time to alter or overhaul Residential rate designs, time-of-use defaulting timeframes, or Non-Residential rate designs, because to do so would likely trigger severe customer confusion and frustration, create unnecessary administrative inefficiencies and wasted efforts and costs, and suffer from a lack of information expected to be produced through the collaborative working docket.

Second, Staff's drastically diverging Class Cost of Service Study ("CCOSS") methods and results as contrasted with those of other parties, and increasing disagreements over the need for or benefit of the extremely granular data Staff is demanding to allegedly allow Staff to perform a reasonable CCOSS, are inextricably intertwined. Staff's hyper-focus on assignment of specific costs to individual customers to develop **individual customer costs of service** instead of properly focusing on allocation of costs to **classes** is wholly unreasonable, and correspondingly, Staff's demands for customer-specific infrastructure information in pursuit thereof seeks the wrong type of data and data that would be very costly and time-consuming, if not impossible, to produce.

Third, with regard to Revenue Allocation, as of the evidentiary hearing, no party is suggesting that any of the Class Cost of Service Studies presented in this case should be strictly followed so as to shift revenue responsibility to exactly align with any study's results. Accounting for various factors, the Company recommends the revenue increase be allocated by an equal percentage across all customer classes, except for the Lighting classes [5(M) and 6(M)] which should have a small intra-class shift.

Issue 2 relates to the manner of recording retirements of mass property assets in the Continuing Property Record. The Company is following the methodologies outlined in the FERC Uniform System of Accounts ("USoA") and the Commission's rules for its Continuing Property Records, including its retirements of mass property assets, in the best interest of customers and not surprisingly, similar to many other utilities who are also required to follow the USoA. Staff's proposal to require the Company to individually retire mass property assets is utterly impractical, costly, and of no benefit to customers, and said proposal should be flatly rejected.

Issue 3 is a proposal from the Sierra Club that the Commission require Ameren Missouri track capital investments which would have been avoided had the Company retired its Sioux and Labadie generation centers early. This recommendation is inappropriate for a rate review and is better suited for consideration in an Integrated Resource Plan ("IRP") case. There is no allegation of imprudence made on this topic in this case. A rate review uses historical expenditures to determine if they provide an appropriate basis for setting rates for the future. A rate review does not deal with future resource planning decisions and does not determine what can or should be spent on various resources going forward. There are multiple points in time during the IRP process where this type of recommendation could be considered, but that place is not in a case which sets the Company's revenue requirement going forward.

I. Issue 1: Class Cost of Service, Revenue Allocation, Rate Design and Rate Switching Tracker

A. Background

Class Cost of Service Studies (or "CCOSSs") are the foundation of revenue allocation and rate design.[6] The purpose of such studies is to equitably allocate cost responsibility to each customer class based on which customer rate class(es) is/are causing the costs.[7] Company witness Thomas Hickman's direct testimony and schedules (Exhibit 35) present the results of the Company's CCOSS. Missouri Industrial Energy Consumers ("MIEC") performed a CCOSS and arrived at very similar results.[8] Midwest Energy Consumers Group ("MECG") supports the Company's

[6] Exhibit 35, Direct Testimony of Thomas Hickman, at p. 3, ll. 17 – 18.
[7] Id., p. 5, ll. 8 – 11.
[8] Exhibit 350, Direct Testimony of Maurice Brubaker on behalf of MIEC, pp. 30 – 35.

CCOSS.[9] The methodologies used by the Company in its CCOSS are consistent with the methodologies used historically within the state and across the industry as reflected in the National Association of Regulatory Utility Commissioners ("NARUC") authoritative manual on CCOSSs.[10] Staff, on the other hand, performs a CCOSS using new, untested methods.[11]

Many different categories of costs are allocated through a CCOSS, and only two specific categories were at issue for the evidentiary hearing for determination by the Commission in this case.[12] Sub-issue 1A focuses on production costs, which are generally the investment in generation plants and the expense of operating them. While Ameren Missouri, MIEC and MECG support the 4 Non-Coincident Peak Average and Excess ("4 NCP A&E") methodology for allocation of production demand-related costs,[13] Staff splits the Company's generation assets into dispatchable and non-dispatchable groupings and applies different approaches to allocating each of the two groups of costs.[14] Sub-issue 1B focuses on distribution costs, which are generally the investment in the Company's distribution system and associated expenses. Consistent with standard industry practice, as reflected in the NARUC manual, the Company classifies distribution costs between demand-related and customer-related.[15] In contrast, Staff's approach has severe flaws, is not based on accepted cost causation principles, and created bias in the allocation of costs.[16]

For sub-issue 1D, using its CCOSS as a guide, Ameren Missouri proposes to use a two-step process similar to the one used by the Company in its last two electric rate cases (File Nos.

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[9] Exhibit 400, Direct Testimony of Steve Chriss on behalf of MECG, pp. 3 – 4.
[10] NARUC January 1992, Electric Utility Cost Allocation Manual, & Exhibit 35, Direct Testimony of Thomas Hickman, p. 10.
[11] Exhibit 36, Rebuttal Testimony of Thomas Hickman, pp. 3 – 16.
[12] *Updated Issues List*, filed April 10, 2023, EFIS Item No. 266.
[13] Exhibit 35, Direct Testimony of Thomas Hickman, p. 20; Exhibit 350, Direct Testimony of Maurice Brubaker, p. 3; & Exhibit 400, Direct Testimony of Steve Chriss, p. 19.
[14] Exhibit 136, Direct Testimony of Sarah L.K. Lange, pp. 21 – 22
[15] Exhibit 35, Direct Testimony of Thomas Hickman, pp. 9 – 10.
[16] Exhibit 36, Rebuttal Testimony of Thomas Hickman, pp. 7 – 16.

ER-2019-0335 and ER-2021-0240) to allocate the revenue requirement increase agreed to in the *Stipulation and Agreement*.[17] Under the first step, the classes' current base retail revenue should be increased/decreased on a revenue-neutral basis, which merely result in a small adjustment between the Lighting classes 5(M) and 6(M). Under the second step, the revenue requirement increase is allocated to customer classes as an equal percent of current base revenues. The Office of Public Counsel ("OPC"), Renew Missouri, and Consumers Council of Missouri ("CCM") agree with the Company's revenue allocation proposal.[18]

In its pre-filed testimony Staff, based on its novel CCOSS, recommended that the revenue responsibility of the Lighting class be held constant; the LGS class's revenue responsibility be increased approximately 3.75%, and the SPS and LPS classes' revenue requirement responsibility be increased by approximately 7.50%; then, the remaining increase be applied as an equal percent increase to the Residential, SGS, LGS, SPS and LPS classes.[19] However, Staff shifted at the evidentiary hearing to indicate "given the revenue requirement stipulation that was agreed to, that [Staff] are not opposed in this case to going with an equal percent across … the board increase to the rate class revenue responsibility ... coupled with introduction of a [time-of-use] overlay [for Non-Residential customers]."[20] MECG and MIEC both propose to allocate the revenue requirement increase to move each rate class closer to its cost of service under the Company's CCOSS.[21]

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[17]Exhibit 32, Direct Testimony of Michael Harding, p. 6.
[18] EFIS Item No. 248, OPC's Statement of Positions, at p. 2; Evidentiary Hearing Transcript, p. 343, ll. 5 – 10 (OPC witness Dr. Marke answering cross-examination questions confirms OPC has not changed its position); EFIS Item No. 255, Renew Missouri's Statement of Position, at pp. 1 – 2; & EFIS Item No. 250, Position Statements of the Consumers Council of Missouri, at p. 2.
[19] EFIS Item No. 249, Staff's Statement of Positions, at p. 10; Exhibit 136, Direct Testimony of Sarah L.K. Lange, pp. 28 - 29.
[20] Evidentiary Hearing Transcript ("Transcript"), at p. 407, ll. 10 – 16.
[21] Exhibit 350, Direct Testimony of Maurice Brubaker, pp. 39 – 41; & Exhibit 400, Direct Testimony of Steve Chriss, p. 25.

For sub-issues 1E, 1F, and 1G, which all relate to rate design, it is important to remember that Ameren Missouri has come a **long** way! Ameren Missouri is approximately two-thirds complete in its rollout of AMI,[22] and has been able to correspondingly roll out time-of-use or "TOU" rate options for hundreds of thousands of Residential customers with a robust educational/communications journey — empowering customers to conveniently choose their rate plan.[23] TOU rates send price signals so that customers will take actions/change behaviors to the benefit of reducing peak demand during high-demand times on the system over the long-run.[24] In the Company's last electric general rate review, File No. ER-2021-0240, the Commission ordered a working docket be used to explore Non-Residential Large General Service ("LGS") and Small Primary Service ("SPS") rate designs so that new rate structures could be proposed in a future rate case following full AMI deployment.[25] To date, that working docket has not been opened, but the Company is ready, willing, and able to meaningfully and productively participate in it once opened.[26]

Sub-issue 1H deals with various studies/analyses/data collection proposed by Staff to be conducted by the Company. As an initial point, the Company has complied with the prior requirements for Rider B and Rider C studies and data retention orders and stipulated obligations.[27] During the evidentiary hearing, Company witness Steven Wills explained that there are two main categories of new data being requested: class-level interval or hourly data that is not yet fully available because AMI meters have not been fully rolled out to all Ameren Missouri customers;

[22] Transcript, p. 245, ll. 3 – 15.
[23] Id., p. 245, l. 11 – p. 246, l. 1; Exhibit 39, Direct Testimony of Steven Wills, pp. 3 – 10.
[24] Transcript, p. 195, ll. 9 – 17.
[25] Docket No. ER-2021-0240, Report & Order, at page 31, *cited by* Exhibit 400, Direct Testimony of Steve Chriss, p. 34.
[26] Transcript, p. 168, ll. 18 – 22 & p. 290, l. 10.
[27] Exhibit 35, Direct Testimony of Thomas Hickman, pp. 26 – 28; Exhibit 36, Rebuttal Testimony of Thomas Hickman, p. 20; & Exhibit 37, Surrebuttal Testimony of Thomas Hickman, pp. 2 – 3.

and granular distribution system data that would require significant effort and cost to attempt to gather for little or no benefit.[28] MIEC witness Maurice Brubaker summarized the granular distribution data issue as follows: "the question is whether or not the added degree of precision would add useful or meaningful information and improve the accuracy of cost allocation studies."[29] Mr. Brubaker concludes: "…unless rates were to be set separately for each individual customer, the individual added information would be of no value."[30]

Sub-issue 1I relates to the Company's proposed rate-switching tracker. The proposed tracker is two-way so that any positive revenue impact would flow back to benefit all customers and any revenue erosion experienced by the Company could be pursued for recovery in a future general rate review case.[31] Opt-in TOU rates, like those offered by the Company, are particularly prone to causing revenue erosion.[32] The Company estimated potential revenue erosion based on illustrative TOU participation, and by 2024, if there were 126,404 advanced TOU participants, the potential revenue erosion was estimated to exceed $5.6 million annually.[33] The rate-switching impact would be calculated by determining for each customer that initiates service on an advanced TOU rate after the true-up cut-off date in this case the difference between the customer's bill on the new advanced TOU rate chosen and what their bill would have been under the legacy, Anytime User rate plan with the same level of usage.[34] Staff and OPC oppose the proposed rate-switching tracker.[35]

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[28] Transcript, p. 198, ll. 1 – 22; p. 248, l. 22 – 254, l. 11; & p. 255, l. 5 – p. 256, l. 22.
[29] Exhibit 351, Rebuttal Testimony of Maurice Brubaker, p. 9, ll. 13 – 15.
[30] Id., p. 9, ll. 22 – 23.
[31] Exhibit 39, Direct Testimony of Steven Wills, p. 17.
[32] Id., pp. 14 – 15.
[33] Id., p. 16, Table 5.
[34] Id., p. 17, ll. 8 – 18.
[35] EFIS Item No. 249, Staff's Statement of Positions, at p. 25; & EFIS Item No. 248, OPC's Statement of Positions, at p. 7.

B. Argument

Sub-issue 1A. How should production costs be allocated among customer classes within a Class Cost of Service Study?

