

Exhibit No.:
Issues: Class Cost of Service
Witness: Robin Kliethermes
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2014-0258
Date Testimony Prepared: February 6, 2015

Filed
March 23, 2015
Data Center
Missouri Public
Service Commission

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

ROBIN KLIETHERMES

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2014-0258

*Jefferson City, Missouri
February 2015*

STAFF Exhibit No. 220
Date 2-23-15 Reporter KF
File No. ER-2014-0258

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

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariff to Increase)
Its Revenues for Electric Service)

Case No. ER-2014-0258

AFFIDAVIT OF ROBIN KLIETHERMES

STATE OF MISSOURI)
) ss
COUNTY OF COLE)


Robin Kliethermes, of lawful age, on her oath states: that she has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.



Robin Kliethermes

Subscribed and sworn to before me this 5th day of February, 2015.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086



Notary Public

Table of Contents

SURREBUTTAL TESTIMONY

OF

ROBIN KLIETHERMES

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2014-0258

Response to Ameren Missouri Regarding Residential Customer..... 2

Staff's Recommended residential customer charge..... 5

1
2
3
4
5
6
7
8
9
10
11
12
13
14

1
2
3
4
5
6
7
8
9
10
11
12

SURREBUTTAL TESTIMONY

OF

ROBIN KLIETHERMES

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2014-0258

13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

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 a Regulatory Economist II.

Q. Are you the same Robin Kliethermes who has previously filed testimony in Staff's Revenue Requirement Cost of Service Report, Staff's Rate Design and Class Cost-of-Service Report, and rebuttal testimony in this case?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to address the rebuttal testimony of Ameren Missouri witness William R. Davis regarding the residential customer charge and to respond to the rebuttal testimony of Ameren Missouri witness William M. Warwick concerning class allocation of income taxes.

Q. What is your recommended Residential Customer charge?

A. Based on the guidance the Commission provided in Case No. ER-2012-0166, Ameren Missouri's last general rate case proceeding, concerning maximizing the benefits of energy conservation efforts, Staff recommends that the residential customer charge remain the

1 same at \$8.00. Staff calculated a residential customer charge cost-basis of \$8.11 in Staff's
2 direct Class Cost of Service study (based on an ROR of 7.501%). This calculated cost is not
3 inconsistent with Staff's recommendation to retain Ameren Missouri's current residential
4 customer charge at \$8.00, for policy purposes.

5 **Response to Ameren Missouri Regarding Residential Customer**

6 Q. On page 11 of Ameren Missouri witness William R. Davis' rebuttal testimony
7 he states that the Company requests the Residential Customer Charge be set to \$8.77.¹ Is this
8 the same request that Mr. Davis mentioned in his direct testimony?

9 A. No. Staff understood from page 17, lines 7-8, of Mr. Davis' direct testimony
10 that the Company's rate design proposal, in general, was to increase the charges for each
11 customer class by the same percentage. It is true that the Company proposed to increase rates
12 by 9.65%, which results in a customer charge for the residential class of \$8.77. However,
13 from Staff's understanding of the Company's direct-requested rate design, if the Commission
14 approves a rate increase of 5% (or any other amount) rather than the Company's requested
15 9.65%, then the residential customer charge would change to \$8.40 (at 5%) rather than \$8.77.

16 Q. When Mr. Davis references "the goals of the principles of a sound rate
17 structure" as one of the basis for his assertion that his requested customer charge amount is
18 reasonable, does he acknowledge recent guidance from this Commission regarding the goals
19 of rate structure?²

20 A. No, in the last Ameren Missouri rate case, the Commission found that there
21 were strong public policy considerations in favor of not increasing the customer charges,
22 particularly, that a lower customer charge enables customers to see greater impact from

¹ Excluding the charge for the monthly Low-Income Pilot Program Charge

² Davis rebuttal testimony, page 11, line 6-9

Surrebuttal Testimony of
Robin Kliethermes

1 conservation efforts and therefore encourages customers to engage in conservation efforts. In
2 that case, the Commission rejected a proposed increase to the residential customer charge,
3 noting that increasing the customer charge would send exactly the wrong message to
4 customers and would discourage efforts to conserve electricity.³ The same concern is raised
5 in considering raising the residential customer charge in this case. Any increase to the
6 residential customer charge would necessarily slightly decrease the bill impact (and cost-
7 effectiveness) of any conservation efforts that customers may have implemented or be
8 considering.

9 Q. If cost-justified, could it be appropriate to increase the residential customer
10 charge above \$8.00?

11 A. Yes. In each case, the Commission can consider the often off-setting policy
12 objectives of encouraging and rewarding energy conservation and sending accurate price
13 signals. Staff is not suggesting that it would necessarily be inappropriate to increase the
14 residential customer charge; however, Staff's direct Class Cost of Service study calculation
15 did justify a customer charge of \$8.11.

