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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

REBUTTAL TESTIMONY

OF

NATELLE DIETRICH

**UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI**

CASE NO. ER-2016-0179

*Jefferson City, Missouri
January 2017*

Rebuttal Testimony of
Natelle Dietrich

1 A. While I agree there has been significant change in the electric industry over the
2 past several years, as indicated in Staff’s Report in File No. EW-2016-0313 (“Report”), I do
3 not agree that the current regulatory environment presents the level of challenge Mr. Moehn
4 portrays. In the Report, in response to the question, “Is there a problem that needs to be
5 addressed?”, Staff states, “While Staff is not convinced a problem exists to the level raised by
6 the utilities, the myriad of comments suggest some degree of policy or legislative reform
7 could be beneficial to the Missouri regulatory process.” Mr. Moehn acknowledges the fact
8 that the legislature enabled, and the Commission has approved, the use of the fuel adjustment
9 clauses; however, he indicates there remain significant differences in regulation in Missouri as
10 compared to other states. As further indicated in Staff’s Report, Staff could support or not
11 oppose various mechanisms to reduce the alleged regulatory lag and to promote infrastructure
12 investment.

13 Q. What policy or legislative reform does Staff indicate it could support or not
14 oppose?

15 A. In its Report, Staff states it is not opposed to the following approaches if those
16 approaches are in conformity with the general ratemaking principles (with some caveats
17 explained in the report): shortened rate case processes, a continued true-up period, certain
18 trackers/riders, interim rates, partially forecasted test years that are trued-up within the
19 pendency of a rate proceeding, an electric infrastructure system replacement surcharge
20 (“ISRS”), an electric rate case adjustment proceeding process, decisional pre-approval with
21 post-construction review, or a properly designed grid modernization incentive mechanism.
22 Staff further recommends that any legislative changes allow the Commission discretion as to
23 the use of regulatory reform based on a thorough review of the evidence before it.

1 Q. Mr. Moehn discusses what you characterize as “alleged” regulatory lag. Do
2 you disagree with his characterization of the regulatory environment?

3 A. Not entirely. Staff recognizes there must be capital investments to continue to
4 ensure reliability and to meet customer needs, demands and desires. Staff also recognizes
5 Ameren Missouri’s shareholders are allowed to earn their authorized return. However, Staff
6 does not agree that any inherent problems with the current regulatory construct are as simple
7 or extreme as Mr. Moehn might imply when he states, at page 27, lines 11-12, “[i]f we are
8 incurring the costs by deploying the capital but not receiving the funds in rates to pay those
9 costs, we are losing money. Moreover, as our depreciation expense and property taxes
10 increase because of new assets placed in service, our income declines. There is no doubt that
11 incremental investments under a regulatory construct that fails to address those problems are
12 discouraged.” Staff witness Lisa Ferguson addresses regulatory lag, while Staff witness
13 Mark Oligschlaeger provides a more detailed discussion of the regulatory construct, including
14 depreciation expense, property tax increases and how those items work in the general rate
15 case process.

16 Q. What has the Commission said about Staff’s recommendations on regulatory
17 reform or on regulatory lag?

18 A. On December 6, 2016, in File No. EW-2016-0313, the Commission issued A
19 Report Regarding Policies to Improve Electric Utility Regulation (“Commission Report”)
20 noting,

21 For over a decade, Missouri investor-owned utilities (IOUs) have
22 proposed legislation seeking to significantly alter the way the Public
23 Service Commission sets utility rates. The breadth of the legislation
24 and specific mechanisms proposed have varied significantly. However,
25 each legislative effort has been primarily focused on the following
26 contention: Missouri’s regulatory framework creates regulatory lag

1 effectively precluding utilities from earning their authorized return and
2 disincentivizing needed capital investment.

3
4 * * *

5 Staff concluded that, although regulatory lag and utility earnings have
6 not been a serious problem to date, minor modifications to the current
7 regulatory structure may be necessary in the future to encourage
8 significant investment in grid modernization. Such modifications may
9 be particularly necessary if customer usage continues to remain flat or
10 decline.

11 * * *

12 The Commission generally agrees with and supports the analysis,
13 conclusions and recommendations presented in the Staff Report.

14
15 The Commission identifies four principles it recommends the General Assembly
16 consider in drafting any legislative proposal.

17 Q. Mr. Moehn, at page 29, lines 3-4, is asked why Ameren Missouri is not
18 proposing a specific mechanism to address regulatory lag concerns in the current case. Do
19 you have any comments?

20 A. Yes. In response to the question, Mr. Moehn responded that Ameren Missouri
21 will be (and has been) an active participant in the Commission working docket (File No.
22 EW-2016-0313) and the Senate Interim Committee hearings that occurred prior to the
23 current legislative session. Likewise, Staff has actively participated in these processes and
24 looks forward to continuing to work with the Commission, the legislature, Ameren Missouri,
25 and other interested stakeholders as appropriate to develop or implement proper mechanisms
26 that balance the interests of the electric utilities and the ratepayers.

27 Q. You state your rebuttal testimony will clarify a statement in your
28 Direct Testimony and the Responsive Report filed on December 23, 2016. Please explain.

29 A. My Direct Testimony, at page 5, beginning at line 3, references the
30 Responsive Report discussion of Ameren Missouri's optional Time-of-Day ("ToD") service,

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1 and notes that while Ameren Missouri's ToD tariff limits participation to 5,000 customers,
2 actual participation exceeds this limitation. As will be explained in the Rebuttal Testimony of
3 Staff witness Sarah Kliethermes, to be filed on January 24, 2017, this limitation is on the
4 residential customer class. The SGS customer class, which is applicable to the discussion in
5 the Responsive Report, does not have a limitation on the number of customers that may
6 participate in the optional ToD service.

7 Q. Does this conclude your rebuttal testimony?

8 A. Yes it does.