Ameren Missouri production costs should be allocated among the customer classes as set out in the Company's Class Cost of Service Study, which is reasonable, grounded in the NARUC manual, consistent with industry standards, supported by MIEC and MECG, and based on the actual cost drivers for production costs.[36] The 4 NCP A&E method appropriately apportions the production demand-related costs based on cost-causative factors, recognizing that the Company's generation fleet is developed through an integrated resource planning process to wholistically meet the energy and capacity needs of all of its customers.[37] 4 NCP A&E, as its name implies, allocates the fixed costs of the generation fleet in part based on the energy requirements of customers (the "average" in "average and excess") and in part on their peak demand, or capacity, requirements (the "excess" in "average and excess").[38]

Section 393.1620.2, RSMo., prescribes the class cost of service study results the Commission may consider for allocating the production plant costs from nuclear and fossil generating units:

> 2. 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* (emphasis added).

[36] Exhibit 35, Direct Testimony of Thomas Hickman, pp. 19 – 21.
[37] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, pp. 14 – 15.
[38] Exhibit 35, Direct Testimony of Thomas Hickman, pp. 19 – 20.

The Company's use of the A&E method is expressly contemplated by the quoted statute and the 4 NCP A&E method is included in the NARUC manual on class cost of service.[39] Thus, not only does the NARUC manual reflect standard industry practice, it is identified in Missouri statute as **the** standard for allocation of production plant costs from nuclear and fossil generating units. Moreover, Section 393.1620 became effective August 28, 2021, which is more than a decade after the Midcontinent Independent System Operator ("MISO") integrated marketplace was introduced, indicating that the formation and operation of MISO did not alter such standard.[40] The MISO energy market "was developed for the purpose of making the most efficient utilization of the energy generation in MISO so as to reliably serve the load at the lowest overall reasonable variable cost by utilizing the lowest cost generation resources as a priority, in order to deliver benefits to the entire MISO footprint."[41]

Ignoring the integrated resource planning process and the purpose of the MISO market, Staff splits the Company's generation assets into dispatchable (which Staff calls "Type 1") and non-dispatchable ("Type 2") groupings and applies different approaches to allocating each of the two groups of costs.[42] Staff then illogically allocates the dispatchable Type 1 asset costs on the basis of demand using an All Peak Hours Approach, which Staff inexplicably bases on the hours that MISO uses to asses generation resource availability rather than on MISO's peak hour. MISO's peak hour is what MISO itself actually uses to allocate generation capacity costs to load.[43] Staff allocates non-dispatchable Type 2 asset costs using an unjustified[44] energy weighting.[45] Using

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[39] National Association of Regulatory Commissioners ("NARUC") *Electric Utility Cost Allocation Manual* (1992); Rebuttal Testimony of Thomas Hickman, p. 18.
[40] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, p. 14.
[41] Exhibit 352, Surrebuttal Testimony of Maurice Brubaker, p. 4, ll. 14 – 18.
[42] Exhibit 136, Direct Testimony of Sarah L.K. Lange, pp. 21 – 22.
[43] Exhibit 351, Rebuttal Testimony of Maurice Brubaker, p. 4, ll. 1 – 17.
[44] Id., p. 5, ll. 13 - 19
[45] Exhibit 136, Direct Testimony of Sarah L.K. Lange, pp. 20 – 22.

the example of a new load being added to the Company's system, bringing both energy requirements and capacity requirements with it, for which existing production is not sufficient to meet the new load, Staff's approach is demonstrably nonsensical. Under Staff's approach, the Company would build one asset type to serve the demand requirements of that customer and another type to serve the energy requirements of that customer, instead of relying on the integrated resource planning process to assist in identifying the best asset to serve both the demand and energy requirements of the new load.[46] Staff's untested allocation methodologies are unreasonable and should not be used within a CCOSS.

1B. How should distribution costs be allocated among customer classes within a Class Cost of Service Study?

Ameren Missouri's distribution costs should be allocated among the customer classes as set out in the Company's CCOSS, because those allocations are reasonable, grounded in the NARUC manual, consistent with industry standards, and, importantly, based on the actual drivers for distribution investments. The NARUC manual on class cost of service, which reflects standard industry practice, makes clear that the methodological considerations for distribution cost allocation comes down to decisions about how much distribution investment and expense should be allocated based on customer counts versus by class demands. Ameren Missouri, MIEC, MECG and OPC agree that the cost drivers for distribution investments are either customer-related or demand-related, and not energy-related.[47] While Staff witness Sarah Lange quotes the NARUC manual 10 times in attempting to rebut Company witness Hickman's distribution allocations, the citations fail to support and actually discredit Staff's own use of what can only be

[46] Exhibit 36, Rebuttal Testimony of Thomas Hickman, pp. 15 – 16.
[47] Exhibit 36, Rebuttal Testimony of Thomas Hickman, p. 13; Transcript, p. 375, ll. 5 – 16 (Mr. Brubaker on behalf of MIEC on cross-examination), p. 595, ll. 15 – 21 (Mr. Chriss on behalf of MECG on cross-examination), & p. 336, l. 2 – p. 338, l. 10 (Dr. Marke on behalf of OPC on cross-examination confirming that "based on the historical information and the embedded-cost studies" he doesn't believe that the cost driver of distribution investments to be total energy consumption).

described as essentially an energy-only allocator: Included in those **10** individual quotes were **24** references to demand-related (or demand costs, assigned to demand, demand components, or demand classifications) and **29** references to customer-related (or customer costs, assigned to customer, customer components or customer classifications), but at no point did **any** of the relevant quotes by Staff mention or support the use of energy as a basis for allocating distribution investment.[48]

To directly contrast Staff and the Company's approaches, it is foundational that the distribution system is sized to meet the maximum demand of the customers it serves.[49] Staff's allocator considers energy in all hours of the year. Ameren Missouri's peak energy usage occurs on a summer weekday with high temperatures. The load on other days/hours, for example, overnight on a mild weekend in October, does not set the maximum needed capacity of the distribution system, and therefore is not a driver of distribution investment. Yet, under Staff's allocator, the load of all hours, including on that mild weekend in October, are given significant undue weight, as are the many, many other hours of the year that are also factored into Staff's energy allocator, but which do not represent peak demands that drive the incurrence of distribution investments and costs. Therefore, Staff's allocator simply does not represent cost causation.[50]

On re-direct examination during the evidentiary hearing, Staff witness Lange was presented with the opportunity to talk about distribution allocations.[51] Ms. Lange claims that Staff's distribution allocator is not an energy allocator, but then admits that when used at the class level (as in a **class** cost of service study) it becomes essentially an energy allocator. She even notes that

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48 Exhibit 37, Surrebuttal Testimony of Thomas Hickman, p. 14, ll. 1 – 8.
49 Exhibit 351, Rebuttal Testimony of Maurice Brubaker, p. 11, ll. 2 – 3.
50 Transcript, p. 293, l. 8 – p. 296, l. 4 & p. 299, l. 14 – p. 300, l. 12 (Company witness Wills responding to questions from the RLJ).
51 Transcript, pp. 454 – 457.

this is a measurement that she developed herself for purposes of developing TOU rates – not for allocating costs to classes, and when used at the class level, it is an energy allocator. Notably, at no time in that hearing discussion of the weighted-hours method does Staff dispute the following important facts: that distribution costs are driven by customers and demand; that energy is not an appropriate allocator for the distribution system; nor that the weighted-hours method lacks any basis in cost causation of the distribution system.[52] As Company witness Craig Brown testified: "[c]ontrarily, Staff demonstrates a pattern of arbitrary energy allocations with an apparent targeted result of shifting costs away from the Residential class to large customer[s] without supporting cost causation."[53]

Furthermore, Staff's assignment of customer-specific infrastructure introduces bias to the distribution allocations and potential double-counting.[54] The collective effect of these severe flaws in allocations that are not based on cost causation, as well as biased allocation methods, is a significant shift of cost responsibility from small customer classes (Residential and Small General Service) toward large customer classes (Large Primary Service and Small Primary Service). In fact, Staff's analysis allocates **more than 5 times** the amount of distribution investment to the LPS class than Staff's own study did as recently as 2016.[55] The unreasonableness of the overall results of Staff methods is further illustrated by a comparison of Ameren Missouri rates to national averages by customer segment (Residential, Commercial, and Industrial). Staff's unreasonable and flawed study, if followed for class allocations, would result in Residential rates more than 20% below the national average and Industrial rates more than 10% above the national average.[56]

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[52] Id.
[53] Exhibit 38, Surrebuttal Testimony of Craig Brown, p. 15, ll. 20 – 23.
[54] Exhibit 36, Rebuttal Testimony of Thomas Hickman, pp. 7 – 8 & Transcript, p. 256 & p. 301, l. 9 – p. 302, l. 2 (Responses of Company witness Wills).
[55] Id., p. 6.
[56] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, p. 5, Table TH-1.

When Staff's three primary criticisms of the Company's distribution allocations are closely evaluated, it is evident that they are mere nitpicks at just a handful of the hundreds of individual allocation decisions that must be made in a CCOSS, and are not the profound issues Staff suggests them to be. First, the Company classifies distribution system costs between demand- and customer-related costs using the Minimum Distribution System ("MDS") method.[57] Staff argues that the MDS method that the Company used for its analysis has a "demand-carrying capability," which should be reflected in allocations of the demand-related portion of distribution investment. Mr. Hickman's rebuttal testimony illustrated that this is a known theoretical issue with the MDS method, the impact of which is described by the NARUC manual as "relatively small" — i.e., the difference between minimum size and zero intercept methods is relatively small, and the MDS method does not suffer from this theoretical problem.[58]

Second, Staff nitpicks that the Company's treatment of devices as customer-related in the minimum size study is inappropriate. The Company acknowledged that this is an area that warrants additional consideration,[59] but pointed out that the magnitude of this issue is very small relative to the overall difference in distribution allocation results between the Staff's study and the Company's study.[60] Simply put, the biases and flaws in Staff's methodology are very impactful to the results, as demonstrated by the change in allocations Staff has made over the last three Ameren Missouri electric rate cases,[61] whereas the purported flaws in the Company's study impact results by "relatively small" amounts per NARUC, or less than 1% in the case of the calculated impact of the devices allocation issue.

[57] Exhibit 35, Direct Testimony of Thomas Hickman, pp. 9 – 13.
[58] Id., at pp. 11 – 13.
[59] Transcript, pp. 164 – 167.
[60] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, p. 8, l. 10 – p. 9, l. 14.
[61] Exhibit 36, Rebuttal Testimony of Thomas Hickman, p. 5 & Table TH-2 (showing Staff allocated 69.17% of distribution plant to Residential in 2016 case versus only 41.65% in this case), p. 6.

Third, while Staff initially challenged the overall "Vandas study," which is used to inform how classifications of distribution investments should be allocated between high voltage, primary and secondary voltages,[62] after showing that Staff even relied on the Vandas study for distribution classification very recently in the Company's 2019 electric general rate case, File No. ER-2019-0335,[63] Staff shifts to argue that the age of the "Vandas study" makes the Company's analysis unreasonable. However, as described by Company witness Hickman during the evidentiary hearing, the Company validates the Vandas study in each case confirming that there has not been any significant changes to the distribution system that would invalidate the applicability of the study conducted in 2009 for the purposes it is being used in the CCOSS.[64] Company witness Brown affirmed his experience with other electric utilities he works with also supports that distribution facilities continue to be sized based on the expected non-coincident peak on the distribution system.[65] On the other hand, Staff only vaguely points to the Company's Smart Energy Plan distribution investments being made by the Company and that some of those have self-healing properties, but has not shown how (or even if) the distribution system is used differently in the provision of service to customers.[66] And, no Staff engineer filed testimony suggesting that the Company's distribution system is used differently in the provision of service to customers than it has been used for decades. The methodology embodied in the Vandas study is the appropriate information to use for cost allocations, whereas the data and methods Staff is using introduce obvious and significant bias and inaccuracy to their study.[67]

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[62] Transcript, p. 150, ll. 18 – 25.
[63] Id., pp. 152 – 157.
[64] Id., pp. 156 – 157.
[65] Exhibit 38, Surrebuttal Testimony of Craig Brown, p. 14, ll. 9 – 12.
[66] Exhibit 136, Direct Testimony of Sarah L.K. Lange, p. 15.
[67] Transcript, pp. 325 – 327.

