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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2019-0374

REBUTTAL TESTIMONY

OF

EMILY PIONTEK

ON BEHALF OF

RENEW MISSOURI

March 9, 2020

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1 **I. Introduction**

2 **Q. State your name, business name, and address.**

3 A. My name is Emily Piontek and I am a Policy Research Clerk at Renew Missouri
4 Advocates, Inc. (“Renew Missouri”) located at 409 Vandiver Drive, Suite #5- 205,
5 Columbia, Missouri 65202.

6 **Q. On whose behalf are you appearing in this case?**

7 A. I am appearing as a witness on behalf of Renew Missouri, a 501(c)(3) focusing on
8 renewable energy and energy efficiency policy in the State of Missouri.

9 **Q. What are your qualifications in commenting on this rate case?**

10 A. I have served as a renewable energy policy researcher for Renew Missouri since May of
11 2018. In my time at Renew Missouri, I have appeared as a witness before the House
12 Utilities Committee to testify in favor of securitization legislation, assisted with
13 comments delivered by Renew Missouri on the Integrated Resource Plans of all the
14 investor-owned utilities in the state, and conducted a broad range of research on
15 renewable energy and energy efficiency issues pertinent in Missouri. Recently, I provided
16 rebuttal testimony on behalf of Renew Missouri to the Missouri Public Service
17 Commission in an ongoing rate case, File No. ER-2019-0335.

18 Additionally, I have earned a Graduate Certificate in Public Policy from the
19 Truman School of Public Affairs at the University of Missouri and will graduate with a
20 Masters of Science in Human Dimensions of Natural Resource Management from the
21 School of Natural Resources at the University of Missouri-Columbia in May 2020. My
22 Master’s research is centered on the intersection of environmental and social justice, and

1 has been presented at the 2019 conferences in 2019 and 2020, as well as submitted for
2 publication. In 2012, I earned my B.A. in History and in Political Science from
3 Washington University.

4 **II. Purpose of Testimony & Summary of Conclusions**

5 **Q. What is the purpose of your rebuttal testimony?**

6 A. The purpose of my rebuttal testimony is to respond to testimony presented by the Empire
7 District Electric Company, a Liberty Utilities company (sometimes referred to as “the
8 Company”). I critique the proposed tariff (YE-2020-0029) that increases the residential
9 customer charge from \$13 to \$19 monthly. Additionally, I comment on recommendations
10 made by Staff in regards to the customer charge increase, as well as comment on direct
11 testimony submitted by Mr. Hackney in regards to the Low-Income Pilot Program. This
12 testimony is submitted in support of rate design that (1) gives customers control over
13 their electric bill, and (2) incentivizes energy conservation.

14 **Q. What conclusions have you drawn regarding the proposed customer charge 15 increase?**

16 A. Customer charge increases present a number of concerns that run counter to policy
17 objectives held by the state of Missouri, including by the Missouri Department of Energy.
18 These policy objectives include keeping electric rates among the lowest in the country,
19 implementing comprehensive energy efficiency programs, and improving resource
20 diversification by supporting net metering and DER proliferation, for example. As this
21 increase to the customer charge will not provide an actionable price signal on customers’

1 bills, is accompanied by an *increase* to the Company’s current effective energy charge,¹
2 will inequitably burden low-usage and low-income customers, and will disincentivize
3 emissions reductions on behalf of the Company and its customers, I advocate that no
4 increase to the customer charge be approved in this rate case, as Staff has also done.
5 Furthermore, I argue that the amount of the customer charge increase violates ratemaking
6 fundamentals.² In doing so, I will respond to direct testimony by the Company’s
7 witnesses.

8 **III. Residential Customer Charges & Response to Testimony**

9 **Please explain the change to residential customer charges proposed by the Company.**

10 A. The Company proposes to increase the monthly residential customer charge from
11 \$13/customer to \$19/customer in this tariff.

12 **Q. On what basis does the Company propose to increase residential customer charges?**

13 A. The company believes it is necessary to increase its residential customer charge from \$13
14 per customer to \$19 per customer on the basis of cost recovery. In his direct testimony,
15 Company witness Mr. Tim Lyons states that an increase to residential customer charges
16 will reflect the proportional cost of providing service to this customer class.

