

Exhibit No.:
Issues: DSIM Rates
Witness: Michael S. Scheperle
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
File No.: EO-2012-0142
Date Testimony Prepared: April 13, 2012

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

MICHAEL S. SCHEPERLE

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

FILE NO. EO-2012-0142

*Jefferson City, Missouri
April 2012*

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

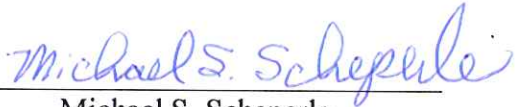
In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Filing to)
Implement Regulatory Changes)
Furtherance of Energy Efficiency as)
allowed by MEEIA)

File No. EO-2012-0142

AFFIDAVIT OF MICHAEL S. SCHEPERLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

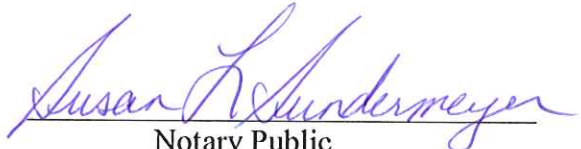
Michael S. Scheperle, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 9 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were 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.



Michael S. Scheperle

Subscribed and sworn to before me this 13th day of April, 2012.





Notary Public

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MICHAEL S. SCHEPERLE**

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

5 **FILE NO. EO-2012-0142**

6 Q. Please state your name and business address.

7 A. My name is Michael S. Scheperle and my business address is Missouri Public
8 Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

9 Q. Who is your employer and what is your present position?

10 A. I am employed by the Missouri Public Service Commission (“Commission”)
11 and my title is Manager, Economic Analysis Section, Energy Unit, Regulatory Review
12 Division.

13 Q. What is your educational background and work experience?

14 A. I completed a Bachelor of Science degree in Mathematics at Lincoln
15 University in Jefferson City, Missouri. I have been employed by the Missouri Public Service
16 Commission since June 2000. Prior to joining the Commission, I was employed at United
17 Water Company as a Commercial Manager from 1983 to 2000, and at Missouri Power &
18 Light Company from 1973 to 1983 as a Supervisor of Rates, Regulations and Budgeting. A
19 list of the cases in which I have filed testimony before the Commission is shown on Schedule
20 MSS-R1. I moved to the Economics Analysis section as a Regulatory Economist III in 2008.
21 I assumed my current position in 2009. My previous testimony and responsibility address
22 topics including class cost of service, rate design, telecommunications issues, Missouri
23 Universal Service Fund, energy efficiency/demand-side management, a Staff member of the

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1 Missouri Deaf-Relay Committee, and a member of the Commission Staff's Electric Meter
2 Variance Committee.

3 Q. What is the purpose of your rebuttal testimony?

4 A. Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri") is
5 requesting approval to implement demand-side management ("DSM") programs and to
6 implement a separate demand-side programs investment mechanism ("DSIM") rate to recover
7 costs associated with DSM programs in this case. Additionally, Ameren Missouri is also
8 requesting an increase in the residential monthly customer charge from \$8 to \$12 in this case.
9 In this testimony, I respond to the *Ameren Missouri 2013-2015 Energy Efficiency Plan* filed
10 in Ameren Missouri's application for approval of DSM programs and for approval of DSIM
11 to include a DSIM rate for each of Ameren Missouri's customer classes. In this rebuttal
12 testimony, I will address:

- 13 1. Wording on customers' bills;
- 14 2. Allocating the Ameren Missouri's DSIM revenue requirement between residential
15 and business customers when calculating DSIM rates;
- 16 3. Increasing the residential customer charge from \$8 to \$12 per month; and
- 17 4. Recovery of DSM costs.

18 I make the following recommendations in my testimony:

- 19 1. The Commission reject Ameren Missouri's proposed wording to identify the
20 separate DSIM charge on the customers' bills as "Energy Efficiency Pgm Charge";
- 21 2. The Commission approve the separate line item wording of "Demand-Side Inv
22 Recovery" on customer bill(s);
- 23 3. The Commission order Ameren Missouri to submit disclosure language in this
24 case to satisfy the requirements of Rule 4 CSR 240-20.093(6) for the
25 Commission's approval;

- 1 4. The Commission adopt Ameren Missouri’s methodology used to allocate DSIM
2 revenue requirement between residential and business¹ customer classes;
3 5. The Commission defer a decision on Ameren Missouri’s proposal to increase the
4 residential customer charge from \$8 per month to \$12 per month to the Company’s
5 current rate case (Case No. ER-2012-0166); and
6 6. The Commission reject Ameren Missouri’s methodology for the collection of
7 program cost recovery, performance mechanism recovery, and historical cost
8 recovery per rate class by a summer and winter component.