OPC witness Dr. Geoff Marke, although acknowledging distribution costs are not energy-related in his March 17, 2023 deposition, appeared to become more ambivalent about that point at the evidentiary hearing.[68] Dr. Marke indicated he was rethinking his position, and pointed to changing industry circumstances as a reason for his reconsideration. As an example of changing circumstances, Dr. Marke identified changing customer usage patterns that may have arisen as a result of the pandemic, with more customers working from home, etc. While it is certainly true that such changes may have occurred, impacting customer usage **patterns**, it is also true that such changes do nothing to change the fundamental cost **drivers** of the system — i.e., the distribution system is, was, and will be, built to a level of capacity sufficient to meet maximum customer demand, and is influenced very little if at all by total energy consumption. Said another way, changing **when** customers use power may change when the peak demand occurs, but it does not change the fact that the **peak demand** drives the need for distribution investment.

Distribution costs are customer- or demand-related, and very clearly not energy-related. As Company witness Wills explained at the evidentiary hearing, these basic economic principles of particular categories of costs being driven by either customer, demand, or energy have been consistent for a century.[69] That is because they represent the engineering and physics of energy delivery. That those principles have remained true for a century means they have persisted through war and peace, economic boom and bust, and even pandemics and every other manner of social change or upheaval that has occurred. There is nothing in the nature of a pandemic, or any other societal change, that would suddenly cause the Company to stop sizing the capacity of its distribution system based on peak demand. The costs are still demand-related costs, and Staff's energy allocation of them is simply inappropriate. To be clear, changing consumption patterns are

[68] Id., p. 336, l. 1 – p. 338, l. 10.
[69] Id., pp. 281 – 282.

absolutely picked up in the Company's analysis, as the demands used to allocate demand-related costs are based on customer usage data *from the test year*. The entirety of the test year occurred after the pandemic and the increase in work from home behavior. Dr. Marke is not wrong that factors like the pandemic can impact the results of the CCOSS. However, those impacts are captured by updating the data *input into the study* to be reflective of current consumption patterns, and not by trying to redefine foundational economic principles that underly the cost of the system based on the way the system must be engineered to meet customer needs.

In sum, the evidence is clear that, when it comes to distribution allocations, the Staff's methods are simply not a reasonable reflection of cost causation and should be rejected in favor of the Company's very reasonable study.

1C. Which party's Class Cost of Service Study should be used in this case and used as a starting point for the non-residential rate design working case agreed to by the parties to the Company's last electric general rate case, File No. ER-2021-0240?

The Company's CCOSS, which is supported by MIEC and MECG, is not only the *most* reasonable CCOSS for setting rates in this case and to use for purposes of studying future rate designs, but it is the *only* reasonable CCOS study presented in this case to use for these purposes. In addition to the specific methodologies described in sub-issues 1A and 1B above, all the other CCOSS methodologies presented by the Company are consistent with the methodologies used historically within the state and across the industry and are consistent with the NARUC manual. Expert witnesses from MECG and MIEC with extensive experience in CCOS across many utilities and jurisdictions, and a third-party expert testifying on behalf of Ameren Missouri with robust utility experience, emphatically agree that the Company's study is reasonable.[70] And, the experienced voices on behalf of the Company, MIEC and MECG resoundingly conclude that

[70] Exhibit 352, Surrebuttal Testimony of Maurice Brubaker, pp. 2 – 3; Exhibit 401, Rebuttal Testimony of Steve Chriss, p. 11; Exhibit 38, Surrebuttal Testimony of Craig Brown, pp. 3 – 4.

Staff's CCOSS using new, untested allocation methodologies that arbitrarily shift costs from small (Residential and SGS) to large (LPS, SPS and LPS) customers without supporting cost-causation should be rejected.[71] MIEC witness Brubaker aptly described Staff's study as follows:

> Assume for purposes of illustration that the universe of generally accepted cost allocation principles and practices is within a circle that has its center on St. Louis and a radius of 100 miles. If all of the generally accepted principles and procedures were within that circle, Staff's cost of service study would be some place in western Kansas. In other words, not even close.[72]

It is really no wonder why Staff's CCOSS is not even close to reasonable. Staff is incorrectly aiming its study. During the evidentiary hearing, Staff revealed what had been suspected: they are seeking to develop **individual customer** costs of service instead of **class** costs of service.[73] Why? Because Staff doesn't think that classes are "…as homogeneous as a CCOS makes them appear to be."[74] As OPC witness Dr. Marke explained in surrebuttal testimony, both marginal and embedded class cost of service studies "rely on a host of simplifying assumptions in order to produce workable results."[75] Staff's attempt to directly assign individual assets to individual customers through its CCOSS refuses to rely on simplifying assumptions that are necessary in order to produce workable results. Developing and/or billing individual customers individualized rates based on the particular infrastructure that serves them is wholly unworkable. When Staff's incorrect aim is coupled with the shocking truth revealed through their revenue allocation recommendation (discussed under sub-issue 1D, bolded sentence) — that Staff is

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[71] Exhibit 352, Surrebuttal Testimony of Maurice Brubaker, p. 3; Exhibit 401, Rebuttal Testimony of Steve Chriss, p. 11; Exhibit 38, Surrebuttal Testimony of Craig Brown, p. 16.
[72] Exhibit 352, Surrebuttal Testimony of Maurice Brubaker, p. 3, ll. 5 – 9.
[73] Exhibit 38, Surrebuttal Testimony of Craig Brown, p. 8 & Transcript, 410, p. 410, ll. 6 – 10.
[74] Transcript, p. 410, l. 25 – p. 411, l. 1.
[75] Exhibit 201, Surrebuttal Testimony of Dr. Geoff Marke, p. 33, l. 4 – 6.

desperate to shift cost responsibility from the Residential and SGS classes — it is obvious that Staff's CCOSS is unreasonable.

A valuable bellwether of Staff's approach's unreasonableness is that following the results of Staff's study would place Missouri far outside of the mainstream when it comes to comparative class rates with its utility peers across the country. Company witness Hickman demonstrates that if Staff's study were followed to set rates, Ameren Missouri would have Residential rates 23% below the national average, while Industrial rates would be 14% above the national average.[76] The more than 30% disparity between the relationship of Residential and Industrial rates to their respective national averages is emblematic of the many flaws in Staff's study, and are extreme enough that utilizing them would represent poor energy policy in the state of Missouri potentially discouraging economic development and/or driving existing employment out of the state.[77]

Ameren Missouri has asked for Commission guidance on the reasonableness of the CCOSS in this case, irrespective of whether the decision would change the outcome of revenue allocations in this case, to hopefully avoid even more disputes in the to-be-established Non-Residential rate modernization working docket.[78] It is helpful to review the Commission's findings in the Company's last electric general rate case, File No. ER-2022-0240, which stated the following decision on CCOSS:

> For purposes of this case, the Commission finds that Ameren Missouri's class cost of service study offers a reasonable estimation of class cost of service. However, under the particular circumstances of this case, the Commission believes that aside from Ameren Missouri's proposed adjustment to more closely balance the company-owned and customer-owned branches of the Lighting class, no class rate adjustments need to be made and the necessary rate increase should be allocated to all customer classes on an equal percentage basis. In making that determination, the Commission is not relying on the relatively minor differences between the cost

[76] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, pp. 4 – 5 & Table TH-1.
[77] Exhibit 41, Surrebuttal Testimony of Steven Wills, pp. 26 – 27; & Transcript, p. 49, ll. 17 – 24 (MIEC counsel Ms. Plescia described in her opening statement for Issue 1 that CCOSS is an economic development issue).
[78] Id., pp. 24 – 27.

> studies prepared and submitted by the parties. Rather the Commission is exercising its discretion to look beyond the numbers contained in those cost studies to reach a deeper conclusion that the people who are members of the residential rate class have already faced enough challenges in recent years, including an 8.81 percent electric rate increase that will result from this case, and should not, at this time, have to endure an even larger rate increase to address the imbalance described in Ameren Missouri's class cost of service study."[79]

Production cost allocation and distribution cost assignment to customer-specific assets for purposes of a CCOSS were also sub-issues disputed among the parties in File No. ER-2021-0240. The Commission ultimately found that it did not need to, and did not, decide the CCOSS sub-issues since it was not relying on the allocation differences in making a decision about how to allocate the rate increase to rate classes. The Commission went on to decide:

> As a result, any determination the Commission made regarding these [] issues would be of no practical effect and would essentially be an advisory opinion that the Commission is not authorized to issue. In addition, the Commission does not believe it would be appropriate to issue a 'hypothetical' determination of these questions about how class cost of service studies should be conducted.[80]

In the case at hand, there are clear practical effects of the Commission's decisions on the CCOSS issues (sub-issues 1A, 1B and 1C) to not only identify the CCOSS that is reasonable to guide the rates to be charged customers coming out of this case but also prevent the to-be-established Non-Residential rate design working docket from devolving into unproductive and irreconcilable disputes on foundational CCOSS principles.

1D. How should any rate increase be allocated to the several customer classes?

The ordered/stipulated rate increase should be allocated to customer classes pursuant to the Company's proposed two-step process: 1) the classes' current base retail revenue should be increased/decreased on a revenue-neutral basis, which results in a small adjustment among the Lighting classes 5(M) and 6(M); and 2) the revenue requirement increase should be allocated to

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[79] File No. ER- 2021-0240, Report & Order, effective February 12, 2022, at p. 23.
[80] Id., pp. 25 – 26.

customer classes as an equal percent of current base revenues.[81] Company witness Wills quantified that percentage to be 5.1% for each class.[82] OPC, Renew Missouri, and CCM agree with the Company's revenue allocation proposal.[83]

Up until the evidentiary hearing, Staff recommended that the revenue increase be allocated, or the revenue responsibility be shifted, to better align with Staff's novel and unreasonable CCOSS. Specifically, Staff recommended that the revenue responsibility of the LGS class be increased approximately 3.75% and revenue responsibility of the SPS and LPS classes be increased by approximately 7.50%; and then, the remaining increase be applied as an equal percent increase to the Residential, SGS, LGS, SPS and LPS classes.[84] As explained in detail above (sub-issues 1A, 1B and 1C), Staff's novel and unreasonable CCOSS should be rejected and certainly not used as justification to significantly shift revenue responsibility. But what perhaps is most revealing about Staff's recommended revenue allocation is that Staff, while claiming that the Commission should follow its CCOSS results, then undermines those same results by claiming that Staff was denied "access to basic information necessary to conduct a class cost of service study."[85] The RLJ even casually described Staff's struggle as Staff "more like fumbling in a direction in the dark without some necessary data… ."[86] Although there is no shred of validity in Staff's allegation that they've

[81] Exhibit 32, Direct Testimony of Michael Harding, p. 6 & Transcript, pp. 94 – 95.
[82] Transcript, p. 183, l. 22 – p. 184, l. 1.
[83] EFIS Item No. 248, OPC's Statement of Positions, at p. 2; Evidentiary Hearing Transcript, p. 343, ll. 5 – 10 (OPC witness Dr. Marke answering cross-examination questions confirms OPC has not changed its position); EFIS Item No. 255, Renew Missouri's Statement of Position, at pp. 1 – 2; & EFIS Item No. 250, Position Statements of the Consumers Council of Missouri, at p. 2.
[84] EFIS Item No. 249, Staff's Statement of Positions, at p. 10; Exhibit 136, Direct Testimony of Sarah L.K. Lange, pp. 28 - 29.
[85] Transcript, p.29, l. 6 – 8.
[86] Id., p. 418, ll.1 – 7. Staff witness Sarah Lange took issue with the word "fumbling," but understood what the RLJ meant. Id., p. 418, ll. 7 – 19.

been denied access[87] that would allow Staff to conduct a CCOSS, Staff's allegation of denied access reveals the sobering truth: **Staff is so desperate to significantly shift revenue responsibility to the LGS, SPS and LPS classes, and away from the small (Residential and SGS) customers, that Staff will concoct a CCOSS that they now claim they lacked the data to perform, and recommend shifting revenue responsibility significantly thereon.** If their allegations were true (they are not), then clearly their CCOSS is *de facto* unreliable and cannot be relied upon. But Staff cannot have it both ways, on the one hand claiming their CCOSS should be relied upon, and on the other, claiming they lacked data and information to conduct a reliable study.

