

Exhibit No.:  
Issues: Rate Design  
Witness: Brad J. Fortson  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: ER-2014-0258  
Date Testimony Prepared: January 16, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**BRAD J. FORTSON**

**UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI**

**CASE NO. ER-2014-0258**

*Jefferson City, Missouri  
January 2015*

*Staff* Exhibit No. 215  
Date 2-23-15 Reporter KF  
File No. ER-2014-0258

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

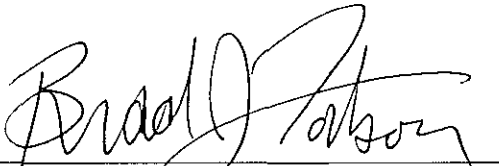
In the Matter of Union Electric Company    )  
d/b/a Ameren Missouri's Tariff to Increase   )  
Its Revenues for Electric Service            )

Case No. ER-2014-0258

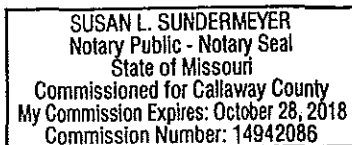
**AFFIDAVIT OF BRAD J. FORTSON**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE        )

Brad J. Fortson, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 8 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

  
\_\_\_\_\_  
Brad J. Fortson

Subscribed and sworn to before me this 15<sup>th</sup> day of January, 2015.



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

Table of Contents

REBUTTAL TESTIMONY

OF

BRAD J. FORTSON

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2014-0258

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15

City of O’Fallon and City of Ballwin ..... 1

Walmart ..... 3

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

**REBUTTAL TESTIMONY**

**OF**

**BRAD J. FORTSON**

**UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI**

**CASE NO. ER-2014-0258**

Q. Please state your name and business address.

A. My name is Brad J. Fortson and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same Brad J. Fortson who filed testimony on December 5, 2014, as a part of the Missouri Public Service Commission Staff's (Staff's) Cost of Service Report and also on December 19, 2014 as a part of Staff's Rate Design and Class Cost-of-Service Report (CCOS Report)?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. In my rebuttal testimony, I will address the Street Lighting issue raised by the City of O'Fallon witness Steve Bender and the City of Ballwin witness Robert Kuntz. Also, I will address some of the rate design issues raised by Walmart witness Steve Chriss in his direct testimony.

**City of O'Fallon and City of Ballwin**

Q. Can you briefly explain the issue raised by the City of O'Fallon and the City of Ballwin (collectively "Cities")?

A. Yes. The Cities currently receive electric service from Ameren Missouri under the 5(M) tariff for Street and Outdoor Area Lighting – Company-Owned. The Cities wish to

Rebuttal Testimony of  
Brad J. Fortson

1 have the option to purchase these light fixtures from Ameren Missouri at fair market value,  
2 and in turn, receive electric service from Ameren Missouri under the 6(M) tariff for Street and  
3 Outdoor Area Lighting – Customer-Owned; whereby the cities would reduce their monthly  
4 payments to Ameren Missouri. To date, Ameren Missouri and the Cities have not reached an  
5 agreement where Ameren Missouri would sell the street light fixtures to the Cities.

6 Q. Can you briefly describe the difference between the 5(M) and 6(M) tariffs?

7 A. Yes. As I mentioned above, Ameren Missouri's 5(M) tariff is for Company-  
8 Owned Street and Outdoor Area Lighting whereas Ameren Missouri's 6(M) tariff is for  
9 Customer-Owned Street and Outdoor Area Lighting. Under the 5(M) tariff, the installation of  
10 all standard poles and cables shall be paid for in advance by customer, with all subsequent  
11 replacements of said facilities provided by Company.<sup>1</sup> The 5(M) tariff is available for  
12 lighting streets, alleys, walkways and other thoroughfares, or for outdoor lighting of public or  
13 private areas for security or similar purposes when such lighting facilities are operated and  
14 maintained as an extension of Company's distribution system.<sup>2</sup> The 6(M) tariff is available  
15 for automatically controlled dusk-to-dawn lighting where customer furnishes, installs and  
16 owns all street and outdoor area lighting facilities. Lighting service provided under this  
17 Service Classification shall consist of metered service with all maintenance of such facilities  
18 provided by the customer, or unmetered service as provided for or limited by the rate section  
19 of this Classification. The metered service portion of this Classification is not available on an  
20 individual premise where all other electric service thereon is provided to an individual

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<sup>1</sup> MO.P.S.C. Schedule No. 6, Sheet No. 58.1

<sup>2</sup> MO.P.S.C. Schedule No. 6, Sheet No. 58.4

1 customer or entity.<sup>3</sup> The Cities are currently served by various street light fixtures which are  
2 owned and maintained by Ameren Missouri, under Ameren Missouri's 5(M) tariff.

