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MISSOURI PUBLIC SERVICE COMMISSION

File No. ER-2016-0179

REBUTTAL TESTIMONY

OF

WILLIAM R. DAVIS

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

**St. Louis, Missouri
January 2017**

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REBUTTAL TESTIMONY

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I. INTRODUCTION

1

Q. Please state your name and business address.

2

3 A. My name is William (“Bill”) R. Davis. My business address is One
4 Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

4

Q. By whom and in what capacity are you employed?

5

6 A. I am the Director of Energy Efficiency and Renewables for Union Electric
7 Company d/b/a Ameren Missouri (“Ameren Missouri” or “Company”).

7

8 **Q. Are you the same William R. Davis who filed direct testimony in this**
9 **case?**

9

10 A. Yes, I am.

10

II. PURPOSE OF TESTIMONY

11

Q. What is the purpose of your rebuttal testimony in this proceeding?

12

13 A. The purpose of my rebuttal testimony is to: 1) address the proposal of
14 Office of the Public Counsel (“OPC”) witness Geoff Marke to include disclaimer/consent
15 language in regard to customer investments in rooftop solar and customer participation in
16 energy efficiency programs; 2) address the Missouri Division of Energy’s (“DED”) proposal to investigate the future of the weatherization programs; 3) address Missouri
17 Public Service Commission Staff’s (“Staff”) and OPC’s positions regarding the
18 appropriate rate class for the New Madrid aluminum smelter; 4) respond to Staff’s and the
19

19

1 Missouri Industrial Energy Consumer's ("MIEC") testimony about the removal of the lost
2 fixed costs associated with the significant load reduction at the New Madrid aluminum
3 smelter; and 5) respond to OPC's proposal regarding cost sharing related to the low-
4 income exemption from the Energy Efficiency Investment Charge ("EEIC").

5 III. DISCLAIMERS

6 **Q. What is OPC's proposal regarding disclaimers?**

7 A. OPC is recommending that the Missouri Public Service Commission
8 ("Commission") mandate new disclaimers be added to the processing of net metering
9 applications and energy efficiency rebate applications.

10 **Q. Do you agree with OPC's recommendations?**

11 A. No, not entirely. I do agree that it may be helpful for customers to have an
12 opportunity to understand that Commission decisions about rates can either positively or
13 negatively impact investment payback for energy efficiency and behind-the-meter
14 renewable generation. However, I do question the value of including a disclaimer in
15 Ameren Missouri's tariff. I strongly disagree with OPC's assertions about how this relates
16 to the Company's proposed energy grid access charge. For example, Dr. Marke states that
17 increasing the fixed charges on a customer's bill would minimize the benefits created by
18 Ameren Missouri's energy efficiency programs to date.¹ Increasing the fixed charges has
19 no impact on the cost effectiveness of energy efficiency or solar installations as measured
20 by the total resource cost test. Dr. Marke's position would be more accurate² if he
21 specified that his assertion applies to the participants only. My direct testimony included
22 significant discussion on this topic and I will not repeat it at this time. Furthermore,

¹ Dr. Marke Direct, p. 5.

² I still disagree with other aspects of the referenced statement. For example, using the term "minimize" is a significant overstatement.

1 Dr. Marke testified that more support for OPC's views on fixed charges will be included
2 in rebuttal testimony; therefore, the Company expects to respond more fully to
3 Dr. Marke's contentions regarding OPC's disclaimer proposal and the impact on energy
4 efficiency in surrebuttal testimony. I would also note that Company witness Steven Wills
5 will be filing significant rate design rebuttal testimony on the topic of fixed charges and
6 how they relate to Dr. Marke's testimony, and also in response to the rate design direct
7 testimony of others.

8 **Q. What problems do you foresee with Dr. Marke's proposed**
9 **disclaimers?**

10 A. My primary concern with Dr. Marke's proposal, beyond the reasoning
11 behind the claimed need for the proposal, is how utilization of such a disclaimer would fit
12 in the processes customers go through in investing in rooftop solar facilities or in
13 participating in energy efficiency programs. For example, it is unnecessary to require a
14 signature from the installer/contractor. Such a disclaimer is aimed at informing the
15 consumer so such a disclaimer should be limited to the customer. Another problem is that
16 the Company has made significant strides to move to electronic application systems
17 which will provide significant benefits. Moving backwards to a disclaimer that requires
18 multiple manual signatures on paper would be introducing another administrative burden.

19 **Q. Is there any benefit to including disclaimers in the Company's tariffs?**

20 A. No. If the Commission requires the Company to include disclaimers for
21 net metering (i.e., rooftop solar) or energy efficiency applications, then the Commission
22 order will govern the language of such disclaimers. Furthermore, if disclaimers are
23 employed, the disclaimers will be part of the terms and conditions of customers' net

1 metering or rebate applications; therefore, including disclaimers in the Company's tariffs
2 is completely unnecessary.