It remains unclear whether Staff realized that they had completely undermined their own recommendation. But it is certainly notable that, at the evidentiary hearing, Staff tried to pivot away from their recommendation to significantly shift revenue responsibility to the LGS, SPS and LPS classes. When responding to questions from the RLJ, Staff witness Sarah Lange clarified Staff's counsel's opening statement: "given the revenue requirement stipulation that was agreed to, [Staff] are not opposed in this case to going with an equal percent across … the board increase to the rate class revenue responsibility ... coupled with introduction of a [TOU] overlay [for non-residential customers]."[88] As a result, it looks like all parties who took a position on this issue, except MIEC and MECG, support the Company's two-step revenue allocation proposal.

[87] Following Staff counsel's opening statement on Issue 1, the RLJ asked Staff why there was not a discovery dispute conference held if the Company was not forthcoming with information, and Staff's counsel stated in pertinent part in response: "…But the main problem is they claim they don't have the information or that they don't retain the information or … they'd have to write a computer code and do all this other stuff." Transcript, p. 40, l. 16 – p. 42, l. 5. The Company did not deny Staff access, but rather, did not manufacture data or perform analyses for Staff. Discovery is for the purpose of accessing relevant, existing data and information and then the party receiving the discovery can do with that information – perform whatever analyses they want.
[88] Transcript, p. 407, ll. 10 – 16.

MECG and MIEC both propose to allocate the revenue requirement increase to move each rate class closer to its cost of service under the Company's CCOSS.[89] Although the Company continues to support the two-step process described above, if the Commission desires to make additional revenue-neutral shifts toward the Company's class cost of service, the Company does not oppose the direction of MECG's and MIEC's proposed intra-class revenue-neutral shifts. However, the Company advises that the Commission proceed with smaller, gradual, phased shifts over a series of cases to avoid rate shock to Residential customers.[90]

1E. What should the customer charges associated with the Residential Class rate plans be?

The Company's proposal to differentiate the customer charge for the various Residential rate plans should be adopted, resulting in a customer charge of $13 per month for the Evening/Morning Savers, Anytime User, and Overnight Savers rate plans, $11 per month for the Smart Savers rate plan, and $9 per month for the Ultimate Savers rate plan.[91] Customer charges are generally used to collect customer-related costs, which are those costs incurred just for connecting a customer to the system and being able to provide service to them, like a meter and costs of billing customers, along with the costs of the minimum distribution system.[92] As OPC witness Dr. Marke confirmed on cross-examination, if a customer connects to electric service, and does not pay the cost to connect their residence (for example) to service, the costs would be borne (i.e., subsidized) by all customers.[93] When the RLJ inquired of the pros and cons of having differentiated customer charges, Dr. Marke listed one pro as EV consumption and heat pump customers potentially paying less ultimately.[94]

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[89] Exhibit 350, Direct Testimony of Maurice Brubaker, pp. 39 – 41; & Exhibit 400, Direct Testimony of Steve Chriss, p. 25.
[90] Exhibit 33, Rebuttal Testimony of Michael Harding, pp. 3 – 4.
[91]Exhibit 37, Direct Testimony of Steven Wills, at p. 27.
[92] Transcript, p. 292, l. 14 – p. 293, l. 7.
[93] Id., p. 344, ll. 10 – 14.
[94] Id., p. 350, 3 – 8.

While the Company's CCOSS shows the customer-related costs to be recovered through the customer charge would be approximately $25.94 per month, the Company is not recommending going to the $25.94 in strict adherence to the CCOSS results, and instead, the Company recommends an increase upward to become more cost-reflective.[95] The Company's proposal to differentiate customer charges across rate plans better aligns rates with the customer-related costs the Company incurs to serve its customers, but also provides opportunities for customers who wish to have greater control or ability to manage their bills to do exactly that by selecting a plan with a lower customer charge, time-varying energy charges and (for one plan) a demand charge that give customers more ability to manage their bill than any legacy rate plans ever had.[96]

Alternatively, if the Commission does not approve the Company's proposed differentiated customer charges across rate plans, the customer charge for all rate plans should at least be increased to $9.50. Again, the Company's CCOSS shows the customer-related costs to be recovered through the customer charge would be approximately $25.94 per month.[97] In Staff witness Sarah Lange's surrebuttal testimony, Ms. Lange confirmed that she does "not oppose a $0.50 increase in all residential customer charges if Ameren Missouri's depreciation rates are ordered by the Commission."[98] The depreciation rates were agreed upon by all parties to the *Stipulation and Agreement*.[99] The 50-cent increase would make at least a tiny bit of progress toward recovering the customer-related costs in the customer charge.

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[95] Transcript, p 296, l. 5 – p. 297, l. 7.
[96] Exhibit 37, Direct Testimony of Steven Wills, pp. 26 – 29 & Transcript, p. 297, 8 – p. 299, l. 9.
[97] See Footnote 95.
[98] Exhibit 138, Surrebuttal Testimony of Sarah L.K. Lange, p. 8, ll. 21 – 22.
[99] File No. ER-2022-0337, *Stipulation and Agreement*, filed April 7, 2023, EFIS Item No. 264, at paragraph 12, p. 6 & Exhibit E.

1E. a. If the customer charges for the Ultimate Saver and Smart Saver Plans are discounted relative to other residential rate plans, should a minimum demand charge be imposed with customers to be fully educated on the minimum demand charge?

No. As a fundamental point, Staff has only proposed a minimum demand charge for the Ultimate Savers rate plan, and not for the Smart Savers rate plan, in pre-filed testimony.[100] In fact, the Smart Savers rate does not even have a demand charge to begin with, so adding a minimum demand charge to that rate makes no sense whatsoever. Further, since the differentiated customer charges across Residential rate plans better align rates with the customer-related costs to serve and provide greater opportunities for customers to manage their bill, imposing a minimum demand charge for the Ultimate Savers rate plan (and Smart Savers rate plan) would act to negate the benefits of the differentiated customer charges. Consequently, Staff's proposed minimum demand charge should be rejected.

Staff appears to try to tie its proposed minimum demand charge to alleged concerns about Ameren Missouri's marketing of the most advanced TOU rate plan, the Ultimate Savers rate plan. Staff witness Sarah Lange stated in pertinent part in response to an RLJ question about the Company's differentiated customer charges proposal during the evidentiary hearing: "We're concerned that customers who are least equipped to deal with high bills will be marketed to the most risky plans."[101] Yet, Ms. Lange never discusses the Company's marketing/communication materials or the bill comparison information that would be available to customers. As Company witness Wills explained on cross-examination by CCM counsel during the evidentiary hearing, communications with customers are staged as Residential customers get AMI meters and access to TOU rates. And, Mr. Wills further explained that those communications do not push customers to the high-differential rates but rather "wait for them to have that curiosity about the rate options

[100] Exhibit 137, Rebuttal Testimony of Sarah L.K. Lange, pp. 56 – 57.
[101] Transcript, p. 432, l. 19 – p. 433, l. 1.

and go out and look at the rate comparison tools to evaluate, okay, how might I save money on some of these other rate plans."[102] Ms. Lange's alleged marketing concern is unfounded, and simply does not justify a minimum demand charge.

1F. What changes should be made, if any, to the Residential rate plans offered by the Company?

Other than the differentiation of customer charges among the different rate plans described in sub-issue 1E, no changes should be made to the Residential rate plans offered by the Company.[103] To reiterate, Ameren Missouri has come a long way on modernizing rate design — with hundreds of thousands of Residential customers on a TOU rate.[104] However, there is still work to be done as the Company finishes up deployment of AMI metering to the remaining one-third of customers. As detailed below, eliminating Residential rate plans and tinkering with Residential rate designs and default timeframes at this point would likely trigger severe customer confusion and frustration, create administrative inefficiency and wasted efforts and unnecessary costs for the Company and its customers.

1F. a. Should Staff's proposal to eliminate the Anytime (flat) rate option for any Residential customers who have an AMI meter be approved?

No. One of the important goals of rate modernization is to provide customers with an enhanced level of choice and control.[105] To remove the flat and familiar rate option for customers at this point would be a step in the wrong direction — limiting customer choice and control. Not only would it limit customers' control generally, but it would be counter to the information and communication that customers have received and relied on throughout the Company's AMI

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[102] Transcript, p. 191, l. 6 – p. 192, l. 13.
[103] Exhibit 39, Direct Testimony of Steven Wills, pp. 6 – 7.
[104] Id., p. 7, Table 2 (As of July 20, 2022: 359,115 customers were enrolled in Evening/Morning Savers; 522 customers were enrolled in Overnight Savers; 366 customers were enrolled in Smart Savers, and 302 were enrolled in Ultimate Savers).
[105] Exhibit 40, Rebuttal Testimony of Steven Wills, p. 4, ll. 19 – 21.

rollout. Customers who have received an AMI meter have recently been provided information about their rate options that explicitly communicated customers' ability to choose the familiar Anytime Users rate plan if they preferred. Over 55,000 or over 10% of those customers have already affirmatively chosen to **return** to the familiar Anytime Users rate plan.[106] Taking the choice away now and forcing those customers that consciously and recently elected that rate plan to move to a TOU rate would surely cause very justifiable confusion and frustration for those customers.[107] Furthermore, the concerns expressed by CCM witness Jacqueline Hutchinson about the negative impacts to vulnerable customers of being defaulted to TOU rates would only be exacerbated by taking the option away from those customers to return to a more familiar rate plan.[108]

What is the supposed benefit of eliminating the Anytime Users rate plan that Staff would suggest justifies the customer confusion and frustration and exacerbation of CCM's concerns? After acknowledging that the intent of the Evening/Morning Savers rate plan was not reduction of peak usage or shifting load, Staff proffered the following as their basis for eliminating the Anytime Users plan: "To better align cost causation and revenue responsibility. And, I grant you, it's not huge."[109] Not only is it "not huge," it would actually be negligible. In a separate calculation of bill impacts for 100 Residential customers under the various rate plans, with regard to a customer charge comparison, Staff witness Sarah Lange removed the Evening/Morning Savers rate from her graph on page 56 of her surrebuttal testimony because the values under the Evening/Morning and Anytime User rate options were "…virtually on top of each other … Evening/Morning Saver is

[106] Id., p. 5.
[107] Id., pp. 4 – 5 & Transcript, p. 193, l. 12 – 23.
[108] Exhibit 40, Rebuttal Testimony of Steven Wills, p. 6.
[109] Transcript, p. 443, 12 – 20.

very similar to Anytime [sic]."[110] Clearly, the negligible alleged benefit of better aligning cost causation and revenue responsibility does not justify the customer confusion and frustration and exacerbation of CCM's concerns.

1F. b. What changes, if any, should be made to the deployment of residential TOU rate plans?

