Exhibit No. 401

MECG – Exhibit 401
Steve W. Chriss
Rebuttal Testimony
File No. ER-2022-0337

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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2022-0337

REBUTTAL TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

MIDWEST ENERGY CONSUMERS GROUP

FEBRUARY 15, 2023

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

AFFIDAVIT OF STEVE W. CHRISS

STATE OF ARKANSAS	)
	)
COUNTY OF BENTON	)

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

Further the Affiant sayeth not.

Steve W. Chriss

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Introduction

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

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

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

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

Q. ARE YOU THE SAME STEVE W. CHRISS WHO FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

Purpose of Testimony and Summary of Recommendations

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide MECG's response to class cost of service and rate design issues presented by other parties to this docket.

Q. PLEASE SUMMARIZE MECG'S RECOMMENDATIONS TO THE COMMISSION FROM YOUR DIRECT TESTIMONY.

A. MECG's recommendations to the Commission from my Direct Testimony are as follows:

1) MECG believes that the A&E 4NCP methodology, as calculated by Ameren or as modified to comply with Section 393.1620.1(1) RSMo, is reasonable for the allocation of production plant cost. However, for the purposes of this docket and to comply with Section 393.1620.1(1) RSMo, MECG supports the allocation of production plant cost using the Company's proposed A&E 4NCP allocator as modified to use the four months with the highest system peak loads.

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

3) Due to the level of the Company's proposed increase, if the Commission were to award Ameren its proposed revenue requirement increase, MECG does not oppose the Company's proposed revenue allocation.

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

increase using the following steps:

a. Apply 30 percent of the difference between the approved revenue requirement and Ameren's proposed revenue requirement as a reduction to LGS, SP, LPS, and Company Owned Lighting based on the proportional contribution of each class to the overall revenue neutral shift to cost of service from the Company's proposed cost of service study; and

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

5) For the purposes of this docket, at the Company's proposed revenue requirement for the LGS and SP classes, MECG recommends that the Commission:

a. Accept Ameren's proposed customer charges and on-peak and off-peak adjusters for both LGS and SP, and Ameren's proposed Rider B credits and reactive charge for SP;

b. Increase the summer and winter demand charges for LGS and SP by one and one-half times the percent class increases; and

c. Apply the remaining proposed increase on an equal percentage basis to the summer and winter energy charges.

6) If the Commission awards an increase for these classes that is lower than that proposed by the Company, then the Commission can then take larger steps to

address the over-recovery of demand-related costs through energy charges and associated intra-class subsidies. Specifically, the Commission should set the demand charges per MECG's recommendation above and apply the approved reduction in the class revenue requirements by reducing all base rate energy charges on an equal percentage basis.

7) For the purposes of this docket, the Commission should require Ameren to create alternative optional LGS ("LGS-EV") and SP ("SP-EV") rates for EV charging customers with load sizes that would qualify to take service on LGS or SP rates.

Q. DOES MECG HAVE ANY ADDITIONAL RECOMMENDATIONS?

A. Yes. MECG's additional recommendations to the Commission are:

8) The Commission should reject Staff's proposed production cost allocation methodology.

9) MECG appreciates Staff's efforts to begin the discussion on transitioning away from hours-use rate structures and looks forward to the opportunity to engage in the development of appropriate time-of-use rates for the rate schedules. However, for the purposes of this docket, MECG recommends that the Commission reject Staff's proposed time-of-use "overlay" rates and commence the rate design review process for the Company ordered in Docket No. ER-2021-0240 and discussed in my Direct Testimony. This will give all interested parties a collaborative opportunity to fully examine the universe of relevant factors, inputs, and outputs to ensure that the resulting rates are cost-based, equitable,

and just and reasonable.

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

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

Cost of Service and Revenue Allocation

Production Plant Cost Allocation

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

A. As I stated in my Direct Testimony, production plant cost allocation is the process of allocating to each customer class the fixed costs of a utility's generation assets. Fixed costs are defined as costs that do not vary with the level of output and must be paid even if there is no output.[1] Additionally, the utility's fixed production plant costs do not change with changes in the amount of electricity generated. For example, if a generating unit is not dispatched and produces no energy, the fixed costs are not avoided by the utility or customers. Generation units can be built and operated for different reasons, such as lower fuel costs, or reliability, but the way in which a generation unit is operated does not change the fact that the fixed costs

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

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

Q. WHAT IS YOUR UNDERSTANDING OF STAFF'S PROPOSED PRODUCTION CAPACITY COST ALLOCATOR?

A. My general understanding is Staff proposes to first bifurcate the Company's generation assets into dispatchable and non-dispatchable groupings. Staff then proposes to further subdivide costs according to "variable revenue requirement components" and "stable revenue requirement components."[2] Finally, Staff proposes to allocate the dispatchable generation portion based on the All Peak Hours Approach from the NARUC Manual and appears to propose to allocate the non-dispatchable portion using an Average and Excess methodology, while not referencing the methodology by name in their testimony.[3] *See* Direct Testimony of Sarah L.K. Lange, page 20, line 6, to page 22, line 15.

