

Exhibit No.:
Issue(s): Rate Design
Witness: Michael W. Harding
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: GR-2021-0241
Date Testimony Prepared: October 15, 2021

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GR-2021-0241

REBUTTAL TESTIMONY

OF

MICHAEL W. HARDING

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
October 15, 2021**

TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. OPC’S RECOMMENDATION TO DISCONTINUE RIDER DCA SHOULD
BE REJECTED 1

III. OPC’S PROPOSED REVISIONS TO COMBINATION BILL
FORMATTING IS REASONABLE..... 8

REBUTTAL TESTIMONY

OF

MICHAEL W. HARDING

FILE NO. GR-2021-0241

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Michael W. Harding. My business address is One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri.

Q. Are you the same Michael W. Harding that submitted direct testimony in this case?

A. Yes, I am.

Q. To what testimony or issues are you responding?

A. I am responding to the direct testimony presented by the Office of Public Counsel (“OPC”) witness Lena Mantle concerning the mischaracterization of Ameren Missouri’s natural gas Delivery Charge Adjustment (“DCA”) Rider, her attempt to juxtapose it against Spire’s historical request for full decoupling, and her recommendation to discontinue the DCA Rider. I am also responding to Ms. Mantle’s reasonable recommendation to revise combination bills formatting (for customers receiving both electric and natural gas service from the Company).

**II. OPC’S RECOMMENDATION TO DISCONTINUE RIDER
DCA SHOULD BE REJECTED**

Q. Does Ameren Missouri agree with Ms. Mantle’s recommendation to discontinue the DCA?

A. No, the Company recommends the Commission leave the mechanism in place and reject Ms. Mantle’s request.

1 **Q. In Ms. Mantle’s direct testimony on Page 3, Line 26¹, she states “Ameren**
2 **Missouri has not provided testimony on why the Commission should allow the DCA to**
3 **continue.” Was Ameren Missouri required to provide testimony in this case to support**
4 **the DCA Rider?**

5 A. No. The enabling statute,² the DCA Rider, and the main settlement resolving
6 the Company’s last gas rate case,³ do not require that the Company to request continuation of
7 the DCA Rider in any future case.

8 **Q. Does Ms. Mantle explain why she thought Ameren Missouri was supposed**
9 **to provide testimony on the DCA?**

10 A. No.

11 **Q. Is Rider DCA new in this case?**

12 A. No, Rider DCA was a modification of the VIRN mechanism presented by Staff
13 witness Michael Stahlman in Ameren Missouri’s last gas rate review, File No. GR-2019-0077.
14 The mechanics were discussed at length with the design being agreed upon in the First Amended
15 Nonunanimous Stipulation and Agreement, which was ultimately signed and agreed to by both
16 Staff and OPC, and then approved by the Commission.

17 **Q. What reasons or reason does Ms. Mantle provide to support this request?**

18 A. Ms. Mantle does not provide valid support, and instead calls the DCA “a
19 decoupling mechanism that is *similar* to the mechanism requested by Spire, Inc.... in GR-2017-
20 2015.”⁴ She then presents one page of testimony beginning on Page 3, line 6 and continuing

¹ File No. GR-2021-0241, Direct Testimony of Lena M. Mantle, p. 3, l. 26.

² Section 386.226.3, RSMo.

³ File No. GR-2019-0077, First Amended Nonunanimous Stipulation & Agreement, at p. 6, discussion of Modified VIRN (which was subsequently renamed the DCA Rider).

⁴ File No. GR-2021-0241, Direct Testimony of Lena M. Mantle, p. 3, ll. 7-8.

1 through line 25 (which is approximately half of her DCA testimony) that describes Spire's
2 historical proposals, and not the Company's DCA Rider.

