

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

In the Matter of the Application of)
Union Electric Company d/b/a Ameren)
Missouri for Approval of Efficient)
Electrification Program)

Case No. ET-2018-0132

POSITION STATEMENT OF THE OFFICE OF THE PUBLIC COUNSEL

COMES NOW the Office of the Public Counsel (“OPC”) and for its *Position Statement*, states as follows:

1. Should the Commission approve, reject, or modify Ameren Missouri's Charge Ahead – Electric Vehicles Program?

The Commission should approve the program subject to a performance based recovery mechanism that would link Ameren Missouri’s recovery of the costs to run the program to the adoption rate of electric vehicles within its service territory, thus ensuring the materialization of actual benefits to Ameren Missouri’s customers and, by extension, the prudence of the program itself.

a. Has Ameren Missouri provided sufficient evidence that there is a need for the program?

No, Ameren Missouri has not and cannot provided sufficient evidence to demonstrate a *need* for its Charge Ahead – Electric Vehicle program (EV program). This is because the EV program is a “load building” program aimed at encouraging the adoption of electric vehicles within Ameren Missouri’s service territory. Therefore, Ameren Missouri clearly does not *need* the program to either meet its primary objective of providing safe and adequate service to its existing customers or satisfy other more specific statutory requirements such as the Missouri Renewable

Energy Standard. In fact, the EV program is actually at odds with Ameren Missouri's current Missouri Energy Efficiency Investment Act or MEEIA Program, which is designed to reduce or disperse Ameren Missouri's load thereby forestalling future, costly infrastructure development. Ameren Missouri consequently cannot claim a need for its EV program regardless of what evidence it produces.

Even if the Commission decides to look past the lack of a *need* for the EV program generally (and instead question whether the program is necessary to encourage electric vehicle adoption), Ameren Missouri has still failed to present sufficient evidence showing a need for the program. To begin with, it is patently obvious that subsidization of electric vehicle charging stations by publicly owned utilities is not necessary for electric vehicle adoption. There are already a number of for-profit companies dedicated to the development, production, and promotion of both electric vehicles and electric vehicle charging stations that are already competing within this state. Public utilities (and by extension this Commission) should not be in the business of trying to pick winners and losers within this developing market, especially if they propose to do so with money collected from their captive customers. Second, there is scant evidence to show that lack of charging stations is the primary limiting factor to electric vehicle adoptions. Given the high price of most electric vehicles, it is far more likely that cost and not availability of charging is the primary restraint on electric vehicle adoption and thus there is no evidence that Ameren Missouri's EV program would, in and of itself, produce a significant change to

adoption rates. As such, there is no need for Ameren Missouri's EV program to encourage electric vehicle adoptions.

b. Has Ameren Missouri provided sufficient evidence that the program is cost effective?

No, Ameren Missouri has not provided sufficient evidence to prove that its EV program is cost effective. Ameren Missouri has more or less readily admitted that its EV program will not generate increased load necessary to offset its costs based solely on the number of existing electric vehicles currently within its service territory. Instead, the EV program is premised on the assumption that slight increases in the number of electric vehicle charging stations within its service territory will result in a dramatic increase in electric vehicle adoptions that will, in turn, produce additional load and thus the additional income needed for Ameren Missouri to cover the cost of the program. There is, however, no evidence to support Ameren Missouri's claims. In addition to the issues identified in subpart (a), there are a number of factors that could dramatically affect the electric vehicle market. These range from the obvious (for example the numerous issues surrounding industry leader Tesla Motors, Inc or its CEO, Elon Musk.) to the esoteric (such as concerns regarding the global market for rare resources like cobalt). With all of these possible problems, it is difficult if not impossible for Ameren Missouri to prove that their EV charging station program will actually be cost-effective given their reliance on speculative future electric vehicle adoptions.

c. If the program is approved, what is the appropriate cost recovery mechanism?