Q. WHAT HOURS DOES STAFF PROPOSE TO USE IN THEIR ALL PEAK HOURS ALLOCATION?

A. Staff proposes to use the resource adequacy hours specified within the Seasonal Capacity construct of the Midcontinent Independent System Operator ("MISO"), which, to my understanding, is a target of 65 hours per each of the four applicable

[2] Staff does not specifically define "stable," which in my experience is not a term used in the ratemaking process, nor does it appear to delineate between costs incurred and revenue requirements. For the purposes of this docket MECG assumes Staff means "fixed costs"
[3] Staff references page 49 of the NARUC Manual, and Average and Excess is the only methodology presented on that page.

seasons, for a total of at least 260 hours per year. *Id.* and MISO Schedule 53, 37.0.0.

Q. DOES MECG SUPPORT STAFF'S PROPOSAL?

A. No, and the methodology should be rejected by the Commission for the reasons discussed below. Staff's proposal has a number of practical issues and policy implications that render it inappropriate for use in a retail ratemaking context.

Q. WHAT IS THE FIRST ISSUE WITH STAFF'S PROPOSED ALLOCATOR?

A. The first issue is that the underlying MISO seasonal construct is brand new and has not even been fully deployed and evaluated within its own operational context, let alone as the basis for an unrelated production capacity cost allocator for retail rates. FERC's order approving the mechanism was issued August 31, 2022, and the first auction utilizing the construct will occur in April 2023.[4] *See* Order Accepting Proposed Tariff Revisions Subject to Condition, FERC Docket Nos. ER22-495-000 and ER22-495-001, August 31, 2022 ("MISO Order"). As such, Commission approval of Staff's proposal in this docket would get out ahead of the implementation of the actual mechanism itself and expose Ameren customers to risks that the methodology may not be durable or reasonable over time as changes are made based on MISO's operational experiences. Additionally, the Commission should note that no other jurisdiction has ever used this specific methodology – this is wholly a creation of Staff, with no industry precedent, external validation, or peer regulatory

[4] https://www.jdsupra.com/legalnews/ferc-approves-miso-seasonal-resource-5318446/#:~:text=MISO%20will%20implement%20the%20new,for%20participants%20in%20MISO's%20Auction.

review for its application to retail production capacity cost allocation.

Q. WHAT'S THE SECOND ISSUE WITH STAFF PROPOSAL?

A. The second issue is that MISO's seasonal mechanism potentially overcounts resource adequacy hours, as the structure forces the annual resource adequacy hours to equal at least 260 hours even if 260 resource adequacy hours do not exist for a given year. This is done through finding additional non-qualifying hours to fill in the gaps. *See* MISO Schedule 53 III.B.ii. MECG notes that, in the FERC docket approving the seasonal mechanism, MISO acknowledged that in many seasons, particularly non-summer seasons, it would be unlikely that there would be 65 resource adequacy hours. *See* MISO Order, Clements Dissent, at 11. As a result, use of this mechanism would create an unreasonable allocation at the retail level as Staff's proposed allocator would ostensibly carry-over this methodology to the production capacity cost allocator, and spuriously base retail production capacity cost on what is likely a significant number of non-resource adequacy hours.

Q. IS THIS CONCERN SUPPORTED BY AMEREN'S COINCIDENT PEAKS FOR EACH OF THE 12 MONTHS OF THE TEST YEAR?

A. Yes. As shown in Figure 3 below, Ameren has only four months in which the coincident peak is within approximately 10 percent of the Company's annual peak. As I discuss in my Direct Testimony, the NARUC Manual's Multiple Coincident Peak Method suggests a threshold for inclusion of 10 percent, which suggests the majority of months do not drive the Company's need for generation capacity. *See*

Direct Testimony of Steve W. Chriss, page 14, line 8. Staff's proposal essentially relies on time periods during the year which are discarded by broadly utilized production capacity cost methodologies.