¹ By “current effective energy charge”, I am referring to the current energy charge net of the temporary tax rider. See Residential Rate Design Direct Testimony by Staff Witness Kliethermes, R., on behalf of the Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 29, 2020, p.14.

² In particular, bill historicity and bill gradualism concerns are of note in this tariff, YE-2020-0029. See Bonbright, J. (1961). *Principles of Public Utility Rates*. See the third principle of “Revenue related attributes”, regarding “stability and predictability of the rates themselves”.

1 Utilities across the United States have sought increased customer charges in
2 recent rate cases, with mixed results. Typically, a higher fixed charge can guarantee cost
3 recovery to utilities facing reduced loads due to energy efficiency measures, reduced
4 consumption induced by distributed energy generation or customer defection, or due to
5 economic challenges to the utility, including those introduced by volatile or changing
6 weather patterns.³

7 **Please summarize the effect of the Company's proposed changes to residential customer**
8 **charges.**

9 The proposed increase to customer charges would have a detrimental impact on low-
10 income customers, low-usage customers, customers employing distributed energy
11 resources on-site (e.g., net metered solar, etc.), and on the overall energy conservation
12 and energy efficiency goals supposedly important to the Company itself. An increase to
13 the residential customer charge, as proposed in this tariff, introduces a negative feedback
14 loop into the cycle of energy generation, consumption, and subsequent demand. Namely,
15 by raising standard fees that do not vary with customer energy use and over which
16 customer's themselves have no control, the proposed customer charge increase will have
17 the adverse effect of disincentivizing energy conservation and energy efficiency
18 investments by residential customers.

19 The proposed \$6 increase to the residential customer charge will violate rate-
20 design principles regarding bill predictability, and will impose a substantial shock to
21 customers. The Company does intend to maintain its current Low Income Pilot Program,

³ Whited, M. et al. (2016). Caught in a fix. Synapse Energy Economics.

1 which reduces the customer charge to \$0 for certain low-income customers (e.g., those
2 who would qualify for LIHEAP and are not more than two months delinquent on their
3 bills). However, this program does not go far enough in reducing the negative impact of
4 such high customer charges. I will address concerns regarding the LIPP in more detail in
5 my response to Company witness Mr. Nathaniel Hackney (p.11).

6 **Q. What is your response to direct testimony submitted on behalf of Empire District**
7 **Electric Company in regards to an increased customer charge?**

8 A. Mr. Lyons argues on behalf of the Company that a residential customer charge of \$19
9 falls in line with customer charges assessed by other utilities across Missouri. Yet, the
10 utilities he cites are rural electric cooperatives. For any of the Missouri-based IOUs, the
11 customer charge proposed in this tariff far and away exceeds those assessed by either
12 Ameren Electric or Evergy.⁴ Furthermore, while Mr. Lyons argues that a residential
13 customer charge increase is necessary to recover that class cost of service, the Company
14 simultaneously requests that a type of revenue decoupling rider be implemented (e.g., a
15 “Weather Normalization Rider”; see p.54 of Mr. Lyons’ direct testimony). As the
16 Weather Normalization Rider would decouple revenue collection from electricity, the
17 risk of under-collecting the costs of service would be skirted.

18 I concur with Staff witness Ms. Kliethermes, who has also determined that the
19 dramatic increase to the customer charge proposed by the Company is inappropriate.

20 Previously, a Report and Order of the Missouri Public Service Commission (2014)

⁴ Residential Rate Design Direct Testimony by Witness Lyons, T., on behalf of Empire District Electric Company. State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 2019, p.32.

1 defined the appropriate function of a customer charge as that which may recover costs
2 associated with “meter reading, billing, postage, customer account service, and a portion
3 of the costs associated with required investment in a meter, the service line drop, and
4 other billing costs”.⁵ Staff believes that a customer charge of \$11.91 more than recovers
5 the cost of such services previously approved by the Commission, but recommends that,
6 in lieu of lowering the customer charge, the Company be allowed to maintain the current
7 charge.⁶

8 **Q. What approach was taken in making your recommendation?**

9 A. I will present a conceptual analysis to demonstrate how the proposed customer charge
10 increase will negatively impact energy conservation and energy efficiency goals through
11 what I term a “negative feedback loop”. In direct testimony, Staff undertook a class cost
12 of service study to make their own recommendation. I will rely on that analysis here, as
13 there is no need to replicate a sound study that is publicly available in this case.