If the Commission approves Ameren Missouri's EV program, then the appropriate cost recovery mechanism would be the one laid out in Ameren Missouri's application after incorporating the "performance based recovery" modification proposed by the OPC. This modification is laid out in greater detail in response to subpart (d).

d. If the program is approved, what conditions, if any, should be imposed by the Commission?

If the Commission approves Ameren Missouri's EV program, then it should incorporate the OPC's suggested "performance-based recovery" modification¹ to the cost recovery mechanism laid out in Ameren Missouri's application. This performance-based recovery metric would link Ameren Missouri's recovery of the costs to run the program to the adoption rate of electric vehicles within its service territory, thus ensuring the materialization of actual benefits to Ameren Missouri's customers and, by extension, the prudence of the program itself. In practice, the performance based recovery metric works as follows:

- All prudently incurred program spending within the first five years (subject to a \$10 million cap on subsidies to promote EV charging stations and a \$1 million cap on associated program administration and marketing costs) would be booked into a deferred account;

¹ See Rebuttal and Supplemental Rebuttal testimony of Dr. Geoff Marke.

- All expenses so booked would begin accruing interest from the date booked at a rate equal to the cost of short-term debt in effect at the time of the expenditure;
- During any general rate case initiated within ten years of the start of the program, Ameren would be entitled to recover (as an amortization expense) the balance of this deferred account pro-rated by the number of actual EV adoptions within its service area at the time of filing, less pre-2019 EV adoptions and projected EV adoptions for that year, divided by 7,500;
- The deferred account will then be reduced by the same amount of any such recovery and all amortization expense recovered in this manner will be amortized over five years;
- If the deferred account has not been fully exhausted within ten years of the start of the program, during the next general rate case immediately following ten years after the start of the program, Ameren will be entitled to recover (as an amortization expense) the remaining balance of the deferred account pro-rated by the number of actual EV adoptions within its service area as of ten years past the commencement of the program less pre-2019 EV adoptions and projected EV adoptions for the tenth year, divided by 7,500; and
- Any remaining portion of the deferred account not recovered in this rate case will be deemed irrecoverable. All amortization expense recovered in this manner will be amortized over five years.

Significantly, the OPC's suggested performance based metric provides an opportunity for Ameren Missouri to collect *more* than what the company itself has requested. Under its own design, Ameren Missouri would be able to collect only the expenses associated for running the EV program and would be relying on revenue resulting from increased load between rate cases to cover its carrying costs. The OPC, by contrast, is proposing to give Ameren not only the EV program expenses and the increased revenue generated between rate cases but would also allow recovery of carrying costs as well. The only caveat is that Ameren Missouri's ability to collect is dependent on meeting the level of adoption it itself has predicted is necessary to hold customers harmless.

The OPC's performance based metric is the best of both worlds. It allows Ameren Missouri to experiment with methods of increasing the general public's appetite for electric vehicles while simultaneously addressing the issues raised in subparts (a) and (b). Under the OPC's proposed performance based metric system it does not matter whether there is a *need* for the EV program because Ameren's customers bear no risk associated with the program. Likewise, the lack of evidence showing that the EV program is cost effective is immaterial as the performance based metric ensures that Ameren Missouri's customers suffer no harm if its assumptions regarding electric vehicle adoption prove incorrect. Yet Ameren nevertheless stands to gain under the OPC's proposal (even more so under its own) provided that it meets the adoption rates that Ameren Missouri itself has projected. For all these reasons,

the Commission should incorporate the OPC's performance based metric in the event that it decides to approve Ameren Missouri's EV program.

2. Should the Commission approve, reject, or modify Ameren Missouri's Charge Ahead – Business Solutions Program?

The Commission should reject the proposed Charge Ahead – Business Solutions Program because Ameren Missouri has not shown a need for the program, has not shown that the program would be cost effective, and has not shown generally that the program is in the public interest.

a. Has Ameren Missouri provided sufficient evidence that there is a need for the program?

