Exhibit No.: Issue(s): Policy Witness: Dietrich, Natelle Sponsoring Party: MoPSC Staff Type of Exhibit: Rebuttal Testimony Case No.: ER-2016-0179 Date Testimony Prepared: January 20, 2017

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

1	REBUTTAL TESTIMONY
2	OF
3	NATELLE DIETRICH
4 5	UNION ELECTRIC COMPANY D/B/A AMEREN MISSOURI
6	CASE NO. ER-2016-0179
7	Q. Please state your name and business address.
8	A. My name is Natelle Dietrich. My business address is 200 Madison St.,
9	Jefferson City, MO 65101.
10	Q. Are you the same Natelle Dietrich that previously filed Direct Testimony in
11	this case on December 9, 2016 and December 23, 2016?
12	A. Yes I am.
13	Q. What is the purpose of your rebuttal testimony?
14	A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony
15	of Ameren Missouri witness Michael Moehn, and his discussion of future regulatory solutions
16	that will be needed to respond to transformation in the electric industry. My
17	Rebuttal Testimony will also clarify a statement in my Direct Testimony and Staff's Report
18	Responding to Certain Commission Questions ("Responsive Report") filed on December 23,
19	2016.
20	Q. At page 23, Mr. Moehn discusses the current regulatory environment,
21	expressing concern "that the current regulatory framework presents significant challenges to
22	continuing to invest in [Ameren Missouri's] business, to improve reliability and customer
23	satisfaction, and to participate in a desirable manner in the transformation". Do you agree
24	with his assessment?

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While I agree there has been significant change in the electric industry over the 1 A. 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 the utilities, the myriad of comments suggest some degree of policy or legislative reform 6 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.

Q. What policy or legislative reform does Staff indicate it could support or notoppose?

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.

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Q. Mr. Moehn discusses what you characterize as "alleged" regulatory lag. Do 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.
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Q. What has the Commission said about Staff's recommendations on regulatory reform or on regulatory lag?

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

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

1 2	effectively precluding utilities from earning their authorized return and disincentivizing needed capital investment.			
3 4	* * *			
4 5 6 7 8 9 10	Staff concluded that, although regulatory lag and utility earnings have not been a serious problem to date, minor modifications to the current regulatory structure may be necessary in the future to encourage significant investment in grid modernization. Such modifications may be particularly necessary if customer usage continues to remain flat or decline.			
10	* * *			
12 13	The Commission generally agrees with and supports the analysis, 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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and notes that while Ameren Missouri's ToD tariff limits participation to 5,000 customers,
 actual participation exceeds this limitation. As will be explained in the Rebuttal Testimony of
 Staff witness Sarah Kliethermes, to be filed on January 24, 2017, this limitation is on the
 residential customer class. The SGS customer class, which is applicable to the discussion in
 the Responsive Report, does not have a limitation on the number of customers that may
 participate in the optional ToD service.

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Q. Does this conclude your rebuttal testimony?

A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service

Case No. ER-2016-0179

AFFIDAVIT OF NATELLE DIETRICH

STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

COMES NOW NATELLE DIETRICH and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this <u>18</u>[±] day of January, 2017.

D, SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070

<u>uscellankin</u> Notary Public