9 **Wording on Customers’ Bill(s)**

10 Q. Is Ameren Missouri requesting a separate line item charge on customers’ bills
11 to recover DSM revenue requirement?

12 A. Yes. Commission rules, specifically 4 CSR 240-3.163(2)(B) and
13 4 CSR 240-20.093(6) require that the proposed DSIM rate shall be separately identified on
14 affected customers’ bills and the proposed disclosure language regarding the separate line
15 item shall be submitted to and approved by the Commission before it appears on customers’
16 bills. In this case, Ameren Missouri is proposing wording of “Energy Efficiency Pgm
17 Charge”.

18 Q. What categories of costs is Ameren Missouri proposing to include in the
19 calculation of the “Energy Efficiency Pgm Charge?”

20 A. Ameren Missouri describes three different categories of costs to be included in
21 the calculation of the “Energy Efficiency Pgm Charge”: 1) Program costs, 2) Performance
22 Mechanism, and 3) Historical Cost Recovery.

23 Q. Does Staff agree with the methodology proposed by Ameren Missouri in the
24 calculation of the “Energy Efficiency Pgm Charge”?

¹ All non-residential customers and customer classes are referred to as business customers and business classes in this testimony.

1 A. No. Ameren Missouri’s existing approved tariffs already feature a separate
2 line item wording of “Energy Efficiency Pgm Charge” that included energy efficiency
3 program costs prior to Ameren Missouri’s Missouri Energy Efficiency Investment Act
4 (“MEEIA”) filing on January 20, 2012. Under Section 393.1075.13 RSMo., utilities must
5 include a separate line item on customer bills for the charges attributable to demand-side
6 programs approved under MEEIA. Ameren Missouri currently has a separate line item on
7 customer bills; however, as proposed the “Energy Efficiency Pgm charge” would now include
8 the charges attributable to demand-side programs approved under MEEIA as well as historical
9 DSM program costs. Staff recommends that in order to comply with the statute, Ameren
10 Missouri should have a line item on customer bills that would include the charges attributable
11 to demand-side programs approved under the MEEIA statutes in isolation. This new line item
12 should be separate from the existing “Energy Efficiency Pgm Charge” which includes
13 historical energy efficiency program costs.

14 Q. Does Staff have wording recommendation for DSM program costs?

15 A. Yes. Staff recommends wording of “Demand-Side Inv Recovery”.

16 Q. Did Ameren Missouri satisfy all requirements of 4 CSR 240-20.093(6)?

17 A. No. Rule 4 CSR 240-20.093(6) states:

18 Disclosure on Customers’ Bills. Regardless of whether or not the utility
19 requests adjustments of its DSIM rates between general rate proceedings, any
20 amounts charged under a DSIM approved by the commission, including any
21 utility incentives allowed by the commission, *shall be separately disclosed on*
22 *each customer’s bill*. Proposed language regarding this disclosure *shall be*
23 *submitted to and approved by the commission* before it appears on customers’
24 bills. (Emphasis added)

25 Staff is not aware that Ameren Missouri submitted disclosure language that would
26 appear on customer bill(s) to explain the DSIM rate. Staff recommends that the Commission

1 order Ameren Missouri to submit disclosure language in this case to satisfy the requirements
2 of Rule 4 CSR 240-20.093(6) for the Commission's approval.

3 **Allocating DSM Costs between Residential and Business Rate Classes**

4 Q. How does Ameren Missouri propose to allocate its DSM costs?

5 A. Ameren Missouri describes three different categories of costs: 1) Program
6 Costs, 2) Performance Mechanism, and 3) Historical Cost Recovery. It proposes each be
7 treated differently, with different cost allocations for each.

8 Q. How does Ameren Missouri propose to allocate the program costs?

9 A. First, the Program Costs are classified as Administrative and General ("A&G")
10 expenses with a direct allocation between the residential class and business class based on the
11 estimated average three-year cost for 2013 through 2015. The business program cost is
12 allocated to each customer class (Small General Service, Large General Service, Small
13 Primary Service, Large Primary Service) by the kWh used by the customer class less the
14 usage of those customers who have opted-out from participating in demand-side programs
15 under Section 393.1075.7, RSMo Supp. 2011, and is based on the estimated average three-
16 year cost for 2013 through 2015. The Large Transmission Service class, consisting of one
17 customer, has opted-out of the DSM programs and therefore is not allocated any program
18 costs. Likewise, the Lighting class is not participating in the DSM programs and is not
19 allocated any program costs.

