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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2014-0258

SURREBUTTAL TESTIMONY

OF

WILLIAM R. DAVIS

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
February 2015

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WILLIAM R. DAVIS

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I. INTRODUCTION

Q. Please state your name and business address.

I. My name is William ("Bill") R. Davis. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am an Economic Analysis and Pricing Manager for Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company").

Q. Are you the same William ("Bill") R. Davis who filed direct, supplemental direct and rebuttal testimony in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony is to: 1) respond to the Missouri Public Service Commission Staff ("Staff"), Wal-Mart Stores East, L.P and Sam's East, Inc. ("Wal-Mart"), and the Office of the Public Counsel ("OPC") regarding Noranda's proposed rate subsidy; 2) respond to the Missouri Division of Energy ("DE") and Staff regarding Ameren Missouri's proposed optional residential time-varying rate proposal; 3) respond to Staff and OPC regarding the proposed Missouri Energy Efficiency Investment Act ("MEEIA") low-income exemption; and 4) respond to OPC regarding rate design/class revenue requirements.

II. RESPONSE REGARDING NORANDA'S PROPOSED RATE SUBSIDY

A. Response to Staff

Q. Please summarize Staff's position regarding the proposed subsidized rate for Noranda.

A. Staff is opposed to Noranda's proposal. Specifically, Staff is opposed to the creation of a new rate class to implement the subsidized rate, the seven-year term, the price level, the 1% annual rate increase, and the exemption from the fuel adjustment clause ("FAC").[1] Staff also argues that if the Missouri Public Service Commission ("MPSC" or "Commission") authorizes a special rate for Noranda in this case, the rate should be re-examined, and appropriate changes made in each subsequent rate case.

Q. Has Staff attempted to verify whether Noranda needs a rate subsidy based on its purported financial position?

A. No. To date in this case, Ameren Missouri's witness Robert Mudge is the only person to independently analyze Noranda's claim of financial distress.

Q. What is the significance of other parties not investigating Noranda's purported financial distress?

A. Noranda's proposed rate of $32.50/MWh is entirely based on what it says it can afford, which is embedded in the financial analysis presented by Noranda witness Dale Boyles. The fact that other parties have not investigated Noranda's claims should

[1] Scheperle Rebuttal, p. 3, l. 14-18; p. 3, l. 20-25; p. 4, l. 15-23; p. 8, l. 2-5; p. 8, l. 14 through p. 9, l. 2; and p. 9, l. 4-10.

be viewed as a red flag by the Commission. Only Ameren Missouri has provided testimony investigating both Noranda's claims about its financial situation[2] and how the rate proposal would impact customers over the proposed seven-year term.[3]

Q. Why should the Commission be concerned whether Staff or any other parties have investigated Noranda's claims of financial distress to determine if they are valid?

A. Mr. Terry Jarrett, a former MPSC Commissioner, testified on this topic during Noranda's recent rate design complaint case. The excerpt from his testimony below (with which I agree) succinctly describes significant legal and technical barriers to conducting a thorough investigation of a utility customer's financial condition:

> The same tools that the Commission has to evaluate a utility cannot be used to evaluate a customer. The Commission can't go out and regularly monitor and audit a customer's financial condition. The Commission can't compel a private business that it does not regulate to turn over all its books and records for inspection, or require the customer to submit regular surveillance reports. The Commission has no experience in evaluating a customer's financial position. To my knowledge, the Commission staff has no one who is an expert on how aluminum smelters operate or how they are financed or managed. Commission staff were hired and trained to evaluate utilities, not other kinds of businesses.[4]

Staff's, OPC's and other parties' lack of time and/or sufficient expertise for investigating claims of financial distress, such as those made by Noranda in this case, should be a matter of great concern to the Commission. Without knowledge of Noranda's financial situation, the Commission cannot know whether Noranda really needs a rate subsidy,

[2] Mudge Rebuttal Testimony.
[3] Michels Rebuttal Testimony and Davis Rebuttal Testimony.
[4] Jarrett Rebuttal Testimony, File No. EC-2014-0224, p. 10, l. 14-22.

how great any subsidy should be, any terms or conditions that should apply to a subsidy or how long a subsidy should remain in place. These are critical questions the Commission must be able to answer, not only in this case, but for the future as well.

Q. Even if the Commission determined that Noranda's financial condition was precarious, is that alone enough to warrant a rate subsidy?

A. No. The Commission needs to consider at least two additional items. First, the Commission needs to consider the cause of Noranda's financial condition. For instance, if the financial situation is self-inflicted, then it should be exceedingly difficult for Noranda to justify a rate subsidy and the Commission should be very reluctant to grant one. This is precisely what the Commission determined in Noranda's most recent rate design complaint case, as can be seen in an excerpt from the Report and Order:

> To the extent that Noranda is experiencing financial liquidity problems, it seems likely that these problems are largely self-inflicted. The former owner of Noranda, and still its principal shareholder, Apollo Management, L.P., took $422.8 million in cash dividends from the company after it acquired the company. Noranda had to borrow money to pay the dividends, leaving it with a current debt to equity ratio of 87 percent. Under those circumstances it is not surprising that Noranda has some cash liquidity issues, especially considering the roughly $50 million per year in interest payments Noranda must pay on that debt.[5]

The conclusions that the Commission expressed in that Report and Order are equally valid in this case.