14 **Q. With this in mind, please summarize why you recommend that the Commission
15 reject the Company’s proposal to increase customer charges.**

16 A. Of course. As previously asserted, numerous negative policy impacts would result from
17 an increased customer charge. I will address each in turn.

18 **Q. How would increased customer charges impact vulnerable populations?**

⁵ Missouri Public Service Commission. Case No. ER-2014-0258, Report and Order In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Increase Revenues for Electric Service (April 29, 2015).

⁶ Residential Rate Design Direct Testimony by Staff Witness Kliethermes, R., on behalf of the Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 29, 2020, p.14.

1 A. Increased customer charges impose a disproportionate burden on vulnerable customers,
2 including low-income customers, seniors households or households with young children,
3 who may be struggling with volatile or burdensome electricity rates. Low-income
4 customers already suffer heavily from high costs of energy, and are more likely to forego
5 critical services (e.g., using air conditioning during heat events, heating homes to
6 comfortable temperatures during the winter) in favor of keeping bills low.⁷ These are
7 costs over which low-income or conservation-minded customers attempt to exert control;
8 in contrast, an increase to fixed charges is a cost over which there is absolutely nothing
9 the customer can do to manage their bill. An annual bill increase for customer charges
10 alone to \$228 (from \$132) will have a much more sizable impact on a low-income
11 customer than it would to a customer earning a comfortable middle class wage,
12 particularly as overall electric rates remain high in the YE-2020-0029 tariff.⁸

13 **Q. How would increased customer charges impact low-usage customer?**

14 A. Increased customer charges are not sensitive to the nuances and varied system
15 requirements among diverse customers. For example, apartments historically have the
16 lowest cost of service of any customer class due to the fact that multiple units can be
17 served through a single delivery point.⁹ Despite the lesser demand placed upon the

⁷ Vote Solar, “Guidance for utility commissions on Time of Use rates: A shared perspective from consumer and clean energy advocates”, Electricity Rate Design Review Paper No.2, July 15, 2017, *available at* <https://votesolar.org/files/9515/0039/8998/TOU-Paper-7.17.17.pdf>

⁸ See Empire District Electric Company Tariff Revision YE-2020-0029, p.1. (August 8, 2019). Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area.

⁹ Lazar, J. (2016) “Use great caution in design of residential demand charge rates”. Regulatory Assistance Project, *available at* <https://www.raonline.org/wp-content/uploads/2016/05/lazar-demandcharges-ngejournal-2015-dec.pdf>

1 system by such customers, those who reside in apartments may be unfairly and
2 disproportionately assigned to customer-related cost recovery charges. Additionally, low-
3 income customers are more likely to reside in multi-family apartments, which cost less
4 than individual residences to serve, as well as tend to consume less energy than their
5 higher-income counterparts. An increase to customer charges will impose inequitable
6 costs to these customers, who can literally do nothing to respond.

7 **Q. How would increased customer charges impact customers employing distributed**
8 **generation, or those investing in energy efficiency upgrades?**

9 A. Utilities have insisted that an increased fixed charge will assist the utility in recovering
10 costs formerly associated with full-time customers, but when accounting for customers
11 who have become less reliant on the grid due to their installation of solar panels or other
12 distributed energy resources (“DER”), will account for the losses, defections, or sales
13 reductions to such customers.¹⁰ However, higher fixed charges essentially punish low-
14 usage customers, who are (1) actually contributing predictable, low-cost power to the
15 grid, (2) reducing their own demand during system peaks, or (3) covering the cost of
16 equipment that ultimately contributes to the grid, as customers utilizing DER cover the
17 costs of installation and operation of the equipment.