None. No changes should be made to the deployment of Residential TOU rate plans. Staff's proposal to begin defaulting customers with an AMI meter the month following the AMI meter installation is irrational. The current menu of Residential rate options was the result of extensive negotiations between the parties to the Company's 2019 rate case, File No. ER-2019-0335. In accordance with that Stipulation, the Company has invested a significant amount of energy, effort, and money in developing the TOU customer educational/communications journey tools and materials as described by Company witness Wills at the evidentiary hearing.[111] The AMI meter rollout, which is the trigger for customers to go through the defaulting process, is approximately two-thirds complete.[112] The process should not be changed now creating an inconsistent experience between customers being introduced to AMI meters and TOU rates depending on nothing more than when their meter was installed. But even more importantly, it would cause the Company to spend significant time and money in revamping the customer journey. This would be a duplicated (i.e., wasteful) effort with the work done to initially roll out TOU rates, would take substantial time to complete — meaning the changes could not be rolled out for a significant period of time following a Commission order in this case — and when they finally were rolled out, the AMI rollout and customer defaulting process would be so far along that very few customers would be left to go through the revamped process, making the time and

[110] Transcript, p. 437, ll. 9 – 20.
[111] Transcript, pp. 191 – 192.
[112] Id., p. 245.

money spent especially wasteful.[113] Although OPC witness Dr. Marke noted that OPC does not have a strong opinion on the defaulting timeframe, at the evidentiary hearing, Dr. Marke even observed that "[a] month seems quick."[114]

Moreover, the six-month timeline post-AMI meter installation was established for good reason — so that customers will have four or more months of interval data from their new AMI metering to empower them to select their rate plan and compare potential bills under the different rate plans.[115] Defaulting customers the month following AMI installation would mean that customers have no interval data upon which to make an informed decision and understand the impact of their rate plan selection.[116] This would be a step backwards from the current course of providing a positive, informed customer experience for introducing TOU rates, and could increase the rate of customers trying to opt out of all the TOU plans entirely (if that choice has not been taken away through implementation of Staff's proposal to eliminate the Anytime Users rate plan as discussed above). The Company recommends that the current 6-month post-AMI-installation defaulting timeframe be maintained so that customers may be empowered to make their choice.

The Company also does not agree with CCM's proposal to cease all defaulting to TOU rate plans. As Company witness Wills explained during the evidentiary hearing in response to questions from CCM's counsel, it is reasonable to default customers to TOU rate plans where significant bill impacts are not expected, such as with the close alignment between the Anytime Users (flat, traditional) and Evening/Morning Savers (mild TOU) rate plans. Nevertheless, the Company would have major concern if customers were being defaulted on to more advanced

[113] Exhibit 40, Rebuttal Testimony of Steven Wills, pp. 8 – 10.
[114] Transcript, p. 356, l. 23 – p. 357, l. 9.
[115] Exhibit 40, Rebuttal Testimony of Steven Wills, pp. 7 – 10 & Transcript, p. 304, l. 17 – p. 305, l. 12.
[116] Id., pp. 7 - 8.

TOU rates with larger pricing differentials between peak and off-periods and larger potential bill impacts, like the current Smart Savers rate plan. Mr. Wills particularly remarked on the potential for 20% plus or minus customer bill impacts for electric space heating customers in the winter on top of the 5% increase arising from the revenue requirement reflected in the *Stipulation and Agreement* in this case.[117]

1G. What changes should be made, if any, to the Non-Residential, Non- Lighting rate options offered by the Company?

None. The Commission has already ordered the Company to look at updating a number of its Non-Residential rate structures in its first electric rate review after 2025 (after the Company completes its AMI rollout).[118] The Company, OPC, and MECG acknowledge that a workshop process should be undertaken to work through potential future rate design changes for Non-Residential customers.[119] That process is the right venue to contemplate rate design changes.[120] Revamping the billing systems and educational/communications journeys for Non-Residential customers in this case, knowing that everyone expects for Non-Residential customers' rates to be revamped again following the working docket, is just plain wasteful and likely to trigger customer confusion. See more specific arguments against each proposal below.

1G. a. Should Staff's proposal to introduce a time-based overlay for all Non-Residential, Non-Lighting classes for all customers who have an AMI meter and are not served on a time-based schedule be adopted?

No. Staff's proposal for a revenue-neutral time-based overlay for Non-Residential Non-Lighting customers with an AMI meter should be rejected for three reasons. First, as explained by MECG witness Chriss and Company witness Wills, Staff's overlay focuses almost exclusively on

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[117] Transcript, p. 187, l. 21 - p. 189, l. 23.
[118] Exhibit 40, Rebuttal Testimony of Steven Wills, p. 10.
[119] Exhibit 41, Surrebuttal Testimony of Steven Wills, p. 24; Transcript, p. 330 – 331 (OPC witness Dr. Marke describing the workshop process); & Exhibit 401, Rebuttal of Steve Chriss, p. 12 – 13.
[120] Exhibit 41, Surrebuttal Testimony of Steven Wills, p. 24.

market-based marginal costs (MISO Locational Marginal Prices) to define the TOU overlay rates. Thus, Staff disregards a key point: for a vertically-integrated utility, like the Company, embedded costs are the appropriate basis for setting base rates.[121]

Second, as witnesses for both MIEC and MECG indicated, there was not sufficient time in this case for customers and stakeholders to thoroughly analyze Staff's rate proposal.[122] That opportunity should be made available prior to the implementation of new rate designs for Non-Residential customers, especially in light of the potential bill impacts to such customers. That opportunity can occur via the working docket ordered by the Commission in the Company's last electric rate review, File No. ER-2021-0240. And, Staff's disregard of embedded costs in favor of marginal costs for defining a TOU overlay is a great candidate for discussion in that working docket.[123]

Third, Staff's proposed overlay would be time-consuming and costly to implement. The magnitude of the necessary billing system changes are estimated to be months of time and hundreds of hours of employees' time. The overlay would further require significant communications efforts for the Company to educate its customers on the new rates to which they would be subjected. All of that effort and expense would be for little effect, considering the rates that would be implemented would likely be subject to near-term replacement in the first Company rate case after the contemplated working docket.[124] If all of Staff's Residential and this Non-Residential rate design proposals were approved, despite the Company's recommendations to not approve them, implementation of the proposals "will stretch the Company's resources to the point

[121] Exhibit 41, Surrebuttal Testimony of Steven Wills, pp. 23 – 24.
[122] Exhibit 351, Rebuttal Testimony of Maurice Brubaker, at pp. 12 – 13; & Exhibit 401, Rebuttal of Steve Chriss, at pp. 12 – 13.
[123] See Footnote 118 above.
[124] Exhibit 40, Rebuttal Testimony of Steven Wills, pp. 10 – 15; & Transcript, 199, l. 13 – p. 200, l. 7.

that the customer service and billing issues we work as a company so hard to avoid may become more common."[125]

1G. b. Should MECG's proposed shift to increase the demand component for Large General Service and Small Primary Service and decrease energy charges be adopted?

The Company recommends all rate elements be adjusted by equal percentages. However, the Company acknowledges that increasing the proportion of revenues coming from the demand charge to the extent that the distribution demand-related costs are not currently fully reflected by the level of the current demand charge for the 3(M) and 4(M) classes is directionally consistent with cost of service principles. Accordingly, the Company does not oppose a modest additional increase in the demand charge with a correspondingly smaller increase in the energy charge. The Company would emphasize though that the additional movement in the demand charge relative to the energy charge should be modest or gradual to avoid any significant bill impacts on the customers in the class.[126]

1G. c. Should the Commission approve MECG's proposed optional EV charging 3M/4M rate design?

No, but even MECG's witness agreed during the evidentiary hearing that the Commission should include consideration of EV charging specific rates or even rate classes as part of the rate design working docket to be opened as ordered in the Company's last electric rate review.[127] As a preliminary point, as just discussed for sub-issue 1G.b., any changes in the demand charge should be moderated to maintain gradualism in the way they impact all customers — including those with EV charging applications. And, a moderate change would not warrant the development of a whole new rate structure.

[125] Exhibit 40, Rebuttal Testimony of Steven Wills, p. 15, ll. 11 – 14.
[126] Id., p. 24, l. 19 – p. 25, l. 5.
[127] Transcript, p. 599, l. 18 – p. 602, l. 22.

There are also practical concerns with MECG's proposed EV rate. While this new rate structure would not be as complex to bill as the 12 Non-residential rates proposed by Staff in this case, the same administrative inefficiency of developing new rate structures in this case – shortly before we undertake a more comprehensive review of these class rate structures in the first case that will take effect in or after 2025 – apply to this proposal as well. It makes more sense to focus the rate re-design efforts in a single case. In addition, MECG witness Chriss clarified on cross-examination at the evidentiary hearing that eligibility of the proposed optional EV charging rate would need to be restricted to only customers with public EV charging applications.[128] This would require additional administrative procedures to verify the eligibility of the customer for the optional rate.

1G. d. Should the Rider C factor be adjusted?

No. The Company undertook an engineering review of the Rider C loss rate to ensure that it is still reasonable, not a detailed rate study designed to update the rate. The Rider C factor adjusts the usage billed to customers to account for energy losses in circumstances where the meter is configured on the opposite side of a transformer than it would be in standard circumstances. The losses are incurred due to the transformer that is adjusting the voltage of power delivered to these customers, and the appropriate loss rate to be reflected in Rider C should be applicable over a range of different transformers that may be used to serve customers in the applicable circumstances. The objective of the Company's analysis was to review whether the loss rate was reasonable given that range, and it concludes the existing loss rate is still reasonable. Indeed, the difference between the 0.68% factor in effect, and the 0.72% calculated as a part of the review, is very marginal.[129]

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[128] Id., p. 594, l. 18 – p. 595, l. 14.
[129] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, p. 3.

Updating the rate based on this engineering review would be administratively burdensome for little benefit. Each customer would have to have their rate manually adjusted in the Company's meter data management system.[130] Billing units would also need to be adjusted to reflect the fact that historical test year sales based on the old Rider C rate will not be reflective of future sales with the new Rider C loss rate applied.[131] The Rider C factor should not be adjusted.

1G. e. Should the values for the monthly customer charge, Rider B credits, and Reactive Charge remain consistent for SPS and LPS customers because these costs are effectively the same regardless of the customer class?

Yes. These charges are effectively the same regardless of the customer classes and similarly impact customers across the two rate schedules those customers may optionally move between.[132] Staff actually appears to want to evaluate the costs caused by and allocated to customers in these classes separately, and does not state how those charges should be altered in this case.[133] The rate design working docket ordered to be opened in the Company's last electric rate review could be a venue for such an evaluation.

1H. Rate structures (Studies and Data)

The issue of what data the Company should be ordered to gather was a point of significant discussion during the evidentiary hearing. To level set, Company witness Wills explains a major misconception that is foundational to exploring this overall issue:

> So I think there's a major misconception that the existing data that we're using for class cost of service doesn't give kind of the level of information that we need to do this rate modernization and I think it really does.
>
> The important thing, and this aligning rates with the cost structure of the utility as I kind of talked about with rate modernization, is that costs are recovered in a charge type that reflects how those costs are incurred. And regardless of how, you know, the industry evolves and the equipment changes, there's really been for a century, there's no change, that there's -- there's no reason for any change to this,

[130] Exhibit 34, Surrebuttal of Michael Harding, p. 3.
[131] Exhibit 30, Surrebuttal Testimony of Nicholas Bowden, Ph.D., p. 29.
[132] Exhibit 32, Direct Testimony of Michael Harding, p. 11.
[133] EFIS Item No. 249, Staff's Statement of Position, filed March 27, 2023, pp. 18 – 19.

> three really recognized cost drivers: Connecting customers to the system, building enough capacity to meet peak demand, and producing and delivering enough energy to meet the total energy consumption.
>
> So every class cost of survey – service study that this commission has probably seen for decades is an attempt to put things into customer-related costs, demand-related costs, and energy-related costs. And we have -- I mean, we've had for all of our rate cases, enough load research data to understand the classes' contributions so those demands to understand their energy and to understand, you know, what infrastructure's needed to simply provide a basic connection to the system.
>
> You know, I think where the more granular data comes in is you can maybe use that in some of the time-of-use to which time periods are causing those with more granularity, and I think we're doing that. The AMI data's good for saying, Now, that I've identified demand-related costs or now that I've identified energy-related costs, what are the right time periods to reflect those in and how can I bill those to customers. But that's where I see that granular data being helpful, not in like trying to figure out how a transformer or a pole or a line of conductor relates to providing service to the customer. I don't think the granular hourly usage data is really instructive at all to tell how much of the pole outside of a residential neighborhood ought to be allocated to the residential customers versus someone else for example.[134]

The wish list of data or information that Staff presented during the evidentiary hearing as the minimum needed for a reasonable CCOSS, which was marked as Exhibit 183, must be viewed within the crucial context that Staff is aiming at developing **individual customer** cost of service values instead of **class** cost of service values (as described more fully in the argument under sub-issue 1C above). As Mr. Wills further explained during the evidentiary hearing:

> I think the methodological disputes are what is underlying this.
>
> To the extent though that more data is needed or if it's -- if it is needed, I think it's important that we collect the correct data. You know, I think there's been a lot of discussion over the last day and round[s] of testimony of what we call the Vandas study. I think the Vandas study is the right data to -- to properly allocate costs based on cost causation. And if there were going to be efforts to collect data -- you know, there have been concerns raised about the age of the Vandas study, and I think, you know, a similar effort could be made to refreshing that study and making sure for everyone that it's current and that there's no questions about whether changes in the system since that -- since it was conducted.