The second additional consideration should be the impact to other Ameren Missouri customers. It is perplexing that Noranda has not presented a full analysis of the impact to other customers from its own proposal over its proposed seven-year term.

[5] *Report and Order*, File No. EC-2014-0224, p. 26, footnote 86.

Again, only Ameren Missouri has taken the steps to consider the cumulative effects of this multi-year rate proposal. Regardless, based on the analysis in my rebuttal testimony and the analysis in Ameren Missouri witness Matt Michels' rebuttal testimony, it is apparent that Noranda's proposal would not benefit other customers. This is precisely what the Commission determined in Noranda's recent rate design complaint case.[6] It is not surprising that the results of Ameren Missouri's analyses in this case are directionally equivalent to the Noranda's prior rate design complaint case, since Noranda's proposal in this case is quite similar to the one denied in that case.

Q. Have you reviewed Staff witness Sarah Kliethermes' rebuttal testimony?

A. Yes. I would also note that Mr. Michels is providing surrebuttal testimony responding to Ms. Kliethermes' rebuttal testimony.

Q. Does Ms. Kliethermes' analysis conclude that Noranda's rate request of $32.50 is far below any class cost of service study provided in this case?

A. Yes. Ms. Kliethermes' analysis compared Noranda's proposal to all the class cost of service studies presented in this case, and concluded that not only should Noranda's rate for electricity increase from its current level, but the proposed $32.50/MWh is well below the rates suggested by the various class cost of service studies, including the study sponsored by Missouri Industrial Energy Consumers

[6] *Id.*, p. 28: "The Complainants have not demonstrated a liquidity crisis **nor adequately demonstrated that Ameren Missouri's remaining ratepayers would be better off if Noranda took service at its requested rate than they would be if Noranda exited Ameren Missouri's system.**" (emphasis added).

("MIEC"), of which Noranda is a member.[7]

Q. Ms. Kliethermes also mentions a "Noranda-specific FAC." Please explain your understanding of this concept.

A. Ms. Kliethermes describes a "Noranda-specific FAC" as an alternative to the current FAC that applies to the New Madrid smelter but would still result in Noranda bearing the risk of changes in wholesale power market costs. Simply stated, the design of the Noranda-specific FAC resembles a simplified hourly market-based pricing scheme, commonly referred to as real-time pricing. That is, Noranda's rate would be the average market price of electricity, plus a fixed adder of $3.50/MWh, to offset costs borne by other customers. Typically, a real-time pricing model would match hourly consumption with hourly prices, but Staff's simplified scheme matches total consumption over a year with an average price over the same year. It is unclear from Staff's testimony whether the annual prices for this concept would be weighted to Noranda's hourly consumption pattern or if the annual price would simply be an average based on the total cost to procure the load for Ameren Missouri's entire customer base.

Q. Is there any cost-based support for Staff's $3.50/MWh fixed-cost contribution factor?

A. No. The $3.50/MWh is merely the difference between Noranda's requested rate and Staff's analysis of an historical three-year average of market-based

[7] The rate values for Ameren Missouri's cost of service in Table 1, p. 2, of Sarah Kliethermes' Rebuttal Testimony are incorrect, and thus the chart on p. 3 of that testimony is incorrect. It also follows that the calculated values in Table 2, which are based on Table 1, are also incorrect for Ameren Missouri, which means the corresponding chart on p. 4 is also incorrect. Furthermore, Ameren Missouri's proposed rate on p. 11, Table 6, of Ms. Kliethermes's Rebuttal Testimony is incorrect, and the chart on p. 12 includes the incorrect data point for Ameren Missouri's proposed rate for Noranda. Corrected values can be seen in Schedule WRD-S6. None of these corrections would change Ms. Kliethermes' basic conclusions.

electricity prices. This comparison does not provide any cost justification for Staff's proposed fixed-cost contribution factor.

Q. If Noranda really needs a rate that is so far divorced from cost-based rates, is there an alternative the Commission should be considering?

A. Yes. We have all heard the saying "trying to fit a square peg into a round hole," and that is exactly what is happening here. Noranda is again asking the Commission to totally abandon cost-based ratemaking and set Noranda's rate according to its own claimed, private business needs – that is, based on what Noranda claims it can afford. That is not how cost-based ratemaking works. If Noranda wants to continue to be a retail customer, then it must pay retail rates that are reasonably based on the fully-allocated cost to serve the New Madrid smelter so that Noranda's rates are not unduly discriminatory.

In response to this difficult problem, Mr. Michels' rebuttal testimony included a proposal whereby Noranda could become a wholesale customer. If Noranda became a wholesale customer, then Ameren Missouri could sell power to Noranda at rates that reflect wholesale power market prices. The fact that Noranda is Ameren Missouri's only retail customer with a viable path to become a wholesale customer eliminates the concern about allowing similar treatment to other customers.[8] In short, Ameren Missouri's proposal, as set forth in Mr. Michels' rebuttal testimony, reflects a "one-off" situation that will avoid the possibility that other customers will demand the same type of treatment.

