

Exhibit No.:  
Issues: Rate Design  
Witness: Brad J. Fortson  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Surrebuttal Testimony  
Case No.: ER-2014-0258  
Date Testimony Prepared: February 6, 2015

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**SURREBUTTAL TESTIMONY**

**OF**

**BRAD J. FORTSON**

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

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

*Jefferson City, Missouri  
February 2015*

STAFF Exhibit No. 216  
Date 2-23-15 Reporter XF  
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**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 direct testimony on December 5, 2014 as part of the Missouri Public Service Commission Staff's ("Staff's") Cost of Service Report and on December 19, 2014 as a part of Staff's Rate Design and Class Cost-of-Service Report ("CCOS Report") and also sponsored rebuttal testimony that was filed on January 16, 2015, as part of this rate proceeding?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony?

A. In my surrebuttal testimony, I will address some of the rate design issues raised by Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri") witness Bill Davis. Specifically, I will address rate design for the Metropolitan Sewer District and elimination of rate schedule 7(M) Municipal Street Lighting – Incandescent tariff.

**Metropolitan Sewer District**

Q. On page 6 of Mr. Davis' rebuttal testimony, he expresses a concern with Staff's proposed revenue allocation in regards to Metropolitan Sewer District ("MSD"). Can you explain his concern?

Surrebuttal Testimony of  
Brad J. Fortson

1           A.     Yes. Mr. Davis states that the electric service agreement with MSD explicitly  
2 states that its rate “shall be correspondingly increased or decreased by the same percentage as  
3 the overall percentage applying to all of Company’s standard rates” and that he does not  
4 believe that Staff’s proposal would comply with this requirement of that agreement.  
5 Mr. Davis continues by saying that modifying Staff’s proposal to meet the requirements of  
6 MSD’s electric service agreement would result in very minor changes to the proposed revenue  
7 allocations.

8           Q.     How do you respond to Mr. Davis’ concern?

9           A.     Staff is aware of the electric service agreement between Ameren Missouri and  
10 MSD. However, Staff’s rate design recommendation is based on a six-step process and  
11 certain steps within that process have a direct effect on the overall percentage applying to all  
12 of Ameren Missouri’s standard rates. For instance, in Step 1, Staff recommends, based on  
13 CCOS results, to increase/decrease the current base retail revenue on a revenue-neutral basis  
14 to various classes of customers. Then, in Step 2, the portion of the revenue increase/decrease  
15 that is attributable to Energy Efficiency (“EE”) programs from Pre-MEEIA program costs is  
16 directly assigned to applicable customer classes. Next, in Step 3, the amount of revenue  
17 increase awarded to Ameren Missouri that is not associated with the EE revenue from Pre-  
18 MEEIA revenue requirement assigned in the previous step is determined. This amount is  
19 allocated to customer classes as an equal percent of current base revenues after making the  
20 adjustment in Step 1. Thus, in determining the appropriate amounts in each of these steps,  
21 Staff made its rate design recommendation which resulted in MSD receiving a 0.12%<sup>1</sup>

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<sup>1</sup> Since Pre-MEEIA revenue requirement decreased from current rates, the Step 3 equal percent revenue requirement increased the MSD rate class above the system average increase.

1 | increase above the system average due to the fact that MSD does not have EE charges since  
2 | there are no EE programs being offered to the MSD rate class/contract.

3 | Q. What is the impact of the 0.12% on the MSD class?

4 | A. Less than \$100 per year based on Staff mid-point recommendation.

5 | Q. Does Staff believe it should modify its proposal in order to ensure MSD  
6 | receives the same percentage increase as the overall percentage applying to all of Ameren  
7 | Missouri's standard rates?

8 | A. No. Even though the increase amount is small, MSD is receiving the system  
9 | average increase after revenue-neutral adjustments and Pre-MEEIA direct allocations. Staff's  
10 | rate design recommendation for the MSD class in this rate case is consistent with the  
11 | Commission approved rate design for the MSD class in Ameren Missouri's last rate case<sup>2</sup>;  
12 | where the rate increase was segregated into three parts of a MEEIA, pre-MEEIA, and retail  
13 | part.

14 | **Elimination of Rate schedule 7(M)**

15 | Q. Is Ameren Missouri proposing any changes to its Rate Schedule 7(M)  
16 | Municipal Street Lighting – Incandescent tariff?

17 | A. Yes. On page 52 of Mr. Davis' rebuttal testimony, he proposes this service  
18 | classification be completely eliminated.

19 | Q. What reasons did Mr. Davis give for his proposal regarding the Rate Schedule  
20 | 7(M)?

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<sup>2</sup> In ER-2012-0166, Ameren Missouri's Commission approved system average rate increase was 10.05% but due to revenue-neutral adjustments, Pre-MEEIA direct allocations, and MEEIA direct allocations (MEEIA direct allocations are now adjusted through a rider mechanism and no longer adjusted through rate cases); MSD received a 6.60% rate increase.

Surrebuttal Testimony of  
Brad J. Fortson

1           A.     Mr. Davis states that since the filing of Ameren Missouri's current rate case, of  
2 the six total customers, four customers with metered service have opted to switch to the  
3 Company's Rate Schedule 6(M) lighting service, while two unmetered accounts have  
4 terminated service under the Rate Schedule 7(M). Therefore, since there are no longer any  
5 active customers in the Rate Schedule 7(M) rate classification and incandescent street lights  
6 are no longer being installed, Mr. Davis proposes the Commission order Ameren Missouri to  
7 eliminate Rate Schedule 7(M) in its compliance tariff filing.

8           Q.     Does Staff support Mr. Davis' proposal to eliminate the Rate Schedule 7(M)?

9           A.     Yes.

10          Q.     Does this conclude your surrebuttal testimony?

11          A.     Yes.