3 **Q. What is the fallacy with Ms. Mantle's logic in using the Spire case as a**
4 **comparison to the Company's current DCA Rider?**

5 A. The Company's DCA Rider does not use a full decoupling mechanism like the
6 one Spire proposed in the referenced case. Spire's proposed revenue stabilization mechanism
7 compared average customer use to actual customer use, with the mechanism capturing all
8 differences opposed to those caused primarily by weather variations and/or conservation as the
9 statute specifies. After attempting to make this comparison, Ms. Mantle even acknowledges in
10 her own direct testimony on page 4, Line 2, that "the DCA mechanism does not completely
11 decouple revenue from usage..." This is also inherent in her own testimony when she attempts
12 to describe the DCA in a brief summary on Page 2, Lines 17-19. "The mechanism applies to
13 the second block of residential usage (greater than 30 Ccf) and the usage between 101 Ccf and
14 400 Ccf for the general service customers."

15 **Q. Does the enabling statute, Section 386.266.3, RSMo., prohibit**
16 **"decoupling"?**

17 A. No. In fact, not only does Section 386.266.3 not mention "decoupling," it does
18 not discuss or recommend any type of mechanism. While I am not an attorney, the section is
19 silent on how changes in usage due to weather and conservation may be reflected in rates, and
20 merely states that gas corporations have the right to adjust rates to account for their impacts on
21 revenues. The term "full decoupling" is typically meant to describe a rate mechanism that seeks
22 to account for all variations within an adjustment period, which would include more than just
23 weather and conservation as defined in this section, and would by definition violate the statute.

1 However, there are a multitude of recovery mechanisms that do not account for all variation of
2 a particular usage, and these are typically referred to as partial decoupling mechanisms.
3 Section 386.266.3 does not care what the name of mechanism is or how we label it; the statute
4 only cares that it accounts for variation in weather and conservation, but not necessarily account
5 for variation in the entirety of the usage.

6 Additionally, the impacts of weather and conservation on usage are never directly
7 observable. Implicit in the statute is that a reasonable method will be used to quantify those
8 impacts. But under no methodology would there, or even could there, be a completely
9 precise measurement that is guaranteed to not adjust for a single therm of variation in gas
10 usage that arose from another source. That is the nature of estimating the impact of weather
11 and conservation on sales. The method reflected in Rider DCA was agreed upon by Staff
12 and OPC in the Company's last gas rate case because it is reasonable approach to capturing
13 the weather and conservation impacts in a manner that is consistent with the statute.

14 **Q. What does Section 386.266.3 say on this?**

15 A. Section 386.266.3 states:

16 3. Subject to the requirements of this section, any gas or electrical
17 corporation may make an application to the commission to approve rate
18 schedules authorizing periodic rate adjustments outside of general rate
19 proceedings to adjust rates of customers in eligible customer classes to
20 account for the impact on utility revenues of increases or decreases in
21 residential and commercial customer usage due to variations in either
22 weather, conservation, or both. No electrical corporation shall make an
23 application to the commission under this subsection if such corporation has
24 provided notice to the commission under subsection 5 of section 393.1400.
25 For purposes of this section: for electrical corporations, "**eligible customer**
26 **classes**" means the residential class and classes that are not demand
27 metered; and for gas corporations, "**eligible customer classes**" means the
28 residential class and the smallest general service class. As used in this
29 subsection, "**revenues**" means the revenues recovered through base rates,
30 and does not include revenues collected through a rate adjustment
31 mechanism authorized by this section or any other provisions of law. This

1 subsection shall apply to electrical corporations beginning January 1, 2019,
2 and shall expire for electrical corporations on January 1, 2029.

3 **Q. Why is Ms. Mantle calling the DCA a decoupling mechanism when OPC**
4 **agreed to the issuance of the Rider in the Company's last gas rate review?**

5 A. It is not clear. Only the second block of use is targeted by the Company's DCA
6 Rider, and it is not a full decoupling mechanism.