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[134] Transcript, p. 281, l. 12 – p. 283, l. 6.

> But to me that's the type of data that would be most useful to collect. Again, I think we had a good conversation already about, you know, our concerns with going into customer-specific data and how it may introduce bias into the results. So I would just urge the Commission to weigh in, you know, on the methodological issues before considering what is the data that ought to be collected.[135]

Staff's notion of individual customer costs of service, where the cost of individual assets are essentially mapped to the exact customers they serve, is patently unreasonable and unworkable. Staff witness Sarah Lange acknowledged that "[t]o a large extent" the data Staff is asking for is information that Ameren Missouri says "they either don't have or can't get."[136] The timeframe for attempting to develop, and the cost to attempt to develop individual customer costs of service as targeted by Staff, are prohibitive. In an effort to manage expectations, Mr. Wills explained at the evidentiary hearing that developing data is going to take time and the data might not be available at the outset of the working docket:

> … and I very much appreciate Chairman Rupp's interest in having more data. I just want to make sure that we're thinking about getting the right data and also recognizing that, you know, there -- that there are limits to the kind of the resources of the company's personnel, and so we need to make sure that we're targeting the stuff that's going to have the greatest benefit to customers and to accurate and reasonable studies rather than casting a very wide net that is going to, you know, produce maybe a lot of data that's not useful to the process where there is, you know, a lot of significant amount of data that is helpful and could instruct the Commission. So I think we really just need to be focused on getting the right pieces.[137]

Further illuminating, Staff witness Sarah Lange acknowledged what Staff has "really struggled with with Ameren, and to be blunt *some other utilities as well*, is we don't know the universe of what information exists."[138] A latent point within the quote is Ameren Missouri is not the only utility struggling to provide Staff with the incredibly granular information they are

[135] Transcript, p. 325, l. 4 – p. 326, l. 3.
[136] Id., p. 411, ll. 5 – 9.
[137] Transcript, p. 326, l 4 – p. 327, l. 4.
[138] Id., p. 411, ll. 20 – 23 (*emphasis added*).

seeking. But the fact that a struggle occurs here should not be surprising given Staff admittedly doesn't know what information exists and Staff is aimed at such a diverging goals — 1) as described in discussion of sub-issue 1C above, Ameren Missouri (and perhaps other utilities) are targeting **class** costs of service, whereas Staff is targeting **individual customer** costs of service; and 2) as described in discussion of sub-issue 1D above, Staff is desperate to significantly shift revenue responsibility to the LGS, SPS and LPS classes and away from small customers (Residential and SGS classes).

1H. a. Should the cost-causation and rates of Riders B & C be fully evaluated?

No. The cost-causation of Rider B was fully evaluated by the Company in this case already. No further evaluation of Rider B is warranted.[139]

Rider C rates are essentially just a loss rate that adjusts metered usage based on the position of the meter relative to the final voltage transformation. The Company performed an engineering review of that loss rate that was introduced into evidence by Staff in this case. The review indicates that the loss rates are reasonable. No further study is warranted.[140]

If Staff would like to review whether Riders B and C are needed or other rate structures or charge types might be better, such a review seems to reasonably fit within the Non-Residential rate design working docket ordered in the Company's last electric rate review.

1H. b. Ordered Rider B Study - Did Ameren Missouri comply with the Report and Order in ER-2021-0240 at pages 31 – 34, where the Commission addressed whether it should require "Performance of a study of the reasonableness of the calculations and assumptions underlying Rider B to be filed as part of the Company's direct filing in its next general rate case?" **The decision paragraph at pages 33-34 states "The Commission will not suspend the Rider B credits, but it believes the question of the proper calculation of those credits should be further addressed in Ameren Missouri's next rate case. Therefore, the Commission will direct Ameren Missouri to study the reasonableness of the calculations and assumption underlying Rider B**

[139] Exhibit 35, Direct Testimony of Thomas Hickman, pp. 26 – 28; Exhibit 36, Rebuttal Testimony of Thomas Hickman, p. 20; & Exhibit 37, Surrebuttal Testimony of Thomas Hickman, pp. 2 – 3.
[140] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, p. 3.

and to file the results of that study as part of its direct filing in its next general rate case."

Yes, Ameren Missouri fully complied with the ordered study. The title and content of section IV of Company witness Hickman's direct testimony – "Rider B Reasonableness Study" – and supporting workpaper, make it clear that the Company performed and presented the ordered study as required in the quoted Report and Order in File No. ER-2021-0240.[141] Whether Staff agrees with the methods and results of the Company's study or not (which will be addressed in the next paragraph) has nothing to do with whether the Company complied with the Commission's order by conducting the study and presenting its results, as it was ordered to do.

When delving into the content of the study, it becomes clear that Staff misunderstands the Company's review of Rider B. Staff incorrectly suggests that a review of Rider B should focus on determining the cost of service to own and operate specific infrastructure, but this misunderstands how the Company's underlying CCOSS and rate design work. Customers do not pay rates that reflect specific investment in specific substation infrastructure. The rates are based on average system costs. The Company is indifferent to the precise decisions or costs that a Rider B customer incurs to own and operate their own substation in terms of rate design and credits. That Rider B customer's decision is a free-market decision, and it makes no sense for the Company's rates for the service it provides to be set based on any consideration of the specific costs being incurred **by that customer** as a function of its decision. Rather, the Company's goal is to remove from the rates charged to these customers any underlying allocation of **Company-owned** distribution substation costs — costs of assets **not used** by the Rider B customer due to their decision to self-provide that infrastructure — that are reflected in the base rate for all customers receiving Small Primary Service or Large Primary Service. The discount should be based on removing the investment the

[141] Exhibit 35, Direct Testimony of Thomas Hickman, pp. 26 – 28.

Company did make, which is a known sum and the costs of which are reflected in the rate the customer pays, from those rates for customers who do not utilize such investment. This is the only reasonable approach since the allocation of substations within the Company's CCOSS is uniform and based on averages.[142]

1H. c. Should Ameren Missouri be ordered to record transmission assets related to maintenance of voltage support due to the retirement of large synchronous generators be recorded to new subaccounts?

No. Staff recommends that the Company be ordered to record certain transmission plant additions and draws of reactive power (sub-issue 1H.d. below) to merely "maintain future allocation options."[143] However, Staff apparently misunderstands the reason StatCom devices (transmission assets for maintaining voltage support due to retirement of large synchronous generators) are installed, which is in-turn a driver of Staff's stated concern about reactive demand. Installation of StatCom devices is heavily driven by the distance between newer production facilities and customers being served, without any obvious change in customer demand of reactive power. Moreover, the Company can estimate the net book value of the StatCom devices at any time, so the creation and maintenance of special subaccounts for some future potential allocation is unnecessary.[144]

1H. d. Should Ameren Missouri be ordered to retain customer and rate schedule characteristics related to draws of reactive demand?

No. As explained for sub-issue 1H.c. above, Staff is recommending the retention of data related to draws of reactive demand merely for potentially having other allocation options.[145] The Company's AMI meters for Residential and SGS customers do not record reactive demand measurements. Collecting this data would be prohibitively expensive — estimated to exceed $150

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[142] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, pp. 2 – 3.
[143] Exhibit 137, Rebuttal Testimony of Sarah L.K. Lange, p. 34, l. 4.
[144] Exhibit 37, Surrebuttal Testimony of Thomas Hickman, pp. 16 – 17.
[145] <u>See</u> Footnote 143 above.

million — and would require wasteful replacement of new and functioning metering infrastructure. The negligible, if any, benefit that might arise from Staff's recommendation does not justify the extravagant cost. Furthermore, Staff's premise for seeking this data is flawed. The major driver for investments in distribution solutions to reactive power issues is not related to changes in customer reactive demand. Installation of these devices is heavily driven by the distance between newer production facilities and customers being served, without any obvious change in customer demand of reactive power.[146]

1H. e – 1H. g are inter-related and argued together below.

1H. e. Should Ameren Missouri be ordered to create subaccounts within distribution accounts and transmission accounts (plant and reserve) for recording infrastructure related to utility-owned generation?

1H. f. Should Ameren Missouri be ordered to provide a study of the customer-specific infrastructure, by account, by rate schedule, by voltage, in its next general rate case?

1H. g. Should Ameren Missouri be ordered to provide data concerning the level of rate base and expense associated with radial transmission facilities including substation components, by customer?

No. As detailed above, Staff wants to develop **individual customer** cost of service values based on a granular mapping of asset costs to the specific customers served by those assets instead of **class** cost of service values, which is patently unreasonable and unworkable. The data Staff requests here are not in furtherance of CCOSSs, but rather to try to develop individual customer cost of service values. There is broad agreement between the expert witnesses of the Company (both internal and third party witnesses) and MIEC that the data that the Company currently relies on is fully consistent with standard industry practice, that such data is completely adequate to perform a class cost of service study, and that such additional data as is requested by Staff will do

[146]Exhibit 37, Surrebuttal Testimony of Thomas Hickman, pp. 16 – 17.

little or nothing to improve cost allocation.[147] At the same time, developing such data, *if it could even be done at all*, would require a tremendous amount of time, effort, and cost to produce. The benefits, if any, are far exceeded by the cost.[148]

Chairman Rupp inquired if "some type of tracker to track the costs [to compile the data] which could be included in a future rate case … absorbed by the ratepayers … would the Company be willing to do the man hours and legwork to gather the data that Staff is requesting so as to advance us down the road…?"[149] Company witness Wills responded as follows:

> I absolutely think it would still be a novel approach if all the data were provided. That's the other -- the other point with this, Chairman, is the biggest problem for us is the methodological change that is being driven.
>
> ***
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> My -- so my biggest concern is that there's a cost associated with the data and the benefit is actually not there, right. The, you know, what's been portrayed, that this data is the answer to getting a more accurate class cost of service, I see it making them getting less accurate. I think it's a big driver of why Staff's study is way out of line with kind of what the national average of, in terms of class rates would be.
>
> And I think the benefit would be a negative, in fact, to do that and try to do a class cost of service study at a level of granularity that is -- it just -- when you're down that far into the weeds, there's all kinds of opportunities for mismatches. You know, you capture customer-specific costs for one class or not for another. You've carved out certain costs and assigned them to customers, but then you've allocated the remaining bucket using load that had -- the customers that had direct assigned costs and you end up double counting.[150]

To be clear, the disagreements over data collection are not about the Company refusing to provide data that it has readily available and/or refusing to perform a trivial amount of work or analysis. The disagreements stem from the completely divergent goals of Staff so that the right data to

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[147] Exhibit 36, Rebuttal Testimony of Thomas Hickman, pp. 20 – 22; Exhibit 38, Surrebuttal Testimony of Craig Brown, pp. 4 – 8; & Exhibit 351, Rebuttal Testimony of Maurice Brubaker, pp. 9 – 11.
[148] Exhibit 36, Rebuttal Testimony of Thomas Hickman, p. 22.
[149] Transcript, p.254, l. 12 – p. 255, l. 4.
[150] Transcript, p. 255, ll. 5 – 9 & p. 255, l. 25 – p.256, l. 19. Chairman Rupp then pushed back suggesting "more data tends to drive … a better process," and he does not want to have another rate case where the same data issues are alleged. Transcript, p. 256, l. 23 – p. 257, l. 8 & p. 258, ll. 3 – 8.

support a reasonable **class** cost of service analysis is not even being sought and the work required is immensely costly and burdensome.

