

*Exhibit No.:*  
*Issues:* RES Retail Rate Impact  
*Witness:* Mark L. Oligschlaeger  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Surrebuttal Testimony  
*Case No.:* ET-2014-0085  
*Date Testimony Prepared:* November 1, 2013

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION  
UTILITY SERVICES - AUDITING**

**SURREBUTTAL TESTIMONY**

**OF**

**MARK L. OLIGSCHLAEGER**

**UNION ELECTRIC COMPANY  
d/b/a Ameren Missouri**

**CASE NO. ET-2014-0085**

*Jefferson City, Missouri  
November 2013*

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SURREBUTTAL TESTIMONY OF  
MARK L. OLIGSCHLAEGER  
UNION ELECTRICCOMPANY  
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**CASE NO. ET-2014-0085**

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5  
6 Q. Please state your name and business address.

7 A. Mark L. Oligschlaeger, P.O. Box 360, 200 Madison Street, Suite 440,  
8 Jefferson City, MO 65102.

9 Q. Have you previously filed testimony in this proceeding?

10 A. Yes, I have previously filed rebuttal testimony in this proceeding.

11 Q. What is the purpose of your surrebuttal testimony?

12 A. The purpose of this testimony is to respond to the rebuttal testimony of  
13 Missouri Solar Energy Industries Association (MOSEIA) witness Ezra D. Hausman, PhD  
14 concerning the issue of the appropriate accounting treatment for solar rebate payments. I also  
15 briefly address Dr. Hausman on the issue of the costs of future assumed wind additions.

16 **EXECUTIVE SUMMARY**

17 Q. Please summarize your surrebuttal testimony

18 A. I provide Staff's position concerning appropriate accounting for solar  
19 rebate payments made by electric utilities to qualifying customers under the Renewable  
20 Energy Standard (RES) statute and rule. As of August 28, 2013 (the effective date of House  
21 Bill No. 142, 393.1030), Staff believes that accounting for solar rebates through a ten-year  
22 amortization to expense could be considered as an alternative to the current utility practice  
23 of charging the solar rebates to expense as incurred.

1 I also address the section of Dr. Hausman's testimony where he states that  
2 assumptions within the retail rate impact (RRI) calculation regarding the cost of future  
3 planned wind additions years into the future should not affect the payment of solar rebates in  
4 the short-term.

5 **ACCOUNTING FOR SOLAR REBATES**

6 Q. What are solar rebates?

7 A. Solar rebates are payments made by electric utilities to customers installing  
8 new or expanded solar electric systems that become operational after December 31, 2009.  
9 Under Proposition C and the RES Rule, the minimum amount of the rebate was to be \$2.00  
10 per installed Watt up to a maximum of 25 kW per retail account. (Section 393.1030.3,  
11 RSMo; 4 CSR 240-20.100(4)).

12 Q. How are electric utilities in Missouri currently accounting for solar rebates on  
13 their books and records?

14 A. To my knowledge, all Commission regulated electric utilities are charging  
15 solar rebates to expense as they are incurred; that is, they are treated as a current expense  
16 and not as an asset of the utility for which the costs should be spread over a number of  
17 future periods.

18 Q. In his rebuttal testimonies, does MOSEIA witness Hausman advocate a  
19 different accounting treatment for solar rebate costs incurred by Missouri electric utilities?

20 A. Yes. Dr. Hausman recommends that solar rebates be, in effect, accounted for  
21 as assets on the utility balance sheets and have their associated costs spread out over ten years  
22 through an amortization on the utility income statements.

1 Q. Before beginning an analysis of this recommendation, please provide a simple  
2 explanation of what the accounting terms “asset” and “expense” mean.

3 A. An asset is a company expenditure that results in probable future economic  
4 benefits to that company. As an example, payments made by a utility to construct a  
5 generating station should be capitalized as an asset on the utility’s balance sheet, as the station  
6 will be presumed to provide economic benefits to the utility for many years in the future  
7 through the production of electricity, once the unit is in service. The capital costs of the  
8 generation station will then be charged to expense on the utility’s income statement over time  
9 through charging of depreciation expense over the number of years the station is expected to  
10 be in operation.