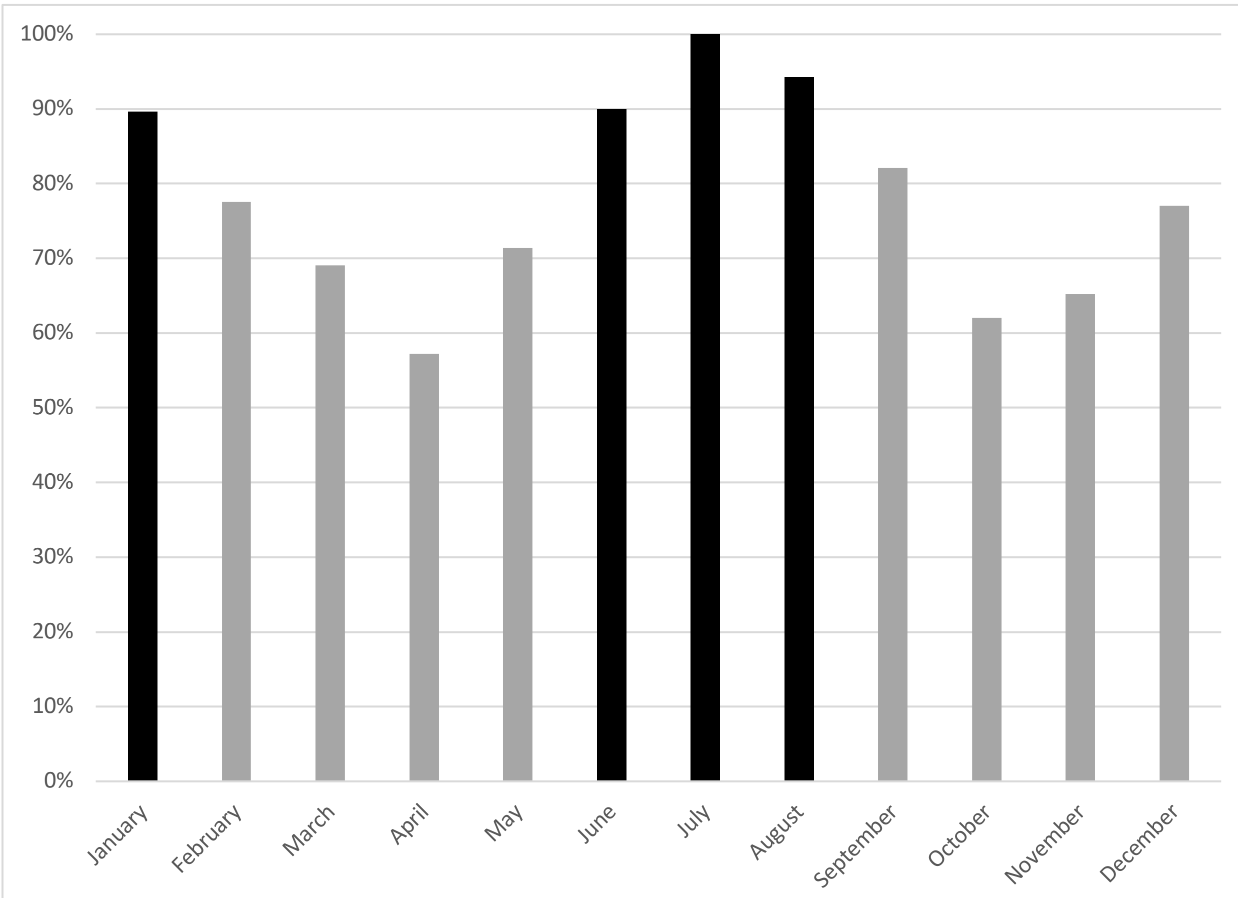

Figure 3. Ameren Test Year Coincident Peaks as a Percentage of System Coincident Peak. Source: CCOS Spreadsheet, System_CP.

Q. IS STAFF'S PROPOSAL CONSISTENT WITH HOW MISO ALLOCATES CAPACITY TO CUSTOMERS IN DEREGULATED JURISDICTIONS IN WHICH CUSTOMERS CAN SHOP FOR GENERATION SERVICE?

A. No. In deregulated jurisdictions within MISO, such as Ameren's Illinois territory, retail customers are assigned peak load contributions based on customer demand at the time of the transmission provider's single coincident peak during a given season for each season of the year. *See* MISO, FERC Electric Tariff, Module E-1, §69A.1.2.1.

Q. FROM A POLICY PERSPECTIVE, DOES STAFF'S PROPOSAL MISPLACE GENERATION RESOURCE PLANNING AND PROCUREMENT RESPONSIBILITY?