3 Q. In Mr. Bender's direct testimony, he references several instances where  
4 Ameren Missouri has filed Applications seeking Commission approval to sell or transfer  
5 assets to different customers. He also references a tariff provision of the Kansas City Power  
6 & Light Company ("KCPL") that permits sale of certain Street Lighting assets to a  
7 municipality customer. Are there similarities among these transactions Mr. Bender  
8 references?

9 A. In each of the Ameren Missouri transactions referenced by Mr. Bender, there  
10 was: (1) a mutual agreement between Ameren Missouri and the customer to initiate the sale,  
11 and (2) Commission approval. In the KCPL tariff, there are certain detailed aspects of the  
12 transaction that are outlined as well. However, there is mutual agreement between the parties  
13 involved and the transaction is presented for Commission approval.

14 Q. Does Staff have a position on this matter?

15 A. Staff supports the two-step process outlined above where there is mutual  
16 agreement between the parties and the transaction is presented to the Commission for  
17 approval.

18 **Walmart**

19 Q. What issues raised by Walmart witness Steve Chriss are you going to address  
20 in your rebuttal testimony?

21 A. I will address Mr. Chriss' revenue neutral recommendation as well as his  
22 recommendation for Ameren Missouri to develop alternative rate designs for the LGS and

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<sup>3</sup> MO.P.S.C. Schedule No. 6, Sheet No. 59.2

Rebuttal Testimony of  
Brad J. Fortson

1 SPS rate classes that would change the use of the current demand/energy charge rate design  
2 for those classes.

3 Q. Did Mr. Chriss perform a class cost-of-service (“CCOS”) study?

4 A. No.<sup>4</sup> However, Mr. Chriss used Ameren Missouri’s CCOS study to  
5 recommend revenue-neutral adjustments.

6 Q. Is Mr. Chriss recommending a revenue neutral adjustment and, if so, can you  
7 briefly explain how he proposes it be applied?

8 A. Yes. Mr. Chriss recommends revenue-neutral adjustments for certain classes  
9 based on Ameren Missouri’s filed CCOS study. Walmart advocates that rates be set based on  
10 the utility’s cost of service. Mr. Chriss recommends a twenty five (25) percent revenue-  
11 neutral movement towards cost of service and other adjustments, to the revenue requirement  
12 for each rate class. Specifically, based on my understanding, Mr. Chriss recommends a  
13 positive revenue-neutral adjustment to the residential class of 1.28%, a positive revenue-  
14 neutral adjustment of 1.54% for the large transmission class, and a positive revenue-neutral  
15 adjustment to the large primary class of 0.13%. Mr. Chriss recommends a negative revenue-  
16 neutral adjustment to the small general service class of 1.10% and a negative revenue-neutral  
17 adjustment of 1.86% to the large general service class/small primary service class.

18 Q. Does Staff agree that there should be a revenue neutral adjustment made?

19 A. Yes. Based on Staff’s CCOS results, Staff would agree that revenue-neutral  
20 adjustments should be made. However, because a CCOS study is not precise, it should be  
21 used only as a guide for designing rates. In addition, bill impacts, rate riders, and economic

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<sup>4</sup> A total of seven CCOS studies were conducted in this case. Staff conducted three CCOS studies (summarized on Table 6, page 34, Staff Rate Design and CCOS Report); Ameren Missouri conducted one CCOS study (summarized on Table 3, page 15, Direct Testimony William R. Davis); the Office of Public Counsel conducted two CCOS studies (summarized on Attachments GM-3 HC and GM-4 HC – OPC has pending motion to remove HC designation); and Mr. Maurice Brubaker filed one CCOS study (summarized on Schedule MEB-COS-4).