[8] In Noranda's recent rate design complaint case, File No. EC-2014-0224, Continental Cement argued that if Noranda is granted a rate subsidy then Continental Cement should also be granted a rate subsidy. There is risk that providing a retail rate subsidy to Noranda would open the doors for any customer to petition the Commission for a rate subsidy based on what the customer purports it can afford.

B. Response to Wal-Mart

Q. Please summarize Wal-Mart's position regarding a subsidized rate for Noranda.

A. While Wal-Mart witness Steve Chriss is not opposed to a subsidized rate for Noranda, he has presented several serious concerns about the implementation details of the subsidy Noranda has proposed.

Q. Does Mr. Chriss support cost-based ratemaking?

A. Yes, Mr. Chriss' direct testimony explains that "Walmart advocates that rates be set based on the utility's cost-of-service. This produces equitable rates that reflect cost causation, sends proper price signals, and minimizes price distortions."[9]

Q. Does Mr. Chriss agree that there is no cost basis for Noranda's proposed rate subsidy?

A. Yes.[10]

Q. If Mr. Chriss is in favor of cost-based ratemaking, then why doesn't he oppose Noranda's rate subsidy request in this case?

A. Mr. Chriss' position in this case seems to be predicated on his blind acceptance of Noranda's claims about its financial situation. Mr. Chriss also expresses concerns about how the potential loss of jobs from closure of the New Madrid smelter will impact the local economy, including sales that apparently he worries could be lost at the Wal-Mart stores operating within 50 miles of Noranda's smelter.

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[9] Chriss Direct, p.3, lns. 20-23.
[10] Chriss Rebuttal, p. 6, lns. 5-7.

Q. Did Mr. Chriss perform an independent analysis to verify Noranda's claims about its financial situation and whether a rate subsidy was necessary to prevent the closure of the New Madrid smelter?

A. No. Mr. Chriss relied only on the testimony of Noranda's witnesses.

Q. Do any other witnesses agree with Noranda's testimony regarding the financial situation of the New Madrid smelter?

A. As I noted earlier, the rebuttal testimony of Mr. Mudge is the only independent analysis of Noranda's financial situation. Mr. Mudge's testimony identified several critical red flags regarding the financial data that Noranda presented to support its rate subsidy request. In addition, Mr. Mudge concludes that more realistic financial assumptions show Noranda does not need a rate subsidy because Noranda operates competitively without a subsidy when all relevant costs (not just the price of electricity) are considered.

Q. Has Noranda provided any testimony in this case guaranteeing that it will not cease operations at the New Madrid smelter if its requested rate subsidy is approved?

A. No.

Q. Has Noranda provided any testimony in this case guaranteeing that it will maintain full employment at the New Madrid smelter if the rate subsidy is approved?

A. No.[11]

[11] The Non-Unanimous Stipulation filed in this rate case on October 10, 2014, included terms regarding employment levels; however, those terms are not reflected in testimony filed by Noranda subsequent to that date and therefore are not part of the proposed rate subsidy in question.

Q. If Noranda has not provided any guarantee that it will continue to operate at full employment levels, couldn't the economic effects that Mr. Chriss is concerned about materialize even if the rate subsidy is approved?

A. Absolutely. Under Noranda's proposal, it has complete discretion in its future actions with regard to the New Madrid smelter. Consequently, even if the Commission approves a subsidized rate, it is possible Noranda will lay off some or all of the smelter's employees, which will produce the very impact to the local economy that concerns Mr. Chriss. At the same time, and despite any lay-offs, Noranda's proposal would have shifted higher electricity costs not just to Wal-Mart but to all of Ameren Missouri's other customers.

Q. Wouldn't Wal-Mart be impacted by the rate subsidy as an Ameren Missouri customer?

A. While it is true that electricity rates would rise for the approximately 48 Wal-Mart stores identified by Mr. Chriss as being served by Ameren Missouri, it is also true that rates would not increase by a single penny for the 97 Wal-Mart facilities in Missouri that are not served by Ameren Missouri. Moreover, of the eleven[12] retail stores within 50 miles of the New Madrid smelter, four are not even located in Missouri.[13] In short, only one-third of all Wal-Mart stores in Missouri would be impacted by Noranda's rate subsidy and only about one-third[14] of the stores within a 50-mile radius of the smelter would be impacted. This is yet another illustration of the unfairness of Noranda's proposal, which places the yoke of providing a significant and unprecedented subsidy to

[12] Includes 10 Wal-Mart stores and one Sam's Club.
[13] Three of the retail stores within a 50-mile radius of the smelter are in Tennessee and one is in Kentucky.
[14] Only four of the eleven stores within a 50 mile radius of the smelter are Ameren Missouri customers.

Noranda squarely on the backs of Ameren Missouri's - and only Ameren Missouri's - customers.

Q. What are the concerns Wal-Mart has identified regarding the implementation of a Noranda rate subsidy?

A. Mr. Chriss expresses concerns about the transparency of modifying base rates, how the automatic annual 1% rate increase to Noranda would flow back to other customers, and what happens in the event that the New Madrid Smelter closes after an approved subsidy.