3 **Q. Are the cost savings estimates presented by the U.S. Department of**
4 **Energy or Ameren Missouri, as referenced by OPC, precise estimates for individual**
5 **customers?**

6 A. No. The information presented is a directional guide for customers. For
7 instance, the U.S. Department of Energy's EnergyGuide savings estimates are based on a
8 national average cost per kilowatt-hour ("kWh"), not the cost to Ameren Missouri
9 customers. In addition, savings estimates for measures presented to customers reflect
10 average savings levels which will vary from customer to customer based on actual usage
11 of that measure. A simple example is that the number of hours a lightbulb is used will
12 impact the financial benefits to the consumer. Dr. Marke overstates the precision
13 embedded in these estimates.

14 **Q. Are electric bill savings the only factor considered by customers when**
15 **making decisions to install renewable generation or energy efficiency measures?**

16 A. No. Many other factors are considered like comfort, savings on other
17 utility bills, maintenance savings, perceived health or environmental benefits, etc. We do
18 not issue disclaimers on any other factors that influence customer decisions.

19 **Q. If the Commission ordered the Company to include disclaimers in its**
20 **applications, does the Company agree with the proposed language provided by**
21 **OPC?**

1 A. No. OPC’s proposal is much too wordy, lessening the odds that customers
2 will read it fully. A simplified version is below and it captures the essence of what OPC
3 is requesting:

4 Customer electricity rates, charges and service fees determined by the Missouri
5 Public Service Commission are subject to change. Future rate adjustments may
6 positively or negatively impact financial savings projected from your energy
7 efficiency [or generation] investment.

8 Ameren Missouri makes no guarantees regarding savings based on future
9 electricity rate projections, including those formulated by third parties.

10 **Q. If the Commission ordered the Company to include disclaimers in its**
11 **applications, does the Company agree with the list of programs OPC recommends**
12 **the disclaimers be applied to?**

13 A. No. Such a disclaimer would not be applicable to the Home Energy
14 Report. The Home Energy Report is not a capital investment intensive program for
15 participants (it is behavioral based); as such it makes no sense to require a signature of all
16 225,000 customers who receive a Home Energy Report. Furthermore, in the residential
17 heating and cooling program, such a disclaimer should only be applicable to Seasonal
18 Energy Efficiency Ratio (“SEER”) or Energy Efficiency Ratio (“EER”) rated measures.
19 The residential heating and cooling program now includes tune-ups, which is not a capital
20 intensive measure; therefore, by limiting a disclosure to SEER or EER rated equipment-
21 related rebates, the disclaimer’s intent would be more logically achieved.

22 **Q. Please summarize your position about the disclaimers that OPC has**
23 **recommended.**

24 A. The disclaimers that OPC has recommended are solutions in search of a
25 problem. Regardless, if the Commission feels disclaimers are valuable and necessary for
26 customers, such disclaimers should be included along with other terms and conditions so

1 that customers can read through the applications and complete them with a single
2 electronic signature, just like they can today. In addition, the language should be
3 streamlined and limited to the programs below:

- 4 1) Net Metering applications
- 5 2) Non-Residential/Business energy efficiency programs
 - 6 • Standard Incentive Program
 - 7 • Custom Incentive Program
 - 8 • Retro-Commissioning Program
 - 9 • New Construction Incentive Program
 - 10 • Small Business Direct Install Incentive Program
- 11 3) Residential energy efficiency programs
 - 12 • HVAC Program for EER and SEER rated equipment

13
14 **IV. THE FUTURE OF WEATHERIZATION PROGRAMS**

15 **Q. What is DED's proposal in direct testimony related to low-income**
16 **weatherization programs?**

17 A. DED recommends the weatherization program continue to be funded at
18 \$1.2 million and that the Commission direct Ameren Missouri to convene interested
19 stakeholders and develop a report outlining options for future weatherization program
20 administration to be submitted with the Company's direct testimony in the next general
21 rate proceeding.

22 **Q. Do you agree with DED's recommendation?**

23 A. Yes, with minor clarifications. First, the Company's requested revenue
24 requirement already includes weatherization funding continuation at \$1.2 million, so we
25 are in agreement with the current funding level. Second, the Company believes it is more
26 productive to involve others and develop a report outlining options specifically related to
27 how future weatherization efforts could be incorporated into the Company's energy
28 efficiency efforts approved under the Missouri Energy Efficiency Investment Act

1 (“MEEIA”). Finally, for an effort like this, my preference is to agree upon a date certain
2 by which the work will be completed instead of linking it to the next rate case. Therefore,
3 I suggest the investigation be completed by the end of 2017. If such work is completed by
4 the end of 2017, it would provide enough time to incorporate opportunities into the
5 Company’s next round of MEEIA programs, if applicable.