Rebuttal Testimony of  
Brad J. Fortson

1 development need to be considered. While reducing over-collection from customer classes  
2 with negative revenue shift percentages (revenues greater than cost to serve) for Ameren  
3 Missouri customer classes on the SGS and LGS/SPS rate schedules all the way to zero is  
4 appealing, the bill impact on the customer classes with positive revenue shift percentages  
5 must be considered. Staff's recommendations for shifts in the class-revenue requirements are  
6 based on its CCOS study results, Staff's review of Ameren Missouri's revenue-neutral  
7 adjustments in previous general rate cases (ER-2010-0036, ER-2011-0028, and  
8 ER-2012-0166), and Staff's judgment regarding the impact of revenue shifts for all classes.

9 Q. Does Staff make a revenue neutral adjustment in its rate design proposal?

10 A. Yes, but Staff's revenue neutral adjustment differs from that of Mr. Chriss'.

11 Q. How does Staff apply its revenue neutral adjustment?

12 A. Based on results from Staff's Class Cost of Service ("CCOS") study, Staff  
13 determined that the Residential Class ("Res") and the Large Transmission Class ("LTS")  
14 should receive a positive 0.50% adjustment while the Small General Service ("SGS") and  
15 Large General Service/Small Primary Service ("LGS/SPS") classes receive a negative  
16 adjustment of approximately 0.63%. Staff made no revenue-neutral adjustments for the Large  
17 Primary Class ("LPS"), Lighting classes, and the Metropolitan St. Louis Sewer District  
18 ("MSD"); as these classes are close to its cost of service.

19 Q. Has there been Commission approved revenue neutral adjustments made in  
20 past Ameren Missouri rate cases?

21 A. Yes.

22 Q. Can you briefly explain how those revenue neutral adjustments were applied?



Rebuttal Testimony of  
Brad J. Fortson

1           A.     Yes. In Ameren Missouri's last general rate case, ER-2012-0166, the Lighting  
2 classes received a positive adjustment and the LGS/SPS class received a negative adjustment.  
3 In the rate case prior to that, ER-2011-0028, the Residential and Lighting classes received a  
4 positive adjustment while the SGS, LGS/SPS, LPS, and LTS classes all received a negative  
5 adjustment. In Case No. ER-2010-0036, the Residential, SGS, and LPS classes received  
6 positive adjustments while the LGS/SPS and LTS classes received negative adjustments.  
7 These revenue-neutral adjustments are summarized on Schedule BJJ-R1.

8           Q.     Can you please describe the rate design of the LGS and SPS energy charge and  
9 how it is structured?

10          A.     Yes. The energy charge within the LGS and SPS rate class tariff sheets is  
11 structured in a way in which per-kWh price of energy decreases as the energy consumption  
12 increases. In the LGS and SPS classes specifically, there are three blocks within the energy  
13 charge. The first block is the first 150 kWh per kW of billing demand; the second block is the  
14 next 200 kWh per kW of billing demand; and the third being all over 350 kWh per kW of  
15 billing demand. The first blocks per-kWh price is greater than the second block and the  
16 second block higher than the third. This is sometimes referred to as a declining block rate  
17 structure and an hours-use rate design. Being that the energy charge is based off kWh usage  
18 per kW of billing demand, there is a unique relationship between demand and energy usage.  
19 This relationship between demand and energy usage is also needed to determine the load  
20 factor. Load factor is defined as the ratio of the average load over a prescribed period of time  
21 to the peak load which occurs during that same time period. With rate and billing  
22 applications, load factor is based on the monthly energy and maximum demand usage  
23 characteristics of the customer. Also, although the demand charges are priced strictly on the

Rebuttal Testimony of  
Brad J. Fortson

1 basis of kW units, a measure of maximum demand is required to determine how much of the  
2 kWh usage falls within each of the hours-use rate steps.