A. Yes. This Commission, not MISO, governs Ameren's resource choices and integrated resource planning to meet energy, reliability, and resilience needs. As noted in the Christie concurrence in the MISO Order, in which he states that "no one disputes that the MISO capacity market has always been a purely *residual* option," (emphasis in the original) he provides the following from earlier FERC findings:

> "Notably, approximately 90% of the load in MISO is served by vertically integrated LSEs, the vast majority of which are subject to state integrated resource planning processes. To accommodate the make-up of the MISO's footprint, MISO's proposed Tariff provisions accepted in the February 2018 Order provide that its resource adequacy requirements "are complementary to the reliability mechanisms of the states and the Regional Entities . . . within the [MISO] region." Moreover, MISO's proposed Tariff language explains that the resource adequacy requirements "are not intended to and shall not in any way affect state actions over entities under the states' jurisdiction." In other words, unlike the centralized capacity constructs used in the Eastern RTOs/ISOs, MISO's Auction is not—and has never been—the primary mechanism for its LSEs to procure capacity." *See MISO Order, Christie Concurrence,* at 4.

As such, production capacity cost allocation should follow responsibility for resource decisions – Ameren's resource choices are approved by the Commission at the state and retail levels, and production capacity cost allocation should follow with broadly utilized and time-tested production capacity cost allocation methodologies.

Q. DOES STAFF'S PROPOSAL ALSO CREATE A MISMATCH BETWEEN RETAIL AND WHOLESALE MARKETS?

A. Yes. Staff's proposal exposes retail customers to wholesale cost structures with no ability to access and leverage wholesale benefits, such as the ability for customers to choose their generation provider and manage their energy usage and demands in response to wholesale market signals, as is the case in Ameren's Illinois territory. While MECG is not advocating for deregulation in this docket, Staff's proposal creates immediate policy concerns and ultimately cost concerns for large customers that could lead to the need to examine changes to market access down the road.

Q. DOES MECG HAVE ANY ADDITIONAL CONCERNS WITH STAFF'S PROPOSAL?

A. MECG is concerned that the total result of Staff's wholly new cost of service study is a radical shift in cost responsibility to LGS, SP, and Large Primary customers from that produced by broadly utilized cost allocation methodologies. *See* Direct Testimony of Sarah L.K. Lange, page 25, line 6. The magnitude of these changes on their own should call into question the validity of the proposed methodology.

LGS and SP Rate Design

Q. WHAT IS YOUR UNDERSTANDING OF STAFF'S PROPOSED RATE DESIGN RECOMMENDATIONS FOR LGS AND SP?

A. My understanding is that Staff proposes that the Commission maintain the current relationship between LGS and SP charges and apply any rate change on a uniform percentage with the exception of the reactive kVar charges. *See* Direct Testimony of Sarah L.K. Lange, page 39, line 12 to line 16. Staff additionally recommends a new time-of-use "overlay," or essentially a new time-of-use schedule to be charged to LGS and SP customers that have advanced metering ("AMI") installed at their sites. *Id.,* line 17 to line 18.

Q. DOES MECG SUPPORT THE STAFF'S RATE DESIGN RECOMMENDATIONS FOR EXISTING LGS AND SP RATES?

A. No, for the reasons described in my Direct Testimony.

Q. DOES MECG HAVE A GENERAL OPPOSITION TO MOVING FROM THE COMPANY'S EXISTING HOURS-USE STRUCTURE TO A TIME-OF-USE BASED RATE STRUCTURE FOR LGS AND SP?

A. No, and MECG appreciates Staff's efforts to begin the discussion on transitioning away from hours-use rate structures and looks forward to the opportunity to engage in the development of appropriate time-of-use rates for the rate schedules. However, for the purposes of this docket, MECG recommends that the Commission reject Staff's proposed time-of-use "overlay" rates and commence the rate design review process for the Company ordered in Docket No. ER-2021-0240 and discussed in my Direct Testimony. This will give all interested parties a collaborative opportunity to fully examine the universe of relevant factors, inputs, and outputs to ensure that the resulting rates are cost-based, equitable, and just and reasonable.

Q. PLEASE PROVIDE AN EXAMPLE OF ITEMS THAT WOULD NEED TO BE FULLY EXAMINED IN THE RATE DESIGN REVIEW DOCKET?

A. An example would be the use of MISO LMP prices as the foundation for the time periods and price levels, and whether, in the context of regulated embedded cost ratemaking, where customers cannot access MISO market prices directly, the marginal prices in the market are the appropriate foundation, versus the Company's hourly embedded costs. Additionally, rate design is a balancing act between cost transparency and ability to be understood and acted upon by customers, and the Commission has an opportunity for parties to engage in a collaborative process to find the right balance of all factors.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.