16 Q. Does Ameren Missouri calculate a much larger cost basis for the residential
17 customer charge?

18 A. Yes. Mr. Davis over-generalizes the significance of allocating a cost on the
19 number of customers per class. Mr. Davis' assumption results in a customer charge that is
20 premised on the idea that any cost allocated to the various customer classes on the number of
21 customers in those classes means that cost is directly-related to the number of customers in

³ Also, in discussing declining block rate structures, the Commission found that "[t]he downside of a declining block rate design is that it may not send a proper price signal and tends to encourage the excessive consumption of electricity." *Report and Order* in Case No. ER-2012-0166, page 110 – 112.

Surrebuttal Testimony of
Robin Kliethermes

1 that class.⁴ Taken to its logical conclusion, Mr. Davis is essentially assuming that the
2 addition of a residential customer would cause Ameren Missouri's distribution system costs to
3 increase by \$244.89⁵ on an annual basis. That assumption is not reasonable.

4 Q. How does Staff avoid this unreasonable assumption?

5 A. While Staff does find that there is a reasonable relationship between the
6 number of customers in a class and the percent of Ameren Missouri's distribution system that
7 is related to serving that class, Staff does not take the additional step that Ameren Missouri
8 does and conclude that those costs belong in the customer charge.⁶

9 Q. Is it Staff's position that the portion of costs that Staff allocated on customer
10 counts is demand-related?⁷

11 A. No. Staff included about 9% of the total distribution system (excluding
12 lighting) in the calculation of the residential customer charge. Of the remaining 91%, Staff
13 relied on an Ameren Missouri study to allocate approximately 66% of these costs to the
14 classes to reflect the portion of these costs that vary with class demand requirements. It is the
15 remaining 34% that Ameren Missouri's study indicated do not vary with demand that Staff
16 has allocated to the classes based on customer count. Under Staff's rate design, as well as the
17 Company's rate design, these costs will be recovered through the residential energy charge,
18 not any type of demand charge. It is not unreasonable to recover these costs on an energy

⁴ The costs Mr. Davis includes in the customer charge calculation, that Staff does not include in the customer charge calculation, are FERC accounts 364-368. These accounts include the costs of poles, overhead conductors and devices, underground conduit, underground conductors and devices, and line transformers. These resources typically serve more than one customer, as opposed to FERC accounts 369 and 370, which are services and meters and are more specific to one customer. Both Staff and Ameren Missouri include FERC accounts 369 and 370 in the customer charge cost calculation.

⁵ Using Staff's revenue requirement and ROR but under Mr. Davis' assumption, an additional customer would increase distribution system expenses \$147.54 (\$244.89 - \$97.35) more than Staff's position of \$97.35 or approximately \$8.11 per month.

⁶ Based on other available allocators, such as the number of kWh purchased by each class or the MW of capacity required to serve a class on an annual basis, Staff determined that, the number of customers per class was the most reasonable allocator that would allocate a proper weighting of distribution costs to the classes.

⁷ Page 11, line 14-16 of Mr. Davis' Rebuttal testimony.

Surrebuttal Testimony of
Robin Kliethermes

1 basis because the residential rate structure only has two types of charges – a customer charge
2 and an energy charge.

3 Q. Has Staff reviewed the impact on the calculation of a residential customer
4 charge cost of the income tax allocation Mr. Warwick recommends in his rebuttal testimony?

5 A. Yes. Staff has determined that implementing Mr. Warwick’s method for
6 allocating income taxes would reduce Staff’s calculated residential customer charge by
7 approximately \$0.50.

8 Q. Is Staff adopting Mr. Warwick’s income tax allocation modification discussed
9 above?

10 A. No. Staff has determined that Mr. Warwick’s income tax allocation as applied
11 to the plant balances in this case, specifically for FERC acct. 369 (Services), would result in
12 an unreasonable allocation.⁸

13 **Staff’s Recommended residential customer charge**

14 Q. What is Staff’s recommended residential customer charge?

15 A. Based on the guidance the Commission provided in Case No. ER-2012-0166
16 concerning maximizing the benefits of energy conservation efforts, Staff recommends that the
17 residential customer charge remain the same at \$8.00.

18 Q. Does this conclude your testimony?

19 A. Yes.

⁸ As discussed in Staff’s Direct Class Cost-of-Service Report, the depreciation reserve associated with FERC acct. 369 (Services) is currently in excess of the plant balance in acct. 369. It appears that the reduction to the calculated residential customer charge using Ameren Missouri’s method is similar to the reduction Staff discussed when using net plant as an allocation method for property tax as well as accumulated deferred income tax (“ADIT”). Because the reserve for account 369 is in excess of its plant balance, Ameren Missouri’s income tax allocation causes a negative value to be applied to the distribution services function. Both Staff and Ameren Missouri include the distribution services function in calculating the residential customer charge.