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Standby Rates
Alex Schroeder
Missouri Department of Economic
Development - Division of Energy
Surrebuttal Testimony
ER-2014-0351

MISSOURI PUBLIC SERVICE COMMISSION

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2014-0351

SURREBUTTAL TESTIMONY

OF

ALEX SCHROEDER

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri
March 24th, 2015

DE Exhibit No. 407
Date 4-14-15 Reporter KF
File No. ER 2014-0351

1 **Q. Please state your name and business address.**

2 A. My name is Alex Schroeder. My business address is 301 West High Street, Suite 720, PO
3 Box 1766, Jefferson City, Missouri 65102.

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

5 A. I am employed by the Missouri Department of Economic Development - Division of
6 Energy ("DE") as a Planner III - Senior Energy Policy Analyst.

7 **Q. Are you the same Alex Schroeder who submitted direct testimony in this case?**

8 A. Yes.

9 **Q. What is the purpose of your surrebuttal testimony in this case?**

10 A. The purpose of my surrebuttal testimony is to present DE's response to Empire's
11 response to Data Request ("DR") DED-DE 027. DE received this response on March 4th,
12 2015. This response was not entirely consistent with two previous DR responses, upon
13 which my direct testimony¹ in this case was partly based.

14 I also intend to briefly address portions of H. Edwin Overcast's and W. Scott Keith's
15 (both Empire witnesses) rebuttal testimonies.

16 **Q. Please present each DR and Empire's responses.**

17 A. On January 16th, 2015, DE received Empire's response to DR DED-DE 022. In this DR,
18 DE asked, "How would a CHP customer requiring standby service (i.e., backup service
19 when the unit is down, service on a regular basis to supplement onsite generation, or
20 some combination of the two) be charged for such service under Empire's current

¹ Missouri Public Service Commission Case No. ER-2014-0351, In the Matter of The Empire District Electric Company for Authority To File Tariffs Increasing Rates for Electric Service Provided to Customers In the Company's Missouri Service Area, Direct Testimony of Alex Schroeder on Behalf of Missouri Department of Economic Development, Division of Energy. February 11th, 2015.
(<https://www.efis.psc.mo.gov/mpsc/commoncomponents/viewdocument.asp?DocId=935909173>). Accessed March 23rd, 2015.

1 tariffs?" Empire's response was that "[The Company] does not have any 'Combined Heat
2 and Power' customers nor does it currently have a tariff to provide 'back-up' service to
3 such customers."

4 Further, on December 31st, 2014 DE received Empire's response to DE DED-DE 003. In
5 this DR, DE asked Empire to "[p]lease provide a detailed explanation of the process a
6 CHP customer follows to interconnect with Empire's system." The Company responded
7 by directing DE to its response to DED-DE 001, which simply stated "Not Applicable.
8 Empire has no CHP customers operating in its Missouri service territory."

9 However, on March 4th, 2015, DE received Empire's response to DR DED-DE 027,
10 which appears to represent a shift in the Company's position. In this DR, DE posed the
11 following question:

12 4 CSR 240-20.060(5)(B)1 states that "[u]pon request of a
13 qualifying facility, each electric utility shall provide
14 supplementary power, back-up power, maintenance power, and
15 interruptible power [to qualifying facilities]." What would
16 Empire do if a qualifying facility wished to interconnect with its
17 system and enter into a service agreement for one or more of
18 these types of power? And how would the Company charge for
19 such power?

20 Empire response was as follows:

21 Under the assumption that the supplementary, back-up,
22 maintenance, and interruptible power is used solely by a
23 Missouri customer operating the Qualifying Facility; such
24 service would be provided under the standard retail rates (and
25 associated terms and conditions) approved by the Missouri
26 Public Service Commission. Empire's standard "Application and
27 Agreement for Electric Power Service", (including a customized
28 "Exhibit A" to document the details) would serve as the service
29 contract.

30 Contrary to the response to DRs DED-DE 022 and 003, therefore, Empire does in fact
31 have a *de facto* interconnection protocol and a tariff to provide standby service.

