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Witness:	*Robin Kliethermes*
Sponsoring Party:	*MoPSC Staff*
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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

TARIFF/RATE DESIGN DEPARTMENT

REBUTTAL TESTIMONY

OF

ROBIN KLIETHERMES

UNION ELECTRIC COMPANY, d/b/a Ameren Missouri

CASE NO. ER-2019-0335

Jefferson City, Missouri
January 2020

TABLE OF CONTENTS OF

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d/b/a Ameren Missouri

CASE NO. ER-2019-0335

Q. Please state your name and business address.

A. Robin Kliethermes, 200 Madison Street, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission ("Commission") as the Rate & Tariff Examination Manager of the Tariff and Rate Design Department of the Industry Analysis Division.

Q. Have you previously filed testimony in this case?

A. Yes. I previously filed in Staff's Cost of Service Report filed on December 4, 2019 and in Staff's Class Cost of Service Report filed on December 18, 2019.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri") witnesses Steven Wills, Ryan Ryterski and Thomas Hickman regarding Ameren Missouri's ToU rate mitigation proposal, ToU Demand charge rate pilot program, proposed MEEIA Margin rates, requested Residential Customer Charge, proposed rate design for the 5M and 6M Lighting rate classes, and proposed solar annualization. Also, I will briefly respond to Sierra Club's witness Avi Allison.

OPT-IN TOU RATE AND TOU DEMAND RATE PILOT

Q. What is Ameren Missouri's requested Rate Migration Tracker?

A. Ameren Missouri is requesting a two way tracker for the change in revenues that would result from customers billed on Ameren Missouri's proposed Opt-in EV Savers Rate and Smart Savers time-of-use rate options and Ameren Missouri's standard residential rate schedule.

Q. Is it appropriate to allow Ameren Missouri to defer the difference for future recovery between the bill a customer would have paid under the standard residential rate compared to the bill a customer did pay under the Smart Savers rate to?

A. No. Ameren Missouri built its case in ET-2018-0132 on the premise that increased EV deployment will increase its sales of electricity. Ameren Missouri will obtain more revenue selling a kWh at a lower rate that it would not have sold otherwise, so there is no reason to cause other customers to contribute the difference between that value and the value of that kWh sold at the otherwise applicable tariffed rate. Ameren Missouri's anticipated deployment of AMI meters is predictable, and generally customers cannot participate in these alternative rates without an AMI meter. Thus, Ameren Missouri is unlikely to experience a sudden rush of customers self-selecting into a rate option to achieve bill savings. Finally, these rates are designed in a manner that if customers do change behavior in response to the rate's price signal, then Ameren Missouri will be able to avoid costs. It would not be proper to compensate Ameren Missouri for revenues associated with costs that are avoided. For example, if a customer does change behavior due to the ToU then it is reasonable to assume that the customer is using less energy in high cost hours than they were prior to being served on the ToU rate. In this example, Ameren Missouri is avoiding a higher level of energy costs which are reflected as reduced purchased power costs through Ameren Missouri's Fuel Adjustment Clause. Even though the customer is paying less than they would under the standard residential rate, Ameren Missouri's revenues will not be impacted because the FAR will be adjusted to reflect the savings in purchased power costs. In fact, for recovery periods in which Ameren Missouri over-collects through the FAR due to reductions in purchased power costs, Ameren Missouri would benefit through the sharing percentage approved by the Commission.

Q. Does Ameren Missouri propose to factor in changes in a customer's usage due to weather in its revenue calculation as part of the rate migration tracker?

A. No. Ameren Missouri is simply proposing to compare a customer's ToU bill to what their bill would have been on the standard default residential rate regardless of whether or not a customer is using more or less kWh due to an abnormal weather event. Since the change in usage is not isolated in Ameren Missouri's proposed calculation Ameren Missouri is capturing the total change in a customer's bill and implying that the total change is due to revenue erosion from migrating between rate schedules.

Q. Does Ameren Missouri remove changes in usage due to its MEEIA programs in its proposed rate migration tracker?

A. No.

Q. Does Ameren Missouri's MEEIA Cycle 3 throughput disincentive mechanism, already compensate Ameren Missouri for kWh savings relating to the Company's energy efficiency programs?

A. Yes. Since Ameren Missouri is not proposing to remove changes in usage due to energy efficiency in its revenue calculation for the Rate Migration tracker, Ameren Missouri would double recover revenues related to the changes in usage due to a customer's installation of energy efficiency measures.

Q. Did Ameren Missouri reflect in its revenue calculation for the rate migration tracker that a portion of the residential energy charge includes fuel, which is recovered through the Company's Fuel Adjustment Charge (FAC)?