3 Q. What does Mr. Chriss recommend for the rate design and energy charge of the  
4 LGS and SPS classes?

5 A. Mr. Chriss recommends the Commission should: (1) maintain the second and  
6 third block energy rates at their current rates and increase the customer charges by the  
7 customer class percent revenue increase; (2) apply half of the remaining increase to the first  
8 block energy charge and the other half of the remaining increase to the demand charge, and;  
9 (3) order Ameren Missouri to develop alternative rate designs for LGS and SPS that more  
10 closely reflect Ameren Missouri's cost of service and do not use the hours-use rate design for  
11 the energy charge and present those alternatives in its next base rate case.

12 Q. Does Staff support the recommendation by Mr. Chriss?

13 A. No, not at this time. There are approximately 11,000 customers in the  
14 LGS/SPS rate classes. Specific customer impact would be needed to analyze the proposal by  
15 Mr. Chriss.

16 Q. Do any of the other investor owned electric utilities in Missouri utilize an  
17 hours-use rate design for their non-residential customers?

Rebuttal Testimony of  
Brad J. Fortson

1           A.     Yes. All Missouri investor owned electric utilities utilize an hours-use rate  
2 design.<sup>5</sup>

3           Q.     What does Staff recommend for the rate design and energy charge of the LGS  
4 and SPS classes?

5           A.     Staff believes that the hours-use rate design is an appropriate demand rate  
6 design that functions on the basis of the customer's monthly load factor. It is structured  
7 around a demand and energy usage relationship. Staff did not make any recommendations  
8 changing the LGS and SPS classes' rate structure. In step six of Staff's six-step process to  
9 their rate design recommendation referenced in its CCOS Report,<sup>6</sup> Staff recommends that  
10 each rate component of each class be increased across-the-board for each class on an equal  
11 percentage after consideration of steps one through five.

12          Q.     Does this conclude your testimony?

13          A.     Yes.

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<sup>5</sup> The Empire District Electric Company: General Power Service Schedule GP, P.S.C. MO. No. 5 Sec. 2 16<sup>th</sup> Revised Sheet No. 3; Large Power Service Schedule LP, P.S.C. MO. No. 5 Sec. 2 17<sup>th</sup> Revised Sheet No. 4; Total Electric Building Service Schedule TEB, P.S.C. MO. No. 5 Sec. 2 16<sup>th</sup> Revised Sheet No. 7.

Kansas City Power & Light Company: Small General Service Schedule SGS, P.S.C. MO. No. 7 Seventh Revised Sheet No. 9A and 9B; Medium General Service Schedule MGS, P.S.C. MO. No. 7 Seventh Revised Sheet No. 10A and 10B; Large General Service Schedule LGS, P.S.C. MO. No. 7 Seventh Revised Sheet No. 11A and 11B; Large Power Service Schedule LPS, P.S.C. MO. No. 7 Seventh Revised Sheet No. 14A and 14B.

KCP&L Greater Missouri Operations Company For Territory Served as L&P: General Service – General Use Electric, P.S.C. MO. No. 1 7<sup>th</sup> Revised Sheet No. 24; Large General Service Electric, P.S.C. MO. No. 1 6<sup>th</sup> Revised Sheet No. 29.

KCP&L Greater Missouri Operations Company For Territory Served as MPS: Small General Service Electric, P.S.C. MO. No. 1 5<sup>th</sup> Revised Sheet No. 54; Large General Service Electric, P.S.C. MO. No. 1 5<sup>th</sup> Revised Sheet No. 56 and 57; Large Power Service Electric, P.S.C. MO. No. 1 6<sup>th</sup> Revised Sheet No. 60.

<sup>6</sup> Page 2, paragraph 6 and page 36, paragraph 3 of CCOS Report.

Missouri Public Service Commission  
 Revenue-Neutral Adjustments

Case Number	Res	SGS	LGS/SPS	LPS	LTS	MSD	Lighting
Case No. ER-2014-0258 (Recommended)	0.50%	-0.63%	-0.63%		0.50%		
Case No. ER-2012-0166 (1)			-0.18%				3.93%
Case No. ER-2011-0028	2.00%	-1.78%	-1.78%	-1.78%	-1.78%		4.00%
Case No. ER-2010-0036	1.50%	1.50%	-0.61%	1.25%	-11.74%		

(1) Increase segregated by three parts - Retail, Pre-MEEIA, and MEEIA.