18 The Company does not pay its DER customers for anything but power sold back
19 to the grid, and is even able to purchase that generation at the wholesale rate. As this
20 power-purchasing relationship mirrors the transactional relationship between the

¹⁰ In particular, Ameren Missouri makes this argument in its current rate design case before the Missouri Public Service Commission. See Public Service Commission of the State of Missouri File No. ER-2019-0335, In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Decrease Its Revenues for Electric Service.

1 Company and SPP, it cannot be said that other customers absorb the cost of another’s net
2 metered solar, for example. Recent studies have pointed to the fact that DER customers
3 provide one of the surest avenues by which a utility may lower its revenue requirement
4 through avoided investment in additional generation, transmission, and distribution
5 equipment.¹¹ To be clear, an increase to the fixed customer charge will disincentive DER
6 proliferation, and is shortsighted in its imposition on resource diversification.

7 **Q. How would an increased customer charge impact system-wide energy usage?**

8 A. In a 2015 case before the Minnesota Utilities Commission, an increase to fixed customer
9 charges was denied on the basis that “a customer-charge increase for [residential] classes
10 would place too little emphasis on the need to set rates to encourage conservation.”¹² The
11 unintended consequence of such actions on energy conservation and consumption have
12 been noted elsewhere, including by environmental advocates in a separate rate design
13 case pending before the Commission. Notably, Sierra Club witness Avi Allison stated
14 that an increase to fixed customer charges would render investments in energy efficiency
15 “less effective” as “only the energy charge can be avoided through greater energy
16 efficiency.”¹³

17 Furthermore, while the Company seeks an increase to its customer charge, utility
18 regulatory bodies from across the country have made a few notable decisions to decrease

¹¹ Whited, M. et al. (2016). “Caught in a fix.” Synapse Energy Economics. See Figure 10, p.28.

¹² Minnesota Public Utilities Commission, In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota; Findings of Fact, Conclusions, and Order; Docket No. E-002/GR- 13-868, May 8, 2015, p. 88.

¹³ Rate Design Direct Testimony by Allison, A., on behalf of Sierra Club. Public Service Commission of the State of Missouri File No. ER-2019-0335, In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Decrease Its Revenues for Electric Service, December 18, 2019, p.11.

1 high customer charges. Regulators, environmental groups, and consumer advocates cited
2 the impacts on energy conservation and efficiency, to DER customers, and to low-income
3 customers as driving forces behind the decision to reduce fixed customer charges (see
4 footnotes; 2018 Connecticut Public Utilities Regulatory Commission rate case¹⁴; 2017
5 New York Public Service Commission rate case¹⁵). In the 2017 case before the New
6 York Public Service Commission, the Acadia Center listed four primary reasons behind
7 their support for a reduced customer charge, three of them environmental. High customer
8 charges: (1) disincentive energy conservation, efficiency measures, and DER
9 proliferation because they devalue a kWh saved or generated; (2) reduce diversity of the
10 overall resource portfolio on a particular grid for the same reason; and (3) inhibit GHG
11 emissions reductions targets by disincentivizing investment in the technologies and
12 resources that contribute to a cleaner” grid (e.g., energy efficiency measures & DER).¹⁶

13 **IV. Low-Income Pilot Program & Response to Direct Testimony**

14 **Q. Please summarize the direct testimony of Mr. Nathaniel Hackney on behalf of the**
15 **Company, as it pertains to the low-income pilot and customer charges.**

16 In direct testimony, Mr. Hackney summarizes the effect of the Company’s Low-Income
17 Pilot Program (LIPP), and puts forth the intent of the Company to continue to offer this
18 program in light of the residential customer charge increase. The LIPP removes the
19 customer charge for qualifying customers on a seasonal (high-peak) basis, or more

¹⁴ Connecticut Public Utilities Regulatory Commission. Docket No. 17-10-46, Decision In the Matter of the Connecticut Light and Power Company d/b/a Eversource Energy (April 18, 2018).

¹⁵ State of New York Public Service Commission. Case No. 17-E-0459, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan In the Matter of Central Hudson Gas & Electric Corporation (June 14, 2018).

¹⁶ Statement in Support of Joint Proposal by Howe, C., on behalf of Acadia Center. New York Public Service Commission. Case No. 17-E-0459, In the Matter of the Central Hudson Gas & Electric Corporation (May 2, 2018).