11 An expense is a company expenditure that is not expected to result in future probable  
12 economic benefits to the company, but will only provide a current benefit to its operations.  
13 As an example, salary payments to utility employees involved in current utility operations  
14 (and not construction activities) are charged to expense as they are incurred. Because there is  
15 no probable future benefit accruing to the utility for these types of payments, such costs  
16 should be charged to expense on the utility income statement as they are incurred.

17 Q. Until recently, did solar rebate payments result in a probable future benefit to  
18 the utilities making the payment?

19 A. No. While payment of solar rebates is mandated under certain conditions  
20 under the RES Rule and statute, until recently such payments had no effect on the utilities’  
21 ability to meet the RES portfolio requirements. All renewable energy credits (RECs)  
22 associated with customers’ solar installations were retained by the customer and did not  
23 belong to the utility, absent an agreement to the contrary by the customer with the electric

1 utility. Further, the solar equipment giving rise to the rebate payments is not owned by the  
2 utility, and the equipment is not considered to be “assets” of the utility. Under these  
3 circumstances, consistent with generally accepted accounting principles, the costs of solar  
4 rebates are properly recorded as a current expense.

5 Q. Have the relevant facts recently changed regarding the question of whether  
6 future benefits accrue to utilities as a result of payment of solar rebates?

7 A. Yes. House Bill 142, which became law on August 28, 2013, provides that all  
8 RECs associated with photovoltaic installations for which solar rebate payments are made by  
9 electric utilities will be transferred by the customers installing the facilities to the electric  
10 utilities for a period of ten years from the date the electric utility confirmed that the solar  
11 electric system was installed and operational (Section 393.1030.3, RSMo (Supp. 2013).  
12 Retirement of RECs obtained by electric utilities through solar rebate payments are now  
13 available as a means of complying with RES requirements from August 28, 2013 on.

14 Q. In view of the provisions of HB 142, is it now Staff’s view that classifying  
15 solar rebate payments as assets, and amortizing the cost of the payments to expense over a  
16 ten-year period, could be an acceptable alternative in accounting for solar rebates?

17 A. Yes, but only for solar rebate payments made on or after August 28, 2013.

18 Q. Would a Commission decision to account for solar rebate payments made on  
19 or after August 28, 2013 as assets subject to a ten-year amortization for accounting purposes  
20 affect the issue in this proceeding of whether Union Electric Company d/b/a Ameren Missouri  
21 (“Ameren Missouri”) has exceeded its RRI limit for 2013 as a result of the amount of solar  
22 rebate payments it has made?

1           A.     No, not in Staff’s view. Staff asserts that if Ameren Missouri’s 2013  
2 RES compliance costs are appropriately calculated under the terms of Proposition C and  
3 the RES Rule, there is no reasonable likelihood that Ameren Missouri will exceed its  
4 2013 RRI percentage limit. This conclusion would not be changed in the event the  
5 Commission ordered a different accounting treatment for solar rebates. Please refer to the  
6 rebuttal testimony of Staff witness Claire M. Eubanks in this proceeding for an explanation  
7 of Staff’s overall position concerning Ameren Missouri’s 2013 RRI calculation.

8           Q.     Does Staff have any concerns with the possible consequences of accounting for  
9 solar rebates as an asset to be amortized over ten years?

10          A.     Yes. It is obvious that part of Dr. Hausman’s rationale for advocating the  
11 ten-year amortization accounting treatment of solar rebates is that such treatment would create  
12 more “headroom” for paying additional solar rebates under the RES Rule within the  
13 constraints of the RRI limit. (Refer to the rebuttal testimony of MOSEIA witness Hausman,  
14 pages 9-10.) Even with the recent changes codified in HB 142, Staff’s opinion is that  
15 payment of solar rebates at this time is a more uneconomic means for Missouri utilities to  
16 comply with the RES portfolio requirements than by other alternatives. (Please refer to the  
17 surrebuttal testimony of Staff witness Daniel I. Beck for discussion of this point.) Therefore,  
18 if the Commission is to consider ordering electric utilities to account for solar rebate  
19 payments through a ten-year amortization to expense, Staff recommends that this only  
20 be done if Staff’s recommended methodology for calculating the RRI is adopted. Use of  
21 Staff’s RRI calculation approach would help ensure that payments of solar rebates as an  
22 RES compliance strategy are incurred in appropriate amounts, considering the relative

1 economics of alternative RES portfolio requirement compliance approaches over a  
2 forward-looking ten-year period.