20 Q. What program costs are classified as residential and business costs?

21 A. Specifically, Ameren Missouri proposes that the following programs serve
22 these classes of customers (2013 - 2015 Energy Efficiency Plan, p. 11 &12).

23

1 Residential – Program Type

- 2 • Lighting Program
- 3 • Energy Efficiency Products Program
- 4 • HVAC Program
- 5 • Refrigerator Recycling Program
- 6 • Home Energy Performance Program
- 7 • ENERGY STAR New Homes Program
- 8 • Low Income Program

9 Business – Program Type

- 10 • Standard Incentive Program
- 11 • Custom Incentive Program
- 12 • New Construction Program
- 13 • Retro-Commissioning Program

14 Q. Does Staff agree with Ameren Missouri’s proposed allocation of program costs
15 between the residential and business rate classes?

16 A. Yes. Staff supports the program costs allocation as proposed by Ameren
17 Missouri.

18 Q. How does Ameren Missouri propose to allocate the Performance Mechanism
19 costs?

20 A. The Performance Mechanism costs are classified as production expenses with
21 the residential rate class allocation (initial) based on the cumulative MWh, i.e., energy,
22 reductions projected for the three-year plan. The initial direct residential rate class allocation
23 is 63.7% based on projected MWh savings. The business rate class allocation (initial) is
24 based on the cumulative MWh reductions projected for the three-year plan. The initial direct
25 business rate class allocation is 36.3% based on MWh savings. The actual savings will not be
26 known until the evaluation, measurement, and valuation (“EM&V”) process is complete with
27 actual savings applied to the specific rate class associated with each customer’s savings.

28 Q. Does Staff agree with Ameren Missouri’s allocation of performance
29 mechanism costs between residential and business rate classes?

1 A. Yes. Staff supports the concept as proposed by Ameren Missouri for allocating
2 the Performance Mechanism costs between residential and business customers.

3 Q. How does Ameren Missouri propose to allocate the historical costs?

4 A. Ameren Missouri proposes that the historical costs be classified as a rate base
5 regulatory asset and amortized over six years through an amortization expense of the energy
6 efficiency regulatory asset. These are energy efficiency costs incurred that may be classified
7 as pre-MEEIA for program costs. Ameren Missouri proposes a direct allocation between the
8 residential and business classes based on each specific program cost incurred. The business
9 program cost is allocated to each customer class (Small General Service, Large General
10 Service, Small Primary Service, Large Primary Service) by the kWh used by each customer
11 class less opt-out provisions.

12 Q. Does Staff agree with Ameren Missouri's proposed allocation of historical
13 program costs between the residential and business rate classes?

14 A. No, it does not. Staff's position is that recovery of the historical demand-side
15 program costs should be determined in the rate Case No. ER-2012-0166 and these costs, as
16 previously stated in my testimony, should not be included in the DSIM rate.

17 **Increasing the Residential Customer Charge from \$8 to \$12 per month**

18 Q. What change is Ameren Missouri requesting for the residential customer
19 charge?

20 A. Ameren Missouri is requesting an increase in its residential customer charge
21 from \$8 to \$12 per month². Ameren Missouri asserts the increase is supported by recent Class
22 Cost of Service ("CCOS") studies conducted by Ameren Missouri and reduces the utility's

² 2013-2015 Energy Efficiency Plan, page 31

1 sensitivity to the negative effects of energy efficiency. Ameren Missouri states that its
2 proposed sharing of energy efficiency net benefits is predicated on Commission approval of
3 this customer charge increase. Ameren Missouri states that if the residential customer charge
4 increase is rejected, the portion of shared net benefits will need to be increased by 0.6% (2013
5 – 2015 Energy Efficiency Plan, p. 31).

6 Q. Does Staff support Ameren Missouri's proposed residential customer charge
7 increase?

8 A. Not at this time. Ameren Missouri is proposing to recover its total DSM
9 program costs (program costs, performance benefits, and historical costs) through a line item
10 on customers' bills that is separate and apart from the residential customer charge. The DSM
11 recovery does not include an increase in the residential customer charge. Staff believes that
12 this issue can be better addressed in Ameren Missouri's current rate case, Case No.
13 ER-2012-0166 filed on February 3, 2012, with an operation of law date on January 2, 2013.
14 All parties in Case No. ER-2012-0166, including intervenors, will have an opportunity to
15 address the proposed residential customer charge increase in that case.

16 **Recovery of DSM Costs**

17 Q. Have you compiled information on the treatment of 1) program costs,
18 2) performance incentive, and 3) historical costs Ameren Missouri is proposing?

