

Exhibit No.:
Issues: Rate Design
Witness: Michael S. Scheperle
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

MICHAEL S. SCHEPERLE

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. ER-2014-0258

*Jefferson City, Missouri
February 2015*

**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 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 Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal 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 6th day of February, 2015.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 28, 2018
Commission Number: 14942086



Notary Public

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **MICHAEL S. SCHEPERLE**

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

6
7 **CASE NO. ER-2014-0258**

8 Q. Please state your name and business address.

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

11 Q. Are you the same Michael S. Scheperle who filed, on December 19, 2014,
12 direct testimony in question and answer format and as part of the Missouri Public Service
13 Commission's Staff's ("Staff") Rate Design and Class Cost-of-Service Report ("CCOS
14 Report") and filed Rebuttal Testimony?

15 A. Yes.

16 Q. What is the purpose of your Surrebuttal testimony?

17 A. My testimony responds to Mr. Chriss' testimony on behalf of Wal-Mart Stores
18 East, LP and Sam's East Inc. ("Wal-Mart"), particularly concerning Wal-Mart's proposal on
19 Noranda and his proposal to make Union Electric Company d/b/a Ameren Missouri ("Ameren
20 Missouri") rate schedules revenue-neutral to Ameren Missouri through an explicit rider
21 mechanism.

22 **Wal-Mart's Proposal**

23 Q. What is your understanding of the rate design proposal by Mr. Steve W. Chriss
24 on behalf of Wal-Mart concerning Noranda?

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1 A. Noranda currently takes service under the Service Classification No. 12(M),
2 the LTS¹ rate schedule. Due to the specific and extraordinary circumstances of this case,
3 Wal-Mart's proposal would implement rate relief for Noranda by means of an economic
4 development rider. If the Commission chooses to set a \$/year of revenue requirement relief
5 for Noranda, that revenue requirement should be used as a surcredit to be applied to
6 Noranda's bills and for the surcharge revenue requirement to be allocated to the other rate
7 classes by a surcharge base rate multiplier as approved by the Commission for each customer
8 class.

9 Wal-Mart's proposal:²

- 10 1. Wal-Mart does not oppose the Commission granting some rate relief for
11 Noranda, subject to conditions regarding the structure of the requested relief³;
12 2. If the Commission approves rate relief for Noranda, the Commission should
13 reject Noranda's proposed Service Classification No. 10 (M), and instead
14 implement the rate relief using an economic development rider; and
15 3. For purposes of this docket, Wal-Mart does not oppose the application of a
16 percentage base rate multiplier to all but the energy efficiency and low income
17 rates for each customer class.

18
19 Q. Does Staff support Wal-Mart's request?

20 A. Not at this time. To date, Wal-Mart has not provided any cost
21 assessment/justification associated with the proposal. Until Wal-Mart can supply such an
22 analysis that takes into consideration all necessary cost aspects associated with the proposal,
23 Staff would recommend that the proposal not be approved by the Commission since Wal-Mart
24 has not provided adequate cost demonstration or that the proposal is in the public interest.
25 Specifically, Staff explains each item of Wal-Mart's proposal and how it relates to Staff's
26 recommendations in this case.

¹ Noranda is the only customer under the LTS rate schedule.

² Proposal detailed by Mr. Chriss, page 2, Rebuttal Testimony.

³ Structure is rider mechanism detailed by Mr. Chriss, pages 15 and 16, Rebuttal Testimony.

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1 Q. Does Staff support Item 1, where Wal-Mart does not oppose the Commission
2 granting some rate relief to Noranda, subject to conditions outlined by Mr. Chriss?

3 A. Not at this time. Wal-Mart advocates that rates for all classes be set based on
4 the utility's cost of service. Mr. Chriss explains that this produces equitable rates that reflect
5 cost causation, sends proper price signals, and minimizes price distortions. However,
6 Wal-Mart supports relief for Noranda due to specific and extraordinary circumstances in this
7 case that warrant the Commission's consideration of movement away from cost-based rates
8 for Noranda. Wal-Mart supports movement from cost-based rates that are in the public
9 interest.

10 Staff would support rates that are based on class cost-of-service principles. Staff
11 performed three Class Cost-of-Service ("CCOS") studies: a detailed Base, Intermediate, and
12 Peak ("BIP") study that is the basis for Staff's recommended cost-causation results, a Market
13 Price study relying on MISO energy prices, and a Modified BIP study relying on the
14 production cost allocation methodology similar to that used by Staff in Ameren Missouri's
15 last general rate case. The results of all three studies are consistent in indication that the
16 Large Transmission Service ("LTS") class is contributing less on a revenue-neutral basis to
17 Ameren Missouri's cost of service than are other classes. The LTS customer class is
18 providing 10.68%⁴ less revenue than Ameren Missouri's cost to serve that class. Because a
19 CCOS study is not precise, it should be used only as a guide for designing rates. In addition,
20 bill impacts, rate riders, and economic development need to be considered. Wal-Mart to date
21 has not provided any cost assessment/justification associated with its proposal in order to
22 determine if rate relief for Noranda is a prudent course of action and in the public interest.

⁴ Staff's Rate Design and CCOS Report, Table 2, page 7, Case No. ER-2014-0258.

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1 Q. Does Staff support Item 2, which establishes that if the Commission approves
2 rate relief for Noranda, the Commission should reject Noranda's proposed Service
3 Classification No. 10(M) ("10(M)"), Service to Aluminum Smelters and instead implement
4 the rate relief using an economic development rider?

5 A. Not at this time. Staff's recommendation is that Noranda remain under the
6 current LTS service classification. Hence, Staff would agree that the Commission reject
7 Noranda's proposed Service Classification 10(M). Wal-Mart and Staff are in agreement that
8 the Commission not approve Noranda's proposal under a new Service Classification for an
9 Aluminum Smelter. Staff's position is any modification/rate change be accomplished through
10 Ameren Missouri's current LTS tariff 12(M). Wal-Mart supports modifications/rate changes
11 for Noranda be accomplished through an Economic Development Rider. Currently, Ameren
12 Missouri does not have an Economic Development Tariff provision that is applicable to
13 Noranda or the LTS tariff.

14 Q. Does Staff support Item 3, where Wal-Mart, for purposes of this case, does not
15 oppose the application of a percentage base rate multiplier to all but the energy efficiency and
16 low income rates for each customer class subject to rider provisions?

17 A. Not at this time. Wal-Mart proposes that the Commission find that the
18 ratemaking method proposed is in the public interest because it (1) directly addresses the
19 concerns outlined regarding implementing any granted relief through modification of base
20 rates, and (2) implements any granted relief through a transparent and identifiable mechanism.
21 The rider seven-step structure is outlined on page 15 of Rebuttal Testimony of Mr. Chriss.

22 Staff does not support any rider mechanism for rate relief to Noranda. Rider
23 mechanisms usually have a separate rate line on customers' bills for such a mechanism (i.e.,

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1 fuel adjustment clause, Missouri Energy Efficiency Investment Act (“MEEIA”), Pre-MEEIA,
2 and applicable taxes). Any rate relief granted Noranda should be based on rate design and
3 cost of service principles and not a separate rider mechanism with terms and conditions.
4 Existing Economic Development mechanisms from regulated electric utilities are not tied to
5 any rider mechanism(s).

6 Q. Does this conclude your surrebuttal testimony?

7 A. Yes, it does.