

Public Service Commission Staff Analysis
March 22, 2018

The Public Service Commission Staff completed a rate impact analysis of: (A) HB 2265 as perfected; (B) HCS HB 2265; (C) SB 564 as perfected; and, (D) two versions of a Staff proposal limiting PISA treatment to grid modernization. Each analysis assumes rate cases are filed every 3 years.

Base Case¹: Modeling represents \$200 million incremental plant additions with all other things held constant.

- Assumes a net current annual investment level (plant additions less retirements) of \$700 million.
- Shows an increase in the cost of service for the utility of approximately \$211 million at the end of the 10-year period; or an increase of 7.28% over current revenues.

(A) HB 2265 as perfected – PISA deferral on 50% of all gross plant additions (\$1 billion) with no reserve or retirement offsets (“shall not account for” language in amendment 2)²

- An increase in cost of service for the utility of \$101.8 million after three rate cases; or an increase of 3.51% from PISA alone.
- Total projected rate impact on customers over the ten-year period of 2019-2028 from implementation of PISA would be as follows: \$312.8 million (\$211 million base case plus \$101.8 million PISA implementation) or an increase of 10.79%.

(B) HCS HB 2265 - PISA deferral on 50% of current net investment levels (\$700 million) and 100% on investment levels above current levels (\$200 million)

- An increase in cost of service for the utility of \$60.1 million after three rate cases; or an increase of 2.07% from PISA alone.
- Total projected rate impact on customers over the ten-year period of 2019-2028 from implementation of PISA would be as follows: \$271.1 million (\$211 million base case plus \$60.1 million PISA implementation) or an increase of 9.35%.

(C) SB 564 as perfected – PISA deferral on 85% of all net investment (\$900 million)

¹ In a filing in File No. EW-2016-0313, In the Matter of a Working Case to Consider Policies to Improve Electric Utility Regulation, Ameren Missouri estimated, with regulatory reform, it would invest an average \$200 million for annual incremental plant additions. Staff used this average estimate to represent annual incremental plant additions in modeling of SS SB 564 for the years 2019 through 2028.

² Amendment No. 2 to HB 2265 (Subsection 393.1400.3.(1)) replaces the word “less” with “shall not account for” when referencing retirements of plant. Similarly, the amendment (Subsection 393.1400.3(2)) adds the phrase “but shall not account for changes in plant-related accumulated deferred income taxes and changes in accumulated depreciation”. The amendment modifies the deferral calculation language contained in previous versions of HB 2265 and SB 564 by a) removing the requirement that the PISA deferral balance be offset by growth in the utility accumulated depreciation and deferred tax reserves over time and b) not reducing plant additions with concurrent plant retirements.

- An increase in cost of service for the utility of \$71.5 million after three rate cases; or an increase of 2.46% from PISA alone.
- Total projected rate impact on customers over the ten-year period of 2019-2028 from implementation of PISA would be as follows: \$282.5 million (\$211 million base case plus \$71.5 million PISA implementation) or an increase of 9.74%.

(D) 1. Staff proposed definition of “qualifying electric plant” which limits PISA treatment to grid modernization projects (\$200 million annual plant additions)

- An increase in cost of service for the utility of \$35.6 million after three rate cases; or an increase of 1.23% from PISA alone.
- Total projected rate impact on customers over the ten-year period of 2019-2028 from implementation of PISA would be as follows: \$246.6 million (\$211 million base case plus \$35.6 million PISA implementation) or an increase of 8.50%.

(D) 2. Staff D.1. modified to include an estimated \$140 million of current net investment that meets Staff’s proposed definition of “qualifying electric plant”.

- An increase in cost of service for the utility of \$45.2 million after three rate cases; or an increase of 1.56% from PISA alone.
- Total projected rate impact on customers over the ten-year period of 2019-2028 from implementation of PISA would be as follows: \$256.2 million (\$211 million base case plus \$45.2 million PISA implementation) or an increase of 8.83%.