7 **Q. Aside from the incorrect comparison to Spire's File No. GR-2017-0215**
8 **proposal, does Ms. Mantle provide any other evidence to support her recommendation to**
9 **remove the DCA?**

10 A. No, Ms. Mantle did not provide any analysis or workpapers supporting the
11 discontinuance of the DCA. In the last question and answer, on Page 4, Line 3⁵ of Ms. Mantle's
12 direct testimony, to close out she briefly states that "it is a decoupling mechanism because is
13 [sic] guarantees Ameren Missouri the revenue for the blocks of usage with the most variation
14 in usage."

15 **Q. Does Ms. Mantle provide evidence to support this statement?**

16 A. No.

17 **Q. Does Section 386.266.3 prohibit a utility from designing a mechanism to**
18 **account for the largest variations in its usage?**

19 A. No.

20 **Q. Is accounting for the largest variation in usages something that makes**
21 **sense when designing a mechanism to account for variations in weather?**

22 A. Yes.

⁵ File No. GR-2021-0241, Direct Testimony of Lena M. Mantle, p. 4, l. 3.

1 **Q. Why is this?**

2 A. Because weather is by a very wide margin the single largest variable that
3 impacts a gas utility's revenues. Designing a weather and conservation mechanism that adjusts
4 1% of the usage, when 99% of the variation is due to weather and conservation would not make
5 any sense. Any activities outside of conservation and weather would make up a tiny fraction of
6 the variation that a gas utility would experience.

7 **Q. Does Ameren Missouri's current Residential DCA Rider drastically differ**
8 **from the mechanism that was in place prior?**

9 A. No, in fact, the two mechanisms are very similar. Prior to implementing the
10 residential DCA, the Company had split block delivery and split block Purchase Gas
11 Adjustment ("PGA") rates, where all Delivery Charges were recovered in the first 30 Ccf. If the
12 customer had usage that fell below 30 Ccf, due to low usage or leaving the system, the Company
13 did not recover this shortfall. Under the DCA Rider, if a customer uses less than 30 Ccf the
14 Company also does not recover this shortfall. On the old rates, for all usage above 30 Ccf, the
15 customer paid zero delivery charge, but paid a PGA rate on all usage above 30 Ccf. Thus, all
16 variations in usage above 30 Ccf were recovered through the PGA rate. This is also very similar
17 to the currently effective rate design, except now instead of recovering variations in weather and
18 conservation through the PGA, the DCA picks these up annually.

19 **Q. If the Company already had a mechanism for recovering weather and**
20 **conservation, why the change?**

21 A. Because, while effective at mitigating much of the effects of weather, the split
22 block method became very confusing and potentially misleading to customers. With all delivery
23 charges recovered in the first 30 Ccf, it appeared that all usage after 30 Ccf was free since the

1 tariff would show usage above 30 Ccf at zero. The customer would need to understand that the
2 PGA would then recover all usage above 30 Ccf in a separate rate. The potential confusion
3 further compounds when the PGA rate becomes adjusted down below where the initial first 30
4 Ccf PGA block is set in the rate case. This 0-30 Ccf PGA block is initially set to zero; however,
5 when periodic adjustments to the PGA would drop below the amount used to set up the rates, it
6 would apply the PGA changes to both the first and second block. This would cause the normally
7 zero first PGA block to display a negative number.

8 **Q. How has the DCA Rider improved the current Residential rate design?**

9 A. The implementation of the DCA Rider has enabled Ameren Missouri to
10 eliminate the confusing split block design for both the delivery and PGA charge. Both the
11 Delivery Charge and the PGA present a simple, single, and much lower charge that is spread
12 across all Ccf of a customer's usage. The billing is much easier to understand and the recovery
13 of weather variations are now handled by the DCA Rider. The Rider was first effective on
14 September 1, 2019, and has been operating without issue with the DCA Rider rates having
15 already been reset once.

16 **Q. Has Ms. Mantle presented an alternative to the DCA in her direct**
17 **testimony that would enable the Company to continue to account for revenue variations**
18 **due to weather and conservation?**

19 A. No.