1 permanently for select qualifying customers. Here, Mr. Hackney requests that the LIPP
2 budget cap be removed, enabling the Company to assist more low-income customers.

3 **Q. Will the LIPP sufficiently combat negative economic burdens posed to residential**
4 **customers by the proposed customer charge increase?**

5 A. In short, no. The LIPP does not go far enough in addressing burdensome electric bills.
6 Already, thousands of customers struggle to pay electric bills at the current energy and
7 customer charge levels.¹⁷ As tariff YE-2020-0029 increases both the customer charge and
8 the effective energy charge (net of the temporary tax rider), it appears that residential
9 electric bills will only become more burdensome. However, I do recommend that the
10 Company continue to offer LIPP, as Mr. Hackney was able to demonstrate that a number
11 of customers have benefitted from utilizing the program. Merely, I caution that LIPP will
12 insufficiently address the *additional* burdens posed by the customer charge increase put
13 forth here, and should not be pursued as a permanent solution to the high customer
14 charges proposed here. As it stands, the LIPP distracts from underlying issues posed by
15 the Company's cost recovery plan, although I agree with Mr. Hackney that the LIPP
16 should continue to be offered *as a partial solution* to burdensome energy bills overall.

17 **V. Recommendation and Response to Empire District Electric Company**

18 **Q. What is your recommendation to the Company in regards to the customer charge?**

¹⁷ Community Action Agencies referred 5,769 customers to the LIPP program; of these, Empire District Electric Company accommodated 1,218 customers total. See "Summary of Results: Low-Income Pilot Program" (August 2019, p.4), submitted in Direct Testimony of Hackney, N. behalf of See Empire District Electric Company. Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area.

1 A. On the basis of these noted policy concerns, Renew Missouri recommends that no
2 increase to the fixed charge be made.¹⁸ As a part of its 5-year Capital Plan, the Company
3 has stated that it intends to begin implementing AMI in 2020-2021.¹⁹ Ultimately, AMI
4 technology will enable the utility to implement a more modernized rate design that
5 allocates the costs of service in a more sophisticated manner.²⁰ For example, Synapse
6 Energy Economics, Inc., states that Time-of-Use (TOU) rates (which AMI easily enables)
7 can assist utilities with cost recovery without necessitating an increase to the customer
8 charge.²¹

9 With this consideration and previously stated policy concerns in mind, the
10 Commission should not permit Empire District Electric Company to implement the
11 dramatic increase to fixed customer charges proposed in tariff YE-2020-0029. In 2015
12 the Missouri Public Service Commission rejected a request made by another investor
13 owned utility to increase fixed customer charges, and stated that “residential customers
14 should have as much control over the amount of their bills as possible so that they can
15 reduce their monthly expenses by using less power” as a lower customer charge “gives

¹⁸ Rate-design expert Mark LeBel (Acadia Center, the Regulatory Assistance Project) believes that the limited categories of costs that are appropriate for a fixed charge should be no more than \$10/month. In its current tariff, the Company’s customer charge already exceeds this recommended amount. See Trabish, H. (August 23, 2018). “Are regulators starting to rethink fixed charges?” *Utility Dive*. Retrieved from: <https://www.utilitydive.com/news/are-regulators-starting-to-rethink-fixed-charges/530417/>

¹⁹ See Empire District Electric Company 4 CSR 240-22.080 Executive Summary, the Public Service Commission of the State of Missouri File No. EO-2019-0049.

²⁰ See “Movement Towards Modern Rate Structures” Direct Testimony by Staff Witness Lange, S., on behalf of the Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 29, 2020, p.23.

²¹ Whited et al. (2016). “Caught in a fix.” Synapse Energy Economics, p. 4.

1 the customer more control.”²² Incentivizing customers to reduce their demands on the
2 grid and empowering them to control their energy bills are sound reasons to limit the
3 Company in this regard.

4 **Q. Does this conclude your testimony?**

5 A. Yes.

²² Missouri Public Service Commission Report and Order, File No. ER-2014-0258, In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Increase Revenues for Electric Service, April 29, 2015, pages 76-77.