A. Not that Staff is aware of.

Q. Does Staff have concerns that as currently proposed Ameren Missouri's Rate Migration tracker essentially acts as a Revenue Stabilization Mechanism (RSM)?

A. Yes. The calculation of the revenue impact as proposed by Ameren Missouri as part of the rate migration tracker acts similarly to how an RSM would be developed, absent adjusting rates outside of the rate case.

Q. Does Ameren Missouri currently have a ToU pilot program?

A. Yes. Ameren Missouri's current ToU pilot is of a similar rate design as Ameren Missouri's proposed EV Savers rate option.

Q. How many residential customers took service on Ameren Missouri's current ToU Pilot?

A. Based on information provided by Ameren Missouri in response to Staff Data Request No. 461, Ameren Missouri had 110 ToU customers as of June 2019. However, Staff received usage information on approximately 157 customers who had been on the ToU rate at some point in time from May 2015 to June 2019. Of the 157 customers, 40% had taken service on the ToU rate for less than 12 months.

Q. Has Ameren Missouri experienced revenue erosion based on pricing out actual sales under its current ToU pilot compared to the generally applicable residential rate?

A. Yes. Based on the data provided by Ameren Missouri in response to Staff Data Request No. 461, Staff calculated a level of revenue erosion of approximately $13,400 between May 2015 through June 2019.

TOU DEMAND RATE PILOT

Q. Did Ameren Missouri provide a detailed listing of the metrics to be studied as part of its proposed pilot?

A. No. However, Mr. Wills provides the following questions that Ameren Missouri would like to answer as part of the pilot:

1. Do customers understand demand charges?
2. Are customers accepting of being billed based on demand charges?
3. What changes in consumption patterns are observed when customers are subject to a demand charge? What is the impact on their contributions to peak load?
4. Does enhanced usage information provided to the customer help them feel more comfortable managing their demand?

Q. Do you agree that a pilot is necessary for Ameren Missouri to answer the above questions?

A. Generally, no. A pilot should be used to study a detailed list of metrics and gain information that can't be gained from a non-pilot program. It is unclear how the answers to the above four questions can't be answered from offering the ToU Demand rate as a general residential rate option instead of a pilot. Staff does not consider the four questions asked by Mr. Wills to be a detailed list of metrics and Staff is not aware of anything prohibiting the utility from surveying its customers without a pilot.

Q. Does Ameren Missouri provide any information regarding how the pilot will function?

A. No. For example, Staff is concerned the proposed pilot budget includes $600,000 for customer recruitment and retention and could mean customers will be offered a monetary incentive to participate in the program for the two-year duration of the program. Additionally, the tariff restricts customer participation to only customers who are solicited for participation by the Company. If Ameren Missouri is wanting an experimental group made up of specific customers, selected for metrics such as size and end use, then the Company should outline specifically how the study group will function and how customers will be selected. In the absence of these details, the pilot is not necessary and it is not appropriate to restrict customer access to the tariff.

Q. What is Staff's recommendation regarding Ameren Missouri's proposed ToU demand rate pilot?

A. Staff recommends that a pilot is not necessary in order for the Company to offer a residential rate option with a demand charge. At this time, Staff does not oppose Ameren Missouri's general design of its residential demand rate option, with the caveat that access to the tariff not be restricted. Also, final rates are subject to be changed to reflect the ultimate revenue requirement approved by the Commission in this case and the residential customer charge approved in this case.

<u>RESIDENTIAL CUSTOMER CHARGE</u>

Q. Do you agree with Sierra Club's witness Mr. Allison's concern that recovering costs that do not vary with the number of customers served through the customer charge will result in over collection of revenues through the customer charge as customer growth occurs?

A. Yes. It will also send an inefficient price signal by artificially depressing the rates applicable to the sales of energy.

Q. Do you agree with Mr. Allison's recommendation to reduce the customer charge?

A. No. While generally cost causation is Staff's primary focus in designing a customer charge, Staff is cognizant of the planned expenditures for AMI infrastructure. Staff is concerned that reducing the Residential charge with the expectation that it will increase significantly in the next general rate case runs contrary to the principal of gradualism and avoiding rate shock.

Q. Even if Ameren Missouri's classification of the distribution system were perfect, would Staff agree with Ameren Missouri's calculation of the residential customer charge?

A. No. Although, for classification purposes it is not unreasonable to allocate "customer" costs to classes on the basis of current customer count that does not imply that one should reasonably expect "customer" classified costs to vary with the number of customers served. Also, Ameren Missouri's calculation reflects Ameren Missouri's requested Rate of Return and Ameren Missouri's position on other issues concerning the ultimate revenue requirement to be awarded in this case and that cost quantification is inconsistent with Staff's quantification of such issues.