19 A. Yes. Please refer to Schedule MSS-R2 attached to this testimony.

20 Q. Would you explain Schedule MSS-R2?

21 A. The information on Schedule MSS-R2 is taken from Ameren Missouri's
22 2013 – 2015 Energy Efficiency Plan and from Direct Testimony filed in Case No.
23 ER-2012-0166 on February 3, 2012. Schedule MSS-R2 is where Ameren Missouri

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1 summarizes collection of program costs, collection of performance mechanism, and collection
2 of historical costs through a DSIM rate per rate class by a summer and winter component.

3 Program costs are shown at the top of the schedule with the program costs component
4 collected through the summer and winter kWh multiplied by the applicable summer and
5 winter DSIM rate by rate class. Likewise, the Performance Mechanism cost component is
6 collected through the summer and winter kWh multiplied by the applicable summer and
7 winter DSIM rate by rate class. Furthermore, the Historical Cost component is collected
8 through the summer and winter kWh multiplied by the applicable summer and winter energy
9 efficiency rate by rate class.

10 Q. Does Staff agree with the methodology proposed by Ameren Missouri in the
11 collection of program costs recovery, performance mechanism recovery, and historical cost
12 recovery by a summer and winter DSIM rate per rate class?

13 A. No. Staff supports the concept that program cost recovery, performance
14 mechanism recovery and historical cost recovery be collected by each rate class without a
15 separate DSIM rate for a summer and winter component, as most DSM programs are not
16 seasonally incurred.

17 Q. Does this conclude your rebuttal testimony?

18 A. Yes, it does.

Michael S. Scheperle

**Testimony/Reports Filed Before
The Missouri Public Service Commission:**

CASE NOS:

TO-98-329, *In the Matter of an Investigation into Various Issues Related to the Missouri Universal Service Fund*

TT-2000-527/513, *Application of Allegiance Telecom of Missouri , Inc. ... for an Order Requiring Southwestern Bell Telephone Company to File a Collocation Tariff; Joint Petition of Birch Telecom of Missouri, Inc. for a Generic Proceeding to Establish a Southwestern Bell Telephone Company Collocation Tariff before the Missouri Public Service Commission*

TT-2001-139, *In the Matter of Mark Twain Rural Telephone Company's Proposed Tariff to Introduce its Wireless Termination Service*

TT-2001-298, *In the Matter of Southwestern Bell Telephone Company's Proposed Tariff PSC Mo. No. 42 Local Access Service Tariff, Regarding Physical and Virtual Collocation*

TT-2001-440, *In the Matter of the determination of Prices, Terms, and Conditions of Line-Splitting and Line-Sharing*

TO-2001-455, *In the Matter of the Application of AT&T Communications of the Southwest, Inc., TCG St. Louis, Inc., and TCG Kansas City, Inc., for Compulsory Arbitration of Unresolved Issues with Southwestern Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996*

TC-2002-57, *In the Matter Of Northeast Missouri Rural Telephone Company's And Modern Telecommunications Company's Complaint Against Southwestern Bell Telephone Company Regarding Uncompensated Traffic Delivered by Southwestern Bell Telephone Company To Northeast Missouri Rural Telephone And Modern Telecommunications Company.*

TC-2002-190, *In the Matter Of Mid-Missouri Telephone Company vs. Southwestern Bell Telephone Company*

TC-2002-1077, *BPS Telephone Company, et al., vs. Voicestream Wireless Corporation, Western Wireless Corp., and Southwestern Bell Telephone Company*

TO-2005-0144, *In the Matter of a Request for the Modification of the Kansas City Metropolitan Calling Area Plan to Make the Greenwood Exchange Part of the Mandatory MCA Tier 2*

TO-2006-0360, *In the Matter of the Application of NuVox Communications of Missouri, Inc. for an Investigation into the Wire Centers that AT&T Missouri Asserts are Non-Impaired Under the TRRO*

IO-2007-0439, *In the Matter of Spectra Communications Group, LLC d/b/a CenturyTel's Request for Competitive Classification Pursuant to section 392.245.5 RSMo*

IO-2007-0440, *In the Matter of CenturyTel of Missouri, LLC's Request for Competitive Classification Pursuant to Section 392.245.5 RSMo*

TO-2009-0042, *In the Matter of the Review of the Deaf Relay Service and Equipment Distribution Fund Surcharge*

ER-2009-0090, *In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service*

ER-2009-0089, *In the Matter of the Application of Kansas City Power and Light Company for Approval to Make Certain Changes in its Charges for Electric Service To Continue the Implementation of Its Regulatory Plan*

ER-2010-0036, *In the Matter of Union Electric Company, d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service*