Q. Are Wal-Mart's concerns valid?

A. Absolutely. For example, under Noranda's proposal, there is an automatic 1% annual rate increase yet outside of a general rate case, that additional 1% could simply be additional revenue to Ameren Missouri. Noranda's proposal does not include a mechanism for automatically reducing costs for other customers as a coincidence of the 1% rate increase, nor does the proposal explain how the Commission could even change rates for customers outside of a rate proceeding.

Q. How does Wal-Mart propose to mitigate these concerns?

A. Mr. Chriss has proposed what he calls an "economic development rider" that would change rates outside of a rate case for Noranda and other customers. In short, the rider would allow for base rates to be set following the normal rate setting process. Then there would be a separate surcharge (increase in costs) to flow money directly from all other customers to Noranda in the form of a sur-credit (decrease in costs). Mr. Chriss models this approach on an Ohio Economic Development Cost Recovery Rider in place for American Electric Power ("AEP") in Ohio. Such a rider would operate as long as

Noranda is taking service but would be self-terminating if Noranda were to close the smelter.

Q. What is your response to Mr. Chriss' proposal?

A. While I am not an attorney, it is my understanding that a rate rider of this type would constitute an unlawful single-issue ratemaking mechanism in Missouri because it has not been authorized by statute. The Company's attorneys will elaborate on this point in the Company's briefs to be filed in this case.

Q. Why is that problem not an issue in Ohio?

A. My understanding is that Ohio law specifically authorizes a rider of this type.

Q. Please explain.

A. In 2008, extensive amendments to Ohio's public utility code were made. One of the amendments provided for a "device to recover costs incurred in conjunction with any economic development and job retention program of the utility within its certified territory, including recovery of revenue foregone as a result of any such program." Ohio Rev. Code § 4905.31(E). The amendments also allowed special arrangements (with Ohio Commission approval) between the electric utility and "mercantile customers."[15] Through a series of proceedings at the Ohio Commission, AEP and Ormet (which own a now-closed aluminum smelter in Hannibal, Ohio) entered into such a special arrangement which was approved by the Ohio Commission and was implemented, as Mr. Chriss suggests, through the rider.[16] The justification for the arrangement was that it was specifically contemplated by Ohio law, including provisions

[15] Certain large commercial or industrial customers. Ohio Rev. Code § 4928.01(19).
[16] Ohio Public Utilities Commission Docket No. 09-119-EL-AEC.

that state it is the policy of the State of Ohio that electric service be available at prices, terms, etc., "that provides consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs."[17] There are no similar statutes in Missouri, either that indicate the terms of service for electricity supply are supposed to meet the needs of a particular customer (here, Noranda's claimed financial needs), or that allow the Missouri Commission to adopt a rider similar to the Ormet rider in Ohio under any circumstances.

Q. Does Ameren Missouri's proposal to move Noranda to a wholesale contract alleviate Wal-Mart's concerns about the implementation details of special treatment for Noranda?

A. Yes. Under Ameren Missouri's proposal, Noranda's rates would not be set based on the Company's retail cost of service but instead would be based on a wholesale power market rate. Additionally, the revenue from Noranda would be netted against all other fuel and purchased power costs, the same thing the Company does for off-system sales revenues. The significance of that distinction is that any changes to the price Noranda pays as a wholesale customer or change in the status of the New Madrid facility would automatically flow through Ameren Missouri's fuel adjustment clause. As to Mr. Chriss' concern about transparency, because Noranda would no longer be served as a retail customer, there would be no need to use base rate multipliers or other mechanisms to monitor the subsidy levels.

[17] Ohio Rev. Code § 4928.0(B).

C. Response to OPC

Q. Please summarize OPC's position regarding a subsidized rate for Noranda.

A. In rebuttal testimony, OPC's witness Lena Mantle stated that Noranda should continue to pay fuel adjustment clause charges. Other than that rebuttal testimony, OPC has been silent on Noranda's proposal.

Q. Didn't OPC file a Non-Unanimous Stipulation and Agreement[18] (Agreement) at the beginning of this rate case agreeing to terms that implement a subsidized rate for Noranda?

A. Yes, but OPC has not filed testimony supporting that Agreement and Noranda's proposal is not consistent with the terms of the Agreement.

III. RESPONSE REGARDING THE PROPOSED OPTIONAL TIME-VARYING RESIDENTIAL RATE

Q. Please summarize the positions of the parties in this case.

A. Staff and DE are the only parties that address Ameren Missouri's proposal and neither is opposed to the new rate design.

Q. Have Staff and DE raised some concerns about the proposed rate design?

A. Yes, but the concerns are relatively minor.

Q. Please summarize Staff's concerns.

A. Staff raised three main issues. First, Staff wants clear communication with the 34 customers on the existing time-varying rate and at least annual

[18] Ameren Missouri objected to the Non-Unanimous Stipulation and Agreement, rendering it nothing more than the position of the signatory parties. No party has filed testimony directly supporting the terms of the Agreement.

communication with customers who elect to have the new time-varying rate. Related to this issue, if any of the existing 34 customers decide to no longer remain on the time-varying rate, then those customers should not be assessed any fees when moving to the standard rates.