1H. h. What information should Ameren Missouri provide for any rate modernization workshop, or for its next general rate case?

See the Argument above for sub-issue 1H.g. Nevertheless, the Company should provide its CCOSS to participants of the workshop as the basis for understanding the cost structure of the utility for purposes of developing rate designs, and can work collaboratively with stakeholders to determine what information can be reasonably compiled, shared, and used for developing modern Non-Residential rates.[151] As cautioned by Company witness Wills, however, methodological disagreements, like Staff absurdly seeking to develop **individual customer** costs of service based on mapping specific asset costs to specific customers, instead of **class** costs of service based on reasonable allocations, need to be addressed or the working docket will likely devolve into a mess.[152] Besides, Staff's wish list of data in Exhibit 183, depending on the timing of the workshop (and/or the Company's next general rate case), may not be available at the outset.[153]

1H. i. Should Ameren Missouri be required to study potential rate structures and make available related determinants?

Any determination of rate structures and billing determinants to be studied should be addressed in the Non-Residential rate design working docket. The Company can work collaboratively with stakeholders to determine what information can be reasonably compiled, shared, and used for developing modern rate structures.[154] The billing determinants studied must be based on existing data that is reasonably available to the Company.[155]

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[151] Exhibit 41, Surrebuttal Testimony of Steven Wills, pp. 23 – 27.
[152] See Footnote 78.
[153] Transcript, p. 326, ll. 4 – 13.
[154] MECG stated support for such collaboration at the evidentiary hearing. Transcript, p. 61, ll. 12- 18.
[155] Exhibit 41, Surrebuttal Testimony of Steven Wills, pp. 23 – 27.

1I. Should the Commission authorize Ameren Missouri to track some valuation of estimated revenue changes that may arise from residential customer rate switching?

Yes. The two-way rate-switching tracker proposed by the Company should be authorized. Opt-in TOU rates, like those offered by the Company, are particularly prone to causing revenue erosion. The framework outlined in the Company's 2019 rate case settlement, and the robust TOU implementation efforts the Company has been engaging in as a result of it, demonstrate the Company's commitment to providing customers the rate plans and tools needed to take more control than ever before over their energy bills. Because the most advanced rate plans with the greatest potential bill impacts and savings (the Overnight Savers, Smart Savers and Ultimate Savers rate plans) are being offered on an opt-in basis, and the Company is providing education and tools for customers to empower them to choose the best rate for them, bill impacts are generally expected to be favorable on balance for customers — i.e., customers will opt-in to more advanced rates with larger bill impacts and savings potential if they are likely to save money.[156] However, that fact consequently means the Company is also expected to experience revenue erosion from rate switching that may occur, which can negatively impact the Company's opportunity to recover its revenue requirement.[157] The Company's estimate of potential revenue erosion, which was based on illustrative TOU participation of 126,404 advanced TOU participants by 2024, exceeds $5.6 million annually.[158]

The Company’s incentives to encourage greater levels of adoption of TOU rates that promote system benefits should be aligned with its customers' interests in using those rates to lower their bills. Alignment of incentives between utilities and customers is sound regulatory policy that

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[156] If the revenue impact was positive, the increased revenues would be able to flow back to benefit all customers under the Company's tracker proposal.
[157] Exhibit 39, Direct Testimony of Steven Wills, pp. 13 – 14.
[158] Id., p. 16, Table 5.

promotes win-win outcomes. The TOU rates situation is analogous to energy efficiency and demand response programs covered by the Missouri Energy Efficiency Investment Act ("MEEIA"). Where the Company can help customers take actions that are beneficial – like installing energy efficient measures to use less energy or adopting TOU rates and shifting load, both of which reduce the Company's revenues – but where the Company's financial interests would be negatively impacted by those reduced revenues, similar regulatory tools can provide recovery of the impact of those reduced revenues in a manner that addresses that inherent disincentive and promotes good policy outcomes. The Commission has also recognized this principle in circumstances that were not dictated by the Legislature, such as the Company's "Charge Ahead" program from File No. ET-2018-0132, where the Commission granted a tracker in order to promote a beneficial program that, absent the ability to use a tracker, would have been financially detrimental to the Company.[159] During the evidentiary hearing, Company witness Wills explained that his reference to the Charge Ahead tracker was merely "an analogy about a circumstance where the Commission sees a benefit of aligning incentives" and not a conflation of the types of trackers.[160] The two-way rate-switching tracker is sound policy, and should be approved.

1I. a. Is the Ameren Missouri requested method for calculating the tracker balance reasonable?

Yes. The two-way tracker will allow any revenue erosion and excess revenues to be tracked to potentially be recovered from or flow back to customers in future rate cases. The calculation of savings that would be tracked is based on application of two different rate plans to the same level of usage, and therefore, the requested tracker is not in any way, shape, or form analogous to the concept of revenue decoupling as it exists in the industry. There are no or negligible short-run cost

159 Id., p. 18 – 20; Exhibit 41, Surrebuttal Testimony of Steven Wills, pp. 5 – 6 & 18 – 19.
160 Transcript, pp. 323 – 324.

savings to the Company to offset the negative impacts on its bottom line, despite long-term benefits that will arise from lower peak period loads to the benefit of customers.[161]

Staff is off base in attempting to claim that incremental revenue from new EV load from the Company's Charge Ahead case (File No. ET-2018-0132) presumably makes up for the revenue shortfall from customers saving on TOU rates. While it is true that any incremental revenues from new EVs do benefit the Company in the short-run, it is also true that these EV-related revenues represent a very small amount of total usage as compared to the total household usage of residential customers that may be adopting TOU rates and creating customer savings (and utility revenue shortfalls as a result). But even more relevant, Staff ignores the fact that any incremental revenues that may arise from an increasing number of EVs were a critical element of the business case, and cost recovery solution, that underpinned the Charge Ahead program. Recall that the Company is deferring the up to $11 million cost of that program, and hence incurring financing charges on the capital spent to defer them while recovering the costs over a multi-year period to be established in future rate cases. The Company volunteered to *not* pass these financing costs on to customers directly by not proposing to include the regulatory asset in rate base (a commitment that is maintained in the Company's current rate filing), based on the expectation that it would earn incremental revenues from new EVs. The incremental revenues that underpinned the Company's proposal were assumed to be at the full retail rate, not a TOU reduced off-peak rate. Thus, to the extent that EV drivers save money on their retail bills by adopting TOU rates and charging during off-peak times, the revenues that were an integral part of the Charge Ahead cost recovery solution will also be eroded. While there are certain to be some amount of incremental revenues from new EVs entering the system, which may be partially attributable to the infrastructure solutions

[161] Exhibit 39, Direct Testimony of Steven Wills, p. 17 & Exhibit 41, Surrebuttal Testimony of Steven Wills, pp. 11 – 13.

advanced by Charge Ahead, those revenues are intended to compensate the Company for very real program costs that the Company has volunteered to otherwise not pass on to customers. The fact that the Company would track and eventually recover those revenues is entirely appropriate, and their existence does little or nothing to offset the real disincentive that exists for the Company to encourage higher levels of advanced TOU rate adoption.[162]

Staff is off base as well with its claims that the Company will recover some of its losses from reduced revenue associated with TOU adoption through the Company's 5% share of reduced wholesale market energy costs in the Fuel Adjustment Clause ("FAC"). As illustrated through Table 2 of Mr. Wills' surrebuttal testimony, the cost savings retained by the Company under the FAC sharing arrangement are so negligible as to be meaningless in providing the alignment of incentives that the tracker is designed to create.[163]

1I. b. Are alternative approaches available to address what Ameren Missouri characterizes as an inherent disincentive for the utility to pursue a rapid transition toward broad adoption?

The Company is not aware of any such alternatives.

II. Issue 2: Continuing Property Record ("CPR")

A. Background

Mass property, like the title suggests, are assets that are large in number of units and homogeneous in nature so that detailed accounting for individual assets is simply not practical. The USoA accordingly does not impose the same requirements for mass property assets, namely the location of the unit so that an actual vintage of a given asset retirement can be recorded, as it

[162] Exhibit 41, Surrebuttal Testimony of Steven Wills, pp. 14 – 15.
[163] Id., pp.15 – 18.

does for other types of property.[164] The categories of mass property assets for electric plant correlate to the following USoA account numbers:

Account 364 – Poles, Towers and Fixtures
Account 365 – Overhead Conductor and Devices
Account 366 – Underground Conduit
Account 367 – Underground Conductors and Devices
Account 368 – Line Transformers
Account 369 – Services
Account 370 – Meters
Account 371 – Installation on Customers' Premises
Account 373 – Street Lighting and Signal Systems [165]

Providing a little flavor on the "mass" nature of mass property accounts, Company witness Mitchell Lansford noted during the evidentiary hearing that there were approximately 900,000 poles and an equal amount of crossarms (a type of fixture), which are recorded in Account 364. Mr. Lansford noted that the Company has over a hundred million feet of overhead conductor, which is recorded in Account 365.[166]

Staff suggests the Company may not have complied with 20 CSR 4240-3.175(1)(A)(2),[167] which requires that the database submitted with the depreciation study contain certain information. However, the Company in this case, as it has in at least the nine other rate cases it has had over the past roughly 17 years, submitted a depreciation study and the required database. That database did indeed include dollar retirements by vintage year and year retired.[168] Staff in fact used that information in developing its own depreciation rates in this case, as it has done for many other cases in the past. The database provided all of those times is the same as that provided in this case,

[164] Exhibit 47, Rebuttal Testimony of Mitchell Lansford, pp. 7 – 9; & Transcript, p. 553, l. 18 – p. 554, l. 2.
[165] This listing of mass property assets and correlating USOA accounts numbers is set out in Staff witness Cedric Cunigan's rebuttal testimony. Exhibit 118, Surrebuttal Testimony of Cedric Cunigan, pp. 4 – 5.
[166] Transcript, 535, ll. 2 – 7.
[167] Exhibit 118, Rebuttal Testimony of Cedric Cunigan, p. 3, ll. 13-14.
[168] Exhibit 48, Surrebuttal Testimony and True-Up Direct Testimony of Mitchell Lansford, p. 10.

and neither Staff nor any other party has ever claimed that it did not comply with the Commission's rules.[169]

Staff also points to 20 CSR 4240-20.030(3)(A),[170] which specifies for Ameren Missouri, as an electric corporation subject to the Commission's jurisdiction, to: "Maintain plant records of the year of each unit's retirement as part of the 'continuing plant inventory records'[171] as the term is otherwise defined at Part 101 Definitions 8. and paragraph 15,001.8." Company witness Mitchell Lansford presented an excerpt of the Company's CPR in his surrebuttal testimony plainly reflecting the quantity placed in service by vintage year and average cost.[172] As Company witness Lansford further explained in his rebuttal testimony, Part 101 Definitions 8 requires different information for mass property as compared to retirement unit property.[173] Specifically, while Part 101 Definitions 8.A does require the CPR to contain the "location of the unit", 8.B specifically does **not** require the location. Yet, Staff's entire argument here rests on the premise that in order to provide an exact "vintage year" of a specific asset being retired, the Company must keep record of the location of that exact asset. Taking poles for example, Staff asserts that for each pole retired, the vintage of each retired pole must be tied to one of the actual, physical 900,000 poles on the system.[174] The Company's CPR does tie the in-service date or vintage of a specific asset being retired at a specific location if the asset is not a mass property asset, because the Part 101 Definition 8.A requires that it do so. For mass property, the Company's CPR does not tie the vintage of a unit being retired to a specific asset at a specific location – but does utilize the survivor curves that

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[169] Id.
[170] Exhibit 118, Rebuttal Testimony of Cedric Cunigan, p. 3, ll. 16-19.
[171] The USoA defines "continuing plant inventory record" which is the same as the "continuing property record" referred to by the parties in this docket.
[172] Exhibit 48, Surrebuttal Testimony of Mitchell Lansford, p. 10.
[173] Exhibit 47, Rebuttal Testimony of Mitchell Lansford, p. 8.
[174] As discussed below, Staff witness Cunigan attempted to deny that the location is needed to adopt his approach, but then effectively admitted that in fact knowing the location would be required.

underlie the Company's Commission-approved depreciation rates – **to record the vintage year**. This is exactly what the Part 101 Definition that Staff cites requires. Otherwise, it would make no sense for Part 101 Definition 8 to draw such a clear distinction between mass property and other property.