No, Ameren Missouri has not and cannot provided sufficient evidence to demonstrate a *need* for its Charge Ahead – Business Solutions program (business program). This is because the business program is a “load building” program aimed at encouraging the adoption of electric powered equipment in place of fossil-fuel powered equipment within Ameren Missouri's service territory. Therefore, Ameren Missouri clearly does not *need* the program to either meet its primary objective of providing safe and adequate service to its existing customers or satisfy other more specific statutory requirements such as the Missouri Renewable Energy Standard. In fact, the business program is actually at odds with Ameren Missouri's current Missouri Energy Efficiency Investment Act or MEEIA Program, which is designed to reduce or disperse Ameren Missouri's load thereby forestalling future, costly infrastructure development. Ameren Missouri consequently cannot claim a need for the for its business program given any amount of evidence.

Even if the Commission decides to look past the lack of a need for the business program generally (and instead question whether the program is necessary to encourage electric powered equipment adoption), then Ameren Missouri has still failed to present sufficient evidence showing a need for the program. The Evidence clearly shows that many of the markets that Ameren Missouri intends to target are already saturated (such as with the adoption of electric forklifts) or have already seen legislative or industry backed commitments to curtail fossil-fuel use (which is the case for airport equipment and refrigerated trucks). Moreover, in many of these cases, Ameren Missouri would be directly competing with other publicly owned utilities such as Spire Inc. This would make Ameren Missouri's proposal a promotional practice, which are disfavored under Missouri law and specifically prohibited by Commission rule. As with issue (1) above, the Commission should refrain from trying to pick winners and losers within an industry, which includes prohibiting companies like Ameren Missouri from attempting to outbid its competitors using ratepayer money.

b. Has Ameren Missouri provided sufficient evidence that the program is cost effective?

No, Ameren Missouri has not provided sufficient evidence to prove that its business program is cost effective. As stated in subpart (a), many of the markets that Ameren Missouri intends to target are already either already strongly trending toward electric equipment adoption or else have made commitments to move in that direction. As such, spending any amount of money to encourage further electric

equipment adoption would be unnecessary. There simply is no need to spend money to encourage a market to move in the direction that it is already headed in.

In addition, the division of the proposed business program spending between administration and subsidy costs is wildly disproportionate. In the case of airport equipment adoption, for example, Ameren Missouri is intending to spend \$213,200 on program administration while providing only \$204,200 in actual subsidies despite this program being aimed at only one real airport: St. Louis Lambert International. It is obviously wrong for a company to spend more money trying to get a single consumer to accept a subsidy than the value of the subsidy itself. Thus, this business program is clearly not cost effective and the Commission should not approve it.

c. If the program is approved, what is the appropriate cost recovery mechanism?

Because the OPC staunchly oppose the proposed business program, it does not opine on the proper cost recovery mechanism.

d. If the program is approved, what conditions, if any, should be imposed by the Commission?

The Commission should not approve Ameren Missouri's business program under any circumstances.

3. Should the Commission grant the variances requested by Ameren Missouri?

No, the Commission should not grant the variances requested by Ameren Missouri. Ameren Missouri has failed to show good cause for an exception to the promotional practice rule that its initial application acknowledges will be violated by

both its EV program and business program based on the same rationale already laid out in the OPC's position statement for issues (1) and (2).

WHEREFORE, the Office of the Public Counsel respectfully submits the forgoing *Position Statement*.

Respectfully submitted,
OFFICE OF THE PUBLIC
COUNSEL

By: /s/ John Clizer
John Clizer (#69043)
Associate Counsel
P.O. Box 2230
Telephone: (573) 751-5324
Facsimile: (573) 751-5562
E-mail: john.clizer@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the forgoing have been mailed, emailed, or hand-delivered to all counsel of record this 27th day of November, 2018.

 /s/ John Clizer