Secondly, Staff recommends that the Company preserve relevant customer data before and during participation in the rate option.

Finally, Staff recommends that the Company work with the relevant stakeholders to discuss future potential promotion and changes to the program.

Q. Please respond to Staff's concerns.

A. I agree with Staff's first issue and recommendations. If the Commission approves the proposed rate design, Ameren Missouri will contact all 34 of the existing customers and give those customers the option, at no additional cost, to move to the newly-defined, time-varying rates or to the standard rate option. In addition, throughout the term of the program, Ameren Missouri will provide each participant a comparison of their bills under the time-varying rate versus the standard rate.[19]

In response to Staff's second issue, Ameren Missouri will retain the monthly billing data for each customer according to the time period Staff indicated. In addition, where possible, Ameren Missouri will make its best efforts to gather hourly consumption data for the customers while they are participating in the program.

Finally, Ameren Missouri agrees to meet annually with Staff to discuss and share information about the program.

[19] Ameren Missouri is investigating options on how to most efficiently implement the bill comparison which could include a monthly or an annual comparison between the rate options.

Q. Please summarize DE's concerns.

A. DE has three main concerns. First, DE is not convinced that "Nights and Weekends" is an appropriate name for the program. Secondly, DE recommends that customers be allowed to switch freely between the standard rate and the time-varying rate. Finally, DE recommends participants be provided with a comparison of their bills under the standard rates.

Q. Please respond to DE's concerns.

A. Regarding the name of the tariff, the Company agrees not to change the name of the program; that is, labeling it "Optional Time-of-Day Rate" for tariff purposes. To the extent the Company desires to market the rate option in the future, then the marketing materials can be developed in a manner to support a desired outcome.

DE also recommends that customers be allowed to freely switch between the optional time-varying rate and the standard rates. While I agree with DE that that would be the friendliest option for customers, I am concerned about the costs. If a customer chooses the optional time-varying rate, then a different type of meter must be installed to capture the necessary billing information associated with the on-peak and off-peak time periods. Because the more advanced meters are more expensive and require labor costs to install, it could become costly to install and remove meters every time a customer changes his or her mind without regard to resource and cost constraints. In fact, the current customer charge for the time-varying rate is higher than the standard rate specifically because the metering costs are higher. The Company's proposal to lower the customer charge to match the standard rate was already an attempt to lower a hurdle to participation, but the Company is hesitant to go as far as DE recommends and remove the requirement to stay on the program for twelve months. However, as an alternative, the tariff language could be modified to allow a customer to switch back to the standard rate at any time as long as the requirement is kept that customers are then not allowed to re-enroll in the program for twelve months. This alternative offers opportunities for customers to get out of the optional rate but also prevents customers from see-sawing between the two rate options.

Finally, as I mentioned earlier in response to Staff's concerns, Ameren Missouri will provide each participant a comparison of their bills under the time-varying rate versus the standard rate.

Q. Did DE raise any other questions?

A. Yes. DE asked for more support about the program limitation of 5,000 customers and the proposal to exclude customers with net metering agreements. Because there are cost and implementation issues associated with a mass rollout of the more advanced metering for time-varying rates, it wouldn't be prudent to open up the program to unlimited enrollment. In addition, there are concerns about revenue stability if there were mass participation and significant load shifts between off-peak and on-peak hours compared to what was assumed in the rate case billing units. Such load shifting could materially reduce the Company's opportunity to earn the rate of return granted by the Commission in this docket. Furthermore, the participant cap may be even more important given the desire to issue annual bill comparisons, which may need to be implemented outside the Company's billing system. Since the current time-varying rate design only has 34 participants, it would be an outstanding success if the maximum participation level was reached. If that maximum participation level is reached, the question of whether the maximum should be increased can easily be deferred to a future rate case. With regard to excluding net metering customers, the net metering law is designed for monthly netting while the time-varying rates would require netting at sub-billing intervals consistent with the off-peak and on-peak definitions.

IV. RESPONSE REGARDING THE MEEIA LOW-INCOME EXEMPTION

Q. Please summarize the positions of the other parties regarding the MEEIA low-income exemption.

A. Staff is neutral about whether the MEEIA low-income exemption should be implemented, but recommends that if it is implemented, the costs of the exemption should be shared across all customer classes. OPC has testified that it is generally supportive and recommends that if the low-income exemption is implemented then the Commission should make it clear that the cost exemption will not justify excluding low-income residents from future specifically-targeted MEEIA programs. OPC also expressed some concerns about unintended consequences.

Q. What are the concerns that OPC mentions regarding the MEEIA low-income exemption?

A. First, OPC expresses concerns that only customers who are already receiving a qualifying form of energy assistance[20] would be eligible for the discount and that the costs of the exemption would then be spread partially onto other low-income customers who are not receiving qualifying energy assistance. Secondly, OPC expresses concerns about the future of MEEIA program design or implementation.