6 **Q. Why should the Company explore approval of future weatherization**
7 **efforts under MEEIA?**

8 A. The MEEIA program approval process is ideal because the Commission
9 and participating stakeholders are able to judge the Company’s entire portfolio of energy
10 efficiency proposals. At that time, the parties and Commission can more efficiently
11 balance and assess overall portfolio performance and allocate budgets to individual
12 programs accordingly. The ability to allocate budgets to low-income programs during the
13 development of the entire portfolio is important because low-income programs are not
14 required to be cost-effective, which typically means budget constraints will drive funding
15 decisions. Also, it is important to recognize that the Company has no control over other
16 funding sources for the DED. Therefore, it makes more sense for the Company to limit its
17 research to options within its control.

18 **V. NEW MADRID SMELTER RATE CLASS**

19 **Q. Please summarize the positions taken in direct testimony regarding**
20 **the rate class under which the New Madrid aluminum smelter should be served**
21 **after this rate case.**

22 A. Staff has recommended the smelter be billed under the Large
23 Transmission Service rate, while OPC has recommended the smelter be billed under

1 Small Primary or Large Primary Service rate with many of the terms and conditions from
2 the Large Transmission Service tariff carried over.

3 **Q. What is the Company's position regarding the rate class under which**
4 **the New Madrid aluminum smelter should be served in the future?**

5 A. The Company believes the smelter (now operating under the name
6 Magnitude 7 Metals, LLC) should continue to be billed under the Industrial Aluminum
7 Smelter ("IAS") rate. Mr. Wills has provided rebuttal testimony regarding the normalized
8 sales level and resulting base revenues of the New Madrid aluminum smelter based on
9 the most recent and relevant consumption data.

10 **Q. Why should the New Madrid aluminum smelter continue to be billed**
11 **on the IAS rate?**

12 A. In the Company's last rate case and in a prior rate design compliant case,
13 there was significant discussion about setting rates for the smelter. Ultimately, in the
14 Company's last rate case, the Commission made the decision that a discounted rate
15 should be available to the smelter, and that it should remain in effect for at least three
16 years. While much has changed, the fundamental basis for the Commission's decision
17 (need, support for jobs in Southeast Missouri) has not changed. Rather than get into
18 arguments for and against a discounted rate again, the Company has simply decided that
19 leaving the discounted rate in place makes the most sense, particularly given that the IAS
20 tariff is currently being utilized and we know how it works.

21 However, if the Commission determines that it is appropriate to move the smelter
22 to a different rate class than the IAS rate class, then class revenues and billing units will
23 need to be adjusted accordingly.

1 **VI. LOST FIXED COST RECOVERY FROM THE NEW MADRID SMELTER**

2 **Q. What are the positions expressed in the other parties' direct**
3 **testimonies regarding the Company's proposed lost fixed cost recovery from the**
4 **New Madrid aluminum smelter?**

5 A. The Commission Staff, MIEC, and OPC have all excluded the lost fixed
6 costs from their revenue requirement recommendations. However, the Commission Staff
7 and OPC have provided no explanation as to why those costs have been excluded. In fact,
8 Staff stated that its explanation will be provided in rebuttal testimony. MIEC's primary
9 argument expressed was that the Company's request is retroactive ratemaking which is
10 prohibited. Based on discussions with my legal counsel, arguments over retroactive
11 ratemaking are a legal question and will be addressed as such. Based on the lack of
12 arguments presented in direct testimony, the Company expects to respond to this issue in
13 surrebuttal testimony.

14 **VII. LOW-INCOME EXEMPTION COST SHARING**

15 **Q. What is OPC's recommendation regarding the low-income exemption**
16 **from the energy efficiency charges?**

17 A. OPC recommends the Commission continue the exemption, but spread the
18 costs to all customers instead of limiting the costs to the other residential customers.

19 **Q. Why is the cost currently borne by residential customers alone?**

20 A. Because that was what was agreed upon in the *NonUnanimous Stipulation*
21 *and Agreement Regarding MEEIA Low Income Exemption and LED Streetlighting Issues*
22 ("Stipulation") filed on March 12, 2016, in File No. ER-2014-0258. The Commission
23 approved the Stipulation on March 19, 2016. OPC was a signatory to the Stipulation.

1 **Q. Does Ameren Missouri agree with OPC's recommendation?**

2 A. My primary concern with OPC's proposal is the added complexity which
3 would be entailed to implement it. In order to accurately allocate the low-income
4 exemption between classes, the Company would need to basically set up a shadow billing
5 process for the low-income exempt customers to determine the amount of revenues those
6 customers would have contributed to the energy efficiency charges and allocate those as
7 costs to the other rate classes. In addition, such a shadow billing process would be needed
8 as part of the monthly reconciliation process. While this is not an insurmountable barrier,
9 it is important for the Commission and others to consider the additional complexity in
10 evaluating OPC's recommendation.

11 **Q. Does this conclude your rebuttal testimony?**

12 A. Yes, it does.