3 Q. In this proceeding, is Staff affirmatively recommending that solar  
4 rebate payments be accounted for through a ten-year amortization to expense, as  
5 recommended by MOSEIA?

6 A. No. Because a strategy of paying solar rebates to help achieve the RES  
7 percentage targets in future years is less economic than other alternative strategies at this time,  
8 it is Staff's view that electric utilities paying solar rebates primarily do so because of their  
9 obligations under the terms of Proposition C and the RES Rule, and not as a deliberate  
10 strategy to obtain future benefits associated with receipt of renewable energy credits over a  
11 ten-year period from customers installing solar equipment. For this reason, Staff's preference  
12 is to maintain the current accounting practice of charging solar rebate payments to expense by  
13 utilities as incurred.

14 The intent of this section of testimony is to inform the Commission that, as of August  
15 28, 2013, there is some objective basis to account for solar rebate payments as an asset and  
16 amortize the costs over ten years, if the Commission chooses to do so.

17 **TREATMENT OF FUTURE WIND PROJECTS**

18 Q. On pages 16-17 of his rebuttal testimony, MOSEIA witness Hausman  
19 expresses the view that near-term expenditures on solar rebates should not be restrained by  
20 future estimates of the costs of wind farms to be installed years in the future that are  
21 incorporated within calculation of the RRI percentage. Does Staff agree?

22 A. No. Staff views one purpose of the RRI calculation as the encouragement of  
23 future planning by electric utilities to ensure the most cost-effective strategy to meeting the



1 RES portfolio requirements set by statute is adopted as is possible. To the extent that a  
2 utility's analysis of future RES portfolio requirements over the ten-year planning horizon set  
3 out in the RRI shows that the combination of RES expenditures in future years made to meet  
4 RES requirements and the payment of solar rebates in the short-term causes the utility's RRI  
5 percentage to exceed the 1% limit as measured over a ten-year period, then the utility should  
6 plan to either curtail its short-term solar rebate payments, or its long-term RES target  
7 compliance expenses, or both. Dr. Hausman's apparent belief that short-term RES  
8 expenditures should not be limited in any way by projections of future RES compliance costs  
9 is not consistent with Staff's understanding of the intent of the RRI calculation as set forth in  
10 the RES Rule. If a party believes that a utility's long-term RRI assumptions are unreasonable  
11 or inaccurate, then such assumptions can be challenged in the utility's annual RES  
12 compliance filing.

13 Q. Does Staff have a view as to what priority should be given to continuation of  
14 solar rebate payments in the hypothetical situation in which a utility's RRI percentage  
15 calculation is shown to be greater than 1%?

16 A. No. Neither Proposition C or the RES Rule provides clear guidance as to  
17 the appropriate priority to be given payment of solar rebates compared to the need to incur  
18 RES compliance expenditures in the future, in the instance where incurring both types of costs  
19 results in an RRI percentage greater than 1%. Absent further clarification in a future  
20 rulemaking, Staff views setting such priorities as a policy decision ultimately to be made  
21 by the Commission.

22 Q. Does this conclude your surrebuttal testimony?

23 A. Yes, it does.

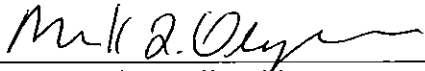
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Ameren Missouri's )  
Application for Authorization to Suspend ) Case No. ET-2014-0085  
Payment of Solar Rebates )

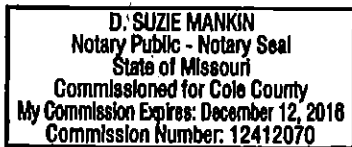
AFFIDAVIT OF MARK L. OLIGSCHLAEGER

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Mark L. Oligschlaeger

Subscribed and sworn to before me this 15<sup>th</sup> day of November, 2013.



  
\_\_\_\_\_  
Notary Public