[20] E.g., Missouri Energy Assistance (a/k/a. Low-Income Home Energy Assistance Program or LIHEAP), Winter Energy Crisis Intervention Program (ECIP), Summer ECIP, Keeping Current, and Keeping Cool.

Q. Please respond to OPC's concerns.

A. In my direct testimony, I clearly explained that there is a practical barrier to identifying all low-income customers; that is, Ameren Missouri does not have income information for all its customers. Therefore, Ameren Missouri has proposed to implement the exemption for those customers who have recently received income-qualifying energy assistance[21] because that information is readily available in the Company's billing system. With regard to Dr. Marke's concern about the increase in costs to other customers, in my direct testimony, I calculated that the eligible customers would save about $4.50 per month while the increase in costs to other residential customers would be $0.11 per month.[22]

Dr. Marke's concerns about future MEEIA program design and implementation can be addressed in the MEEIA approval process; but I have no concern if the Commission feels it is appropriate to clarify that implementation of a low-income charge exemption should not result in the exclusion of those customers from future low-income energy efficiency programs. Ameren Missouri's intention is only to exempt low-income customers from the MEEIA charge and is not to impose any type of restriction on those customers' abilities to participate in any MEEIA program.

Q. Staff has proposed that, if approved, the low-income exemption be spread across all classes. Wouldn't that mitigate one of OPC's concerns?

A. Yes. One of OPC's specific concerns was that since all low-income

[21] *Id.*

[22] The analysis in my direct testimony was based on the rates that were effective at the time testimony was filed. The updated Energy Efficiency Investment Charges became effective on January 27, 2014. Under the now effective charges, eligible customers would save about $7 per month while the cost to other residential customers would be $0.17 per month.

customers will not receive the exemption, those ineligible low-income customers would then receive a cost increase to help pay for the exemption for the eligible low-income customers. Staff's proposal to share costs to all classes would reduce the cost to ineligible residential customers from $0.11 per month to $0.06 per month.

V. RESPONSE TO OPC REGARDING RATE DESIGN

Q. Please summarize OPC's rebuttal position regarding rate design.

A. OPC states, "Public Counsel believes that an equal increase to the charges for each customer class as proposed by Ameren Missouri (as well as modified variations of equal spread in positions by other parties) only appears equitable. Such an approach fails to give proper consideration to the differences in impact experienced by each rate class as a result of any increased rate. That impact will be far from equitable." In his rebuttal testimony regarding rate design, OPC's witness Dr. Geoff Marke included some economic data indicating that certain areas of Missouri are struggling more than others to recover from the most recent economic recession.

Q. Please respond to OPC's position.

A. OPC relies on its economic data to support its conclusion that residential customers are relatively worse off than other Ameren Missouri customers and, consequently, suggests that the residential customer class should be allocated a below-average rate increase. However, the economic data upon which OPC relies equally supports the conclusion that *all* customer classes are facing challenging economic conditions. For example, the number of jobs, the unemployment rate, and the level of GDP directly reflect challenges faced by Missouri businesses. So, without even discussing the merits of OPC's comparisons, it is apparent that an equal percentage increase to all customer classes achieves a reasonable balance between the underlying cost of service and the economic circumstances of all Ameren Missouri's customers.

Q. Does this conclude your surrebuttal testimony?

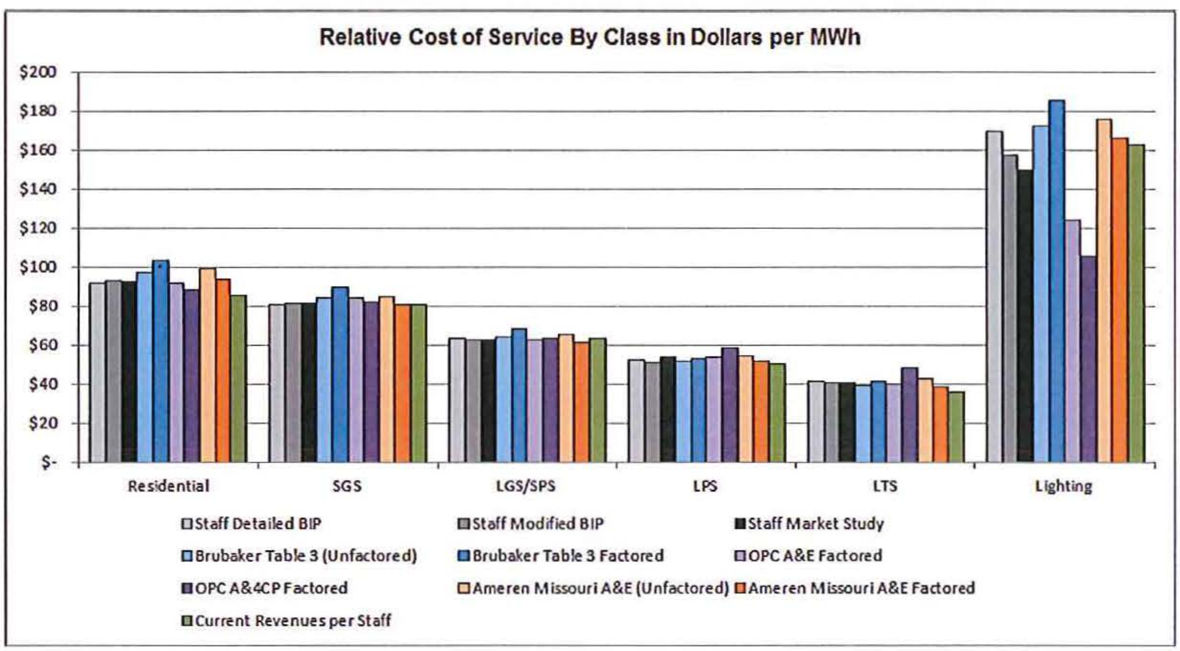
A. Yes, it does.