ER-2010-0130, *In the Matter of The Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*

ER-2010-0355, *In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric service to Continue the Implementation of Its Regulatory Plan*

ER-2010-0356, *In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service*

ER-2011-0028, *In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service*

ER-2011-0004, *In the Matter of The Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*

EC-2011-0383, *Briarcliff Development Company, a Missouri Corporation, Complainant, v. Kansas City Power and Light Company, Respondent*

EO-2012-0141, *In the Matter of the Application of The Cathedral Square Corporation, a Missouri Non-Profit Corporation, for a Variance from Kansas City Power & Light Company's General Rules and Regulations Requiring Individual Metering*

EO-2012-0009, *In the Matter of KCP&L Greater Missouri Operations Company's Application for Approval of Demand-Side Programs and for Authority to Establish a Demand-side Programs Investment Mechanism*

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Ameren Missouri MEEIA Filing

Program Costs

Class	Summer kWh	Winter kWh	Summer \$/kWh	Winter \$/kWh	Summer Revenue	Winter Revenue	Total Revenue
RES	4,747,027,696	8,743,191,174	\$0.0027	\$0.0017	\$12,816,975	\$14,863,425	\$27,680,400
SGS	1,231,811,419	2,263,993,723	\$0.0015	\$0.0010	\$1,847,717	\$2,263,994	\$4,111,711
LGS	2,932,934,020	5,193,662,064	\$0.0016	\$0.0009	\$4,692,694	\$4,674,296	\$9,366,990
SPS	1,235,975,637	2,203,096,787	\$0.0016	\$0.0010	\$1,977,561	\$2,203,097	\$4,180,658
LPS	931,458,259	1,673,985,671	\$0.0015	\$0.0010	\$1,397,187	\$1,673,986	\$3,071,173
LTS	0	0	\$0.0000	\$0.0000	\$0	\$0	\$0
Lighting	0	0	\$0.0000	\$0.0000	\$0	\$0	\$0
							\$48,410,932

Source: Table 2.5; 2013 - 2015 Energy Efficiency Plan, page 32
Direct Testimony, James Pozzo, Case No. ER-2012-0166

Performance Mechanism

Class	Summer kWh	Winter kWh	Summer \$/kWh	Winter \$/kWh	Summer Revenue	Winter Revenue	Total Revenue
RES	4,747,027,696	8,743,191,174	\$0.0020	\$0.0013	\$9,494,055	\$11,366,149	\$20,860,204
SGS	1,231,811,419	2,263,993,723	\$0.0004	\$0.0003	\$492,725	\$679,198	\$1,171,923
LGS	2,932,934,020	5,193,662,064	\$0.0009	\$0.0005	\$2,639,641	\$2,596,831	\$5,236,472
SPS	1,235,975,637	2,203,096,787	\$0.0011	\$0.0007	\$1,359,573	\$1,542,168	\$2,901,741
LPS	931,458,259	1,673,985,671	\$0.0012	\$0.0008	\$1,117,750	\$1,339,189	\$2,456,938
LTS	0	0	\$0.0000	\$0.0000	\$0	\$0	\$0
Lighting	0	0	\$0.0000	\$0.0000	\$0	\$0	\$0
							\$32,627,278

Source: Table 2.7; 2013 - 2015 Energy Efficiency Plan, page 34
Direct Testimony, James Pozzo, Case No. ER-2012-0166

Historical Cost

Class	Summer kWh	Winter kWh	Summer \$/kWh	Winter \$/kWh	Summer Revenue	Winter Revenue	Total Revenue
RES	4,747,027,696	8,743,191,174	\$0.0007	\$0.0004	\$3,322,919	\$3,497,276	\$6,820,196
SGS	1,231,811,419	2,263,993,723	\$0.0002	\$0.0001	\$246,362	\$226,399	\$472,762
LGS	2,932,934,020	5,193,662,064	\$0.0005	\$0.0003	\$1,466,467	\$1,558,099	\$3,024,566
SPS	1,235,975,637	2,203,096,787	\$0.0006	\$0.0003	\$741,585	\$660,929	\$1,402,514
LPS	931,458,259	1,673,985,671	\$0.0001	\$0.0001	\$93,146	\$167,399	\$260,544
LTS	0	0	\$0.0000	\$0.0000	\$0	\$0	\$0
Lighting	0	0	\$0.0000	\$0.0000	\$0	\$0	\$0
							\$11,980,582

Source: Table 2.9; 2013 - 2015 Energy Efficiency Plan, page 34
Direct Testimony, James Pozzo, Case No. ER-2012-0166