Given the nature of mass property and the impracticality of tracking the location of each item of mass property to each retirement, the Company, using the survivor curves, estimates the average cost of the retired unit and vintage year. The CPR is updated by removing the retired unit, including the associated estimated average cost and vintage year. Use of estimates is contemplated by the USoA. *See, e.g.,* 18 CFR Part 101, Electric Plant Instructions 10D, which specifically allows for the use of estimates in determining the book costs of electric plant retired stating:

> D. The book cost of electric plant retired shall be the amount at which such property is included in the electric plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done it shall be estimated. Utilities must furnish the particulars of such estimates to the Commission, if requested. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

Exhibit 184, which is the Company's response to Staff Data Request 209.1 in this case, therefore reasonably explains:

> Mass property items that are to be retired are provided to Plant Accounting through a work management system. Because the specific asset being retired cannot be identified within our mass property accounting records, retirements are selected based on retirement curves and statistical analysis provided by the company that performs Ameren's depreciation studies, Gannett Fleming.

The Company presented the following example to illustrate how the retirement of mass property process used by the Company works:

> [Using] a work order to replace 10, 40-feet high distribution poles in a rural area south of St. Louis. The new poles are 50-feet high and will have a vintage of 2022.

> The detailed property system for distribution poles in the south St. Louis area of 40-foot poles are identified as having been installed from 1965 to 1975. Thus, the 10 poles are retired with a vintage of 1965 through 1975 on a percentage basis that is consistent with the current survivor curve in place.

B. Argument — Should the Company be ordered to change the manner that property retirements are recorded to its CPR?

Absolutely not. As outlined above, the Company is in full compliance with the Commission's rules with respect to its depreciation studies and database and follows to the letter the USoA definition of CPR, as the Commission's rules also require. It is in compliance now just as it has been in nine other rates cases over the past roughly 17 years where the same data has been provided as was provided in this case.[175]

Staff seems to recognize this as evidenced by Staff counsel's opening statement on the issue at the evidentiary hearing, where Staff counsel described the exception to the rule allowing estimation as the "cutting edge of this case," noting that in order to estimate the vintages would require a showing that it is not possible or not practical to track and retire individual mass property assets by vintage year. Staff counsel then went on to wrongly allege that the Company had not shown impossibility or impracticality.[176] On the contrary, in pre-filed rebuttal testimony, Company witness Lansford explained in detail the impracticality of retiring individual mass property assets by vintage year tied to a specific location, instead of estimating it using the survivor curves that underlie Commission-approved depreciation rates, as follows:

> Practically speaking, if an accountant were to agree with Mr. Cunigan, a recordkeeping system would be necessary where each of the Company's approximately 900,000 poles (for example) would have to be identified by location, vintage year, and perhaps other parameters. Then a service worker would have to consult that recordkeeping system when a pole is removed and definitively know the exact vintage year of the pole removed from that location and update the CPR accordingly. Imagine the time, expense, and complexity of needing to take these steps for the Company's 900,000 poles and millions of units of other mass property

[175] Exhibit 48, Surrebuttal Testimony of Mitchell Lansford, pp. 10 – 11.
[176] Transcript, p. 490, ll. 6 – 25.

> assets, such as overhead conductors (by linear foot) and devices, underground conductors, conduit, towers, fixtures, line transformers, etc. It is obvious that the impracticality of such a recordkeeping system is the exact reason that different mass property rules exist.[177]

Staff witness Cunigan filed surrebuttal testimony but did not attempt to rebut, let alone provide any evidence to rebut, the obvious impracticality presented by Staff's position.

At evidentiary hearing, both Company witnesses Spanos and Lansford further expounded on the impracticality of Staff's proposal. Mr. Spanos provided an instructive example of a storm where hundreds of mass property assets are being replaced quickly, and not just by Company personnel but other utilities who may assist with storm efforts.[178] He explained that, if a lineman has to take time to record details of the mass property assets, he cannot go on to the next project restoring service to customers until the details are noted.[179] Mr. Spanos further expounded on the tremendous cost to maintain the detail without any benefit, and due to the long-lived nature of the mass property assets (average lives of 40 – 70 years), any alleged benefit would not be seen for 50 years.[180] Mr. Lansford explained how the Company simply does not have the necessary data or bridge to translate a specific mass property asset to be retired to the location of that asset, and there is no assignment of an asset ID to poles or any section of the Company's underground conduit or overhead conductor that correspond with plant records.[181] And, Mr. Lansford painted a picture of the scale of how absurdly impractical recording mass property retirements without estimating would be: over a hundred million feet of overhead conductor, 900,000 poles, 900,000 crossarms, and the feet of underground conductor would have to be separately accounted for.[182] Mr. Lansford

[177] Exhibit 47, Rebuttal Testimony of Mitchell Lansford, p. 9, l. 23 – p. 10, l. 10.
[178] Transcript, p. 502, l. 16 – p. 503, l. 8
[179] Id., p. 508, l. 23 – p. 509, l. 10.
[180] Id., p. 503, ll. 9 – 18.
[181] Id., p. 529, l. 22 – p. 530, l. 4.& p. 542, ll. 9.
[182] Id., p. 535, ll. 2 – 12.

estimated the cost to develop a brand-new system to allow this tracking as "many millions of dollars."[183]

Although in his surrebuttal testimony Staff witness Cunigan attempted to deny that the effect of his position would be to require tracking the location of, e.g., those 900,000 poles for each retirement, during cross-examination he back pedaled from that position, agreeing that "[t]here would have to be some kind of tie between the physical assets in the field and the asset ID that you have in the continuing property record."[184] "Some kind of tie" can only mean one thing: one would have to track the location of each pole, each foot of conductor, etc.; otherwise, an estimation of the vintage of the pole/conductor retired would be required.

After acknowledging that there is no labeling or tagging of every mass property asset, like a foot of conductor, apparently realizing the utter impracticality of Staff's proposal for at least some asset types, Mr. Cunigan eventually expressed a willingness to discuss the accounts and mass property assets that Staff's proposed process for individual mass property asset retirements could reasonably be used on.[185] To do what Staff claims should be done – that is, the labeling or tagging and tracking of every foot of overhead conductor (Account 365), every foot of underground conduit (Account 366), and every foot of underground conductors (Account 367) – would be unquestionably impractical and extraordinarily ridiculous.[186]

Company witness Spanos confirmed that he had reviewed many years of the Company's CPR and found the information to be reliable. Mr. Spanos further confirmed that the Company's processes and methods of retirements for mass property assets are the same or similar to those of

[183] Id., p. 549, ll. 7 – 18.
[184] Id., p. 554, ll. 22 – 24.
[185] Id., p. 556, l. 8 – p. 557, l. 17.
[186] It should be noted that in Staff's direct and rebuttal testimonies Staff stated an intention to further discuss its "understanding" of the requirements and its claim that the Company was "potentially" not complying with the relevant rules. The Company reached out to Staff multiple times in an attempt to discuss these issues, but never received a response. Exhibit 48, Surrebuttal and True-Up Direct Testimony of Mitchell Lansford, p. 12, ll. 1 – 9.

many other utilities, and the technology solutions and accompanying statistical analysis relied upon by the Company (and many other utilities) to process retirements for mass property in a utility's CPR are a necessity for keeping the property records accurate and as current as possible.[187] When questioned by the RLJ at the evidentiary hearing, Staff witness Cunigan indicated that he was unsure if other regulated utilities use the same software to estimate mass property retirements.[188] Mr. Spanos, who has worked with utilities across the country was not unsure: the Company does what other utilities do because that is what the USoA contemplates.

Finally, a misstatement must be corrected. Staff witness Cunigan, who is not an accountant, suggested that using software to statistically estimate mass property retirement vintages could produce a difference in rate base upon which the Company would recover a return.[189] The statement incorrectly suggests customer rates may reflect more return to the Company than is proper, given the estimation of the vintage year when mass property is retired. On cross-examination, it became clear that witness Cunigan was wrong:

> Q. So do you know what the debits and credits are for the accounting entries for a retirement of mass property and how those entries affect rate base?
>
> A. So when plant is retired, it should be retired from the plant in-service account and the reserve balance account.[190]

Since the retired asset would be removed from the original plant in service account and the reserve account balance at the same amount, the net effect on rate base is **zero**. There would simply be no difference in rate base. This can be shown using Schedule MJL-TUR15 from Company witness Lansford's true-up rebuttal testimony, Exhibit 49. If one removes a retired asset value from

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[187] Exhibit 43, Rebuttal Testimony of John Spanos, pp. 17 – 18.
[188] Transcript, p. 563, ll. 5 – 19.
[189] Id., p. 568, ll. 13 – 25.
[190] Id., p. 571, ll. 5 – 10.

Original Cost of Plant in Service at Line 1 of Schedule MJL-TUR15, the same value must be retired from the Reserves for Depreciation & Amortization at Line 2 on Schedule MJL-TUR15. So, the Net Original Cost of Plant in service balance is the same at Line 3 of Schedule MJL-TUR15, and there is no net change in Total Electric Net Original Cost Rate Base at line 23 of Schedule MJL-TUR15.

In conclusion, the Company should not be ordered to change its current estimation process for mass property assets, because its process is outlined in the USoA definition incorporated into the Commission's rule, 20 CSR 4240-20.030(3)(1) (i.e., Part 101 Definitions Part 8). Estimation is indeed allowed given the different treatment contemplated for mass property by those rules and is in fact required since it would be wholly impractical, burdensome, and costly to find "some kind of tie" (i.e., track location to avoid estimating the vintage).

III. Issue 3: Identification of Avoided Capital Investments for the Sioux and Labadie Coal Plants.

A. Should the Company be required to identify avoided capital investments should the Sioux or Labadie Energy Centers retire earlier than currently planned as recommended by Sierra Club witness Comings?

As set forth in the rebuttal testimony of Ameren Missouri witness Matt Michels, this recommendation is better suited for consideration in an Integrated Resource Plan ("IRP") case than as a forward-looking requirement in a rate review. There is no allegation of imprudence made on this topic in this case. A rate review uses historical expenditures to determine if they provide an appropriate basis for setting rates for the future. A rate review does not deal with future resource planning decisions and does not determine what can or should be spent on various resources going forward. The Sierra Club's recommendation is the opposite of that and is only focused on future resource decisions.[191]

[191] Exhibit 51, Rebuttal Testimony of Matt Michels, p. 2, ll. 3 - 10.

The Company's triennial IRP filing includes a chapter on environmental compliance, including on existing and potential environmental regulations, potential mitigation options, and the costs associated with compliance.[192] The Company will include consideration of these compliance requirements in its upcoming 2023 filing.[193] Further, as part of the IRP case, there are specific opportunities to suggest the inclusion of analysis beyond that explicitly required by the Commission's regulations, such as the Special Contemporary Issues process or Annual Updates.[194] The Sierra Club is an active participant in Ameren Missouri's IRP cases, including the above-cited portions of the IRP process. This suggestion would be better considered at that time and in those cases.

Finally, if the Sierra Club believes that Ameren Missouri fails, in the future, to make a prudent planning or investment decision, the Sierra Club can ask discovery in the appropriate rate review.[195] It can ask about investments made, the reasons for those investments and even whether a particular investment would have been made if the plant in question had been retired at some specific date. Denying this request in this case does not harm the Sierra Club's ability to examine or challenge those expenditures in the future. Therefore, this request should be denied.

[192] Id., p. 3, l. 13-16.
[193] Id., p. 3, l. 19-22.
[194] CSR 4240-22.080(4) for the Special Contemporary Issues process, & 20 CSR 4240-22.080(3) for the Annual Update process.
[195] 20 CSR 4240-2.090.

Respectfully submitted,

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ATTORNEYS FOR UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail on this 5th day of May, 2023, to all counsel of record.

/s/ Wendy Tatro
Wendy Tatro