Corrected Tables in the Rebuttal Testimony of Sarah Kliethermes

Corrected Table 1 (Page 2)

Relative Cost of Service Net of OSSMR By Class in Dollars per MWh						
	Residential	SGS	LGS/SPS	LPS	LTS	Lighting
Staff Detailed BIP	$91.52	$80.91	$63.01	$52.14	$41.27	$169.71
Staff Modified BIP	$92.85	$81.12	$62.35	$50.93	$40.44	$157.37
Staff Market Study	$91.99	$81.33	$62.51	$53.38	$40.76	$149.62
Brubaker Table 3 (Unfactored)	$97.10	$83.70	$63.70	$51.50	$39.50	$172.30
Brubaker Table 3 Factored	$103.46	$89.35	$68.17	$53.03	$41.60	$185.09
OPC A&E Factored	$91.80	$84.22	$62.52	$53.68	$40.02	$124.19
OPC A&4CP Factored	$88.03	$81.62	$63.45	$58.59	$48.26	$105.08
Ameren Missouri A&E (Unfactored)	$98.95	$85.02	$65.23	$54.07	$42.74	$175.41
Ameren Missouri A&E Factored	$93.99	$80.78	$61.32	$51.74	$38.73	$165.72

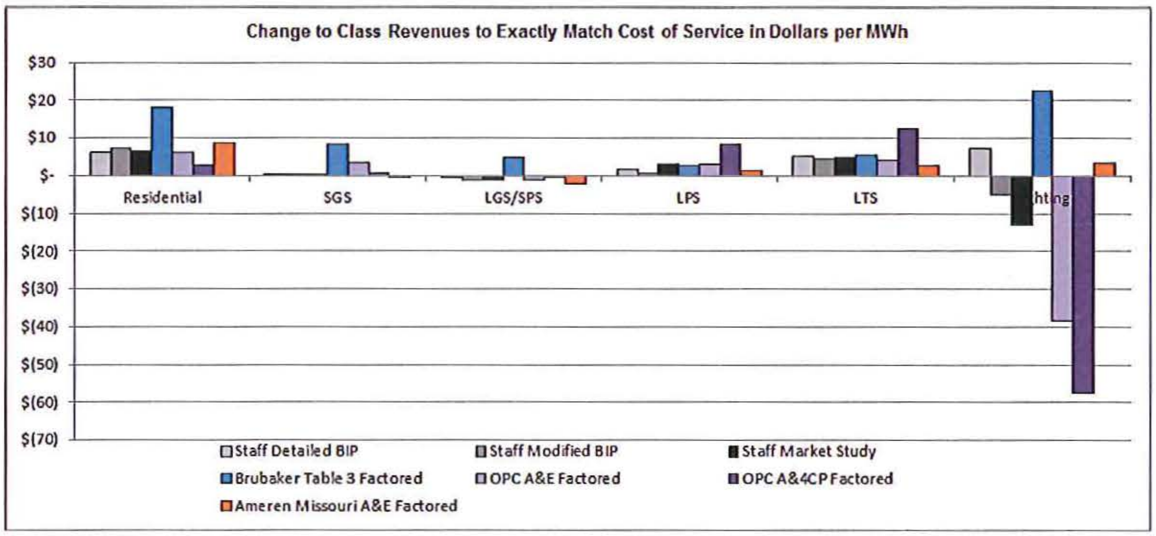
Corrected Chart (Page 3) – Data From Table 1



Corrected Table 2 (Page 3)

	Residential	SGS	LGS/SPS	LPS	LTS	Lighting
Staff Detailed BIP	$6.0683	$0.0045	($0.4841)	$1.7091	$5.3324	$7.3288
Staff Modified BIP	$7.3954	$0.2076	($1.1398)	$0.4927	$4.4974	($5.0047)
Staff Market Study	$6.5342	$0.4225	($0.9768)	$2.9441	$4.8192	($12.7574)
Brubaker Table 3 Factored	$18.0136	$8.4453	$4.6804	$2.5936	$5.6625	$22.7139
OPC A&E Factored	$6.3440	$3.3082	($0.9680)	$3.2421	$4.0783	($38.1888)
OPC A&4CP Factored	$2.5827	$0.7169	($0.0403)	$8.1537	$12.3248	($57.2950)
Ameren Missouri A&E Factored	$8.5436	($0.1268)	($2.1689)	$1.3057	$2.7899	$3.3432
Current Revenues per Staff	$85.4514	$80.9074	$63.4893	$50.4338	$35.9397	$162.3792