MEEIA MARGIN RATES

Q. Have you reviewed Ameren Missouri's direct filed calculation of its MEEIA margin rates that would result from this case if the Commission ordered Ameren Missouri's recommended revenue requirement and rate design?

A. Yes.

Q. Does Staff have concerns with Ameren Missouri's calculation?

A. Yes. Staff found that Ameren Missouri's calculated MEEIA margin rates for its direct filed case used the hourly end use load shapes in a manner that were inconsistent with the calculation of the MEEIA margin rates resulting as an outcome of the MEEIA Cycle 3 Stipulation and Agreement. This inconsistency led to a customer's demand being reduced by a much higher ratio in the winter months than the summer months for the installation of an energy efficient air-conditioner, which is an unreasonable assumption given the predominate summer use of such an efficiency measure. Further, Staff found that several of Ameren Missouri's margin rates are based on an estimated savings of 10% rather than an estimated savings of 1% or 5% which are also quantified by Ameren Missouri as part of its margin rate calculation. In addition, Staff requested the number of energy efficiency measures that can reduce a customer's usage by 10%; however, Ameren Missouri responded that no such analysis exists. Staff recommends that the MEEIA margin rates resulting from this case be calculated to use the hourly end use load shapes in the same manner as they were used to calculate the MEEIA margin rates that resulted from the MEEIA Cycle 3 Stipulation and Agreement. Given the level of measured savings that Ameren Missouri has been able to provide, Staff recommends that MEEIA margin rates reflect no greater level of measured savings than 5%.

LIGHTING RATE DESIGN

Q. Have you reviewed Mr. Ryterski's recommended lighting rates?

A. Yes. While such rates are dependent upon the final revenue requirement of the 5M and 6M lighting classes in this case, the design of the rates themselves is not apparently unreasonable. Staff does not oppose the rate design proposed by Ameren Missouri at this time, although Staff will continue to evaluate the reasonableness of these tariff sheets in future cases.

RESPONSE TO AMEREN MISSOURI'S SOLAR ANNUALIZATION

Q. Did Ameren Missouri propose to reduce revenues by an annualized amount to incorporate new customer solar installations in its direct filed testimony?

A. No. Ameren Missouri's direct filed testimony is based on the test period of the 12 months ending December 31, 2018. However, the procedural schedule in this case uses an update period through June 2019. Staff's direct filed testimony is based on the test period of the 12 months ending June 2019. In Ameren Missouri's workpapers updating the billing determinants through June 2019, Staff became aware of the additional revenue adjustment. The additional adjustments appear to annualize solar installations installed in January 1, 2019 through June 30, 2019, as if the installations were installed for all 12 months of the test period.

Q Is it appropriate to reduce billing determinants by the total amount of kWh a customer's solar generation system is estimated to produce?

A. No. A customer's load shape and the load shape of the solar generation will most likely not match on an hour to hour and month to month basis. In some hours and in some months, especially summer months, a customer may produce more than the customer's required kWh for that month. For example, if a customer generates more kWh than is used by the customer's home, that usage flows back to the grid. Ameren Missouri's calculation fails to consider that any kWh flows back to the grid; therefore, Ameren Missouri's solar annualization is overstated. Staff recommends that Ameren Missouri reduce its solar annualization to reflect the amount of solar generated kWh that flows back to the grid on an hourly basis.

Q. Are all of the solar installations assigned to a rate class?

A. In general, yes. However, in Ameren Missouri's update period workpaper it was noted that the amount of unassigned installations was allocated back to each rate class based on each rate class's percent of assigned installations. Through additional Staff data requests, Staff discovered that all of the originally unassigned installations were actually all non-residential customers and that no unassigned installations should have been allocated to the Residential rate class. Staff recommends that Ameren Missouri correctly determine which rate class should be applied to each solar installation.

Q. Would Staff oppose incorporation of an appropriate adjustment to the class revenue calculation reflecting a correction of the solar annualization concerns discussed above?

A. No.

Q. Does this conclude your testimony?

A. Yes.

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 Decrease Its Revenues for Electric Service	)))	Case No. ER-2019-0335

AFFIDAVIT OF ROBIN KLIETHERMES

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COMES NOW ROBIN KLIETHERMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Robin Kliethermes*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Robin Kliethermes

ROBIN KLIETHERMES

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 21st day of January, 2020.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

Dianna L. Vaught

Notary Public