1 **Q. In light of the response to DR DED-DE 027, what is DE proposing?**

2 A. Until Empire adopts the standby rate framework outlined in my direct testimony, or until
3 the Company completes a cost study and designs an alternative standby service tariff
4 therefrom, it should make its response to DR DED-DE 027 explicit in its tariffs. As I
5 outlined in my direct testimony in this case, 4 CSR 240-20.060(5)(B)1 requires the
6 Company to provide standby service “[u]pon the request of a qualifying facility.” And
7 further, the rates charged for such service cannot be discriminatory: 4 CSR 240-
8 20.060(5)(A) explicitly prohibits discrimination against a qualifying facility.² As I wrote
9 in my direct testimony, the exclusion from Empire’s tariffs of the terms of standby
10 service is a form of discrimination:

11 Whereas other potential Empire customers can quickly consult
12 the company’s tariffs to ascertain the terms of electric service
13 offered, entities considering CHP cannot do the same. The
14 absence of tariffed rates for standby service makes it impossible
15 for potential cogenerators to determine if CHP would be
16 economically viable in Empire’s service territory. But no such
17 barrier applies to other potential customers considering the terms
18 of Empire’s electric service. This lack of a tariffed standby rate
19 framework could conceivably function as a barrier to CHP
20 adoption, and may be one reason there are no CHP customers in
21 Empire’s Missouri service territory.

22 The response to DR DED-DE 027 indicates that the Company is in fact currently
23 prepared to meet “the request of a qualifying facility” for standby service, as per 4 CSR
24 240-20.060(5)(B)1. However, the absence of the terms of this service from the
25 company’s tariffs may continue to constitute a violation of the non-discrimination clause
26 of 4 CSR 240-20.060(5)(A).

27

² “Rates for sales shall be just and reasonable and in the public interest and *shall not discriminate* against any
qualifying facility in comparison to rates for sales to other customers served by the electric utility.” (Italics added)

1 **Q. Does this testimony represent a change in DE's position?**

2 A. Absolutely not. DE continues to support the standby rate framework outlined in my direct
3 testimony. However, the appropriate design of standby rates should be seen as a distinct
4 issue from whether those rates are included in the Company's tariffs. In other words,
5 there is no inconsistency in both recommending a particular standby rate framework and
6 insisting that whatever rates exist be included in the Company's tariffs.

7 **Q. Does DE believe that it is appropriate for Empire to provide standby service in**
8 **accordance with its "standard retail rates," as stated in the Company's response to**
9 **DR DED-DE 027?**

10 A. Generally no³, but until an alternative rate framework for standby service is developed,
11 the Company should make explicit in its tariffs that standby service will be charged under
12 the standard retail rates. The Company itself also appears to believe that a better standby
13 rate framework is needed: Empire witness H. Edwin Overcast stated on page 15 of his
14 rebuttal testimony that "[p]artial requirements customers have characteristics that do not
15 neatly fit in the context of current rate designs."⁴

16 **Q. Empire witness W. Scott Keith suggests on page 18 on his rebuttal testimony⁵ that**
17 **the extent to which CHP penetrates its Missouri service territory is more a function**

³ See my direct testimony in this case for more on sound standby rate design (footnote 1).

⁴ Missouri Public Service Commission Case No. ER-2014-0351, In the Matter of The Empire District Electric Company for Authority To File Tariffs Increasing Rates for Electric Service Provided to Customers In the Company's Missouri Service Area, Rebuttal Testimony of H. Edwin Overcast on Behalf of The Empire District Electric Company. March, 2015.

(<https://www.efis.psc.mo.gov/mpsc/commoncomponents/viewdocument.asp?DocId=935914733>). Accessed March 23rd, 2015.

⁵ Missouri Public Service Commission Case No. ER-2014-0351, In the Matter of The Empire District Electric Company for Authority To File Tariffs Increasing Rates for Electric Service Provided to Customers In the Company's Missouri Service Area, Rebuttal Testimony of W. Scott Keith on Behalf of The Empire District Electric Company. March, 2015.

(<https://www.efis.psc.mo.gov/mpsc/commoncomponents/viewdocument.asp?DocId=935914680>). Accessed March 23rd, 2015.

1 of “the individual customer’s manufacturing processes,” rather than standby rates.

2 Do you agree?

3 A. I have no reason to doubt this is true, but the fact that there are more consequential
4 determinants of CHP diffusion than standby rates is not a persuasive argument for
5 rejecting a sound standby rate framework in tariffs.

6 Q. Mr. Keith states on pages 18 and 19 of his rebuttal testimony that “[s]ince the
7 individual [CHP] customer needs will vary, it would likely be more efficient to
8 customize the ‘Standby Rate’ on a customer by customer basis within an individual
9 customer contract that would be approved by the Commission, rather than a
10 ‘Standard’ tariff.” Do you agree?

11 A. No. The specifics of each CHP customer’s usage patterns may differ, but that does not
12 preclude the design of a uniform standby service tariff. Further, potential customers
13 should be able to consult the Company’s tariffs to calculate the economic viability of
14 CHP. A requirement to enter into potentially costly negotiations and obtain Commission
15 approval simply to know what rates would apply would constitute a significant barrier to
16 such calculation.

17 Q. Does this conclude your surrebuttal testimony?

18 A. Yes.