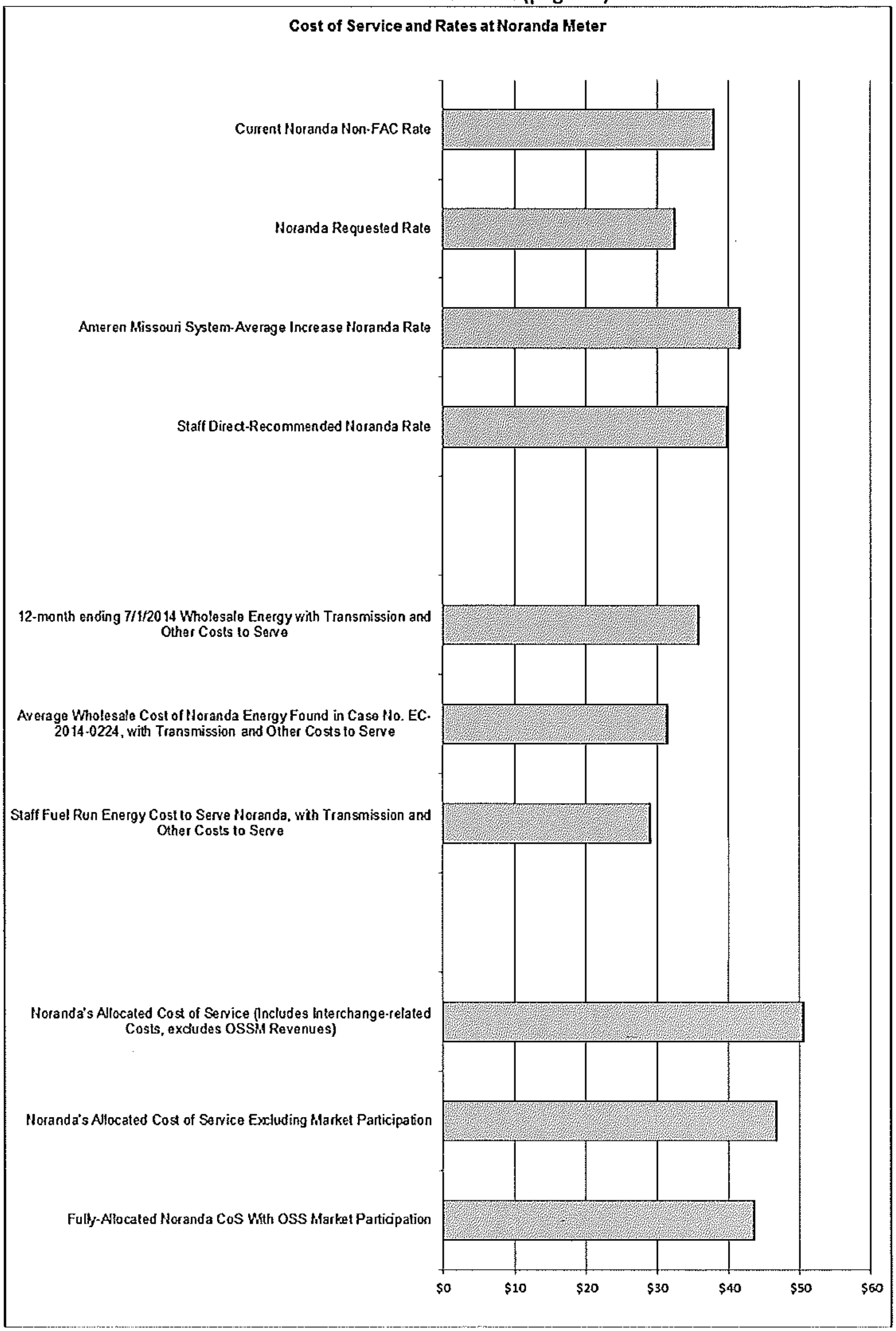
Corrected Chart (Page 4) – Data From Table 2



Corrected Table 6 (Page 11)

	Dollar Value	At Noranda's Meter
Staff Direct-Recommended Noranda Rate	$167,032,790	$39.78
Ameren Missouri System-Average Noranda Rate	$174,694,353	$41.61
Noranda Requested Rate	$136,452,459	$32.50
Current Noranda Non-FAC Rate	$159,372,980	$37.96

Corrected Chart (page 12)



Schedule WRD-S6

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 Increase Its Annual Revenues for Electric Service.	) File No. ER-2014-0258

AFFIDAVIT OF WILLIAM R. DAVIS

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

William Davis, being first duly sworn on his oath, states:

1. My name is William R. Davis. I am employed by Ameren Missouri as Economic Analysis and Pricing Manager in the Missouri Regulatory Services Department.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Union Electric Company, d/b/a Ameren Missouri, consisting of 21 pages and Schedule(s) WRD-S6, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

William R Davis
William R. Davis

Subscribed and sworn to before me this 6th day of February, 2015.

Beckie J. Eaves
Notary Public

My commission expires: 2-21-18

BECKIE J. EAVES
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: February 21, 2018
Commission Number: 14938572