

# Exhibit No. 16

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

**Sponsoring Party:**

**Case No.:**

Surge Protection Program

Roth/Rebuttal

Public Counsel

ET-2021-0082

**REBUTTAL TESTIMONY**

**OF**

**KERI ROTH**

Submitted on Behalf of the Office of the Public Counsel

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

CASE NO. ET-2021-0082

February 19, 2021



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**REBUTTAL TESTIMONY**

**OF**

**KERI ROTH**

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

**CASE NO. ET-2021-0082**

1 **I. INTRODUCTION**

2 **Q. What is your name and business address?**

3 A. Keri Roth, P.O. Box 2230, Jefferson City, Missouri 65102-2230.

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

5 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Senior Utility  
6 Regulatory Auditor.

7 **Q. For whom are you testifying?**

8 A. I am testifying on behalf of the OPC.

9 **Q. What is the nature of your duties at the OPC?**

10 A. My duties include performing audits and examinations of the books and records of public  
11 utilities operating within the state of Missouri. I have performed audits in water, sewer,  
12 electric and gas cases and have performed audits or accounting analysis in acquisition cases,  
13 complaint cases, and rate cases.

14 **Q. Please describe your educational background.**

15 A. I graduated in May 2011 from Lincoln University in Jefferson City with a Bachelor of Science  
16 Degree in Accounting.

1 **Q. Have you received specialized training related to public utility accounting?**

2 A. Yes. In addition to being employed by the OPC since September 2012, I have also attended  
3 the NARUC Utility Rate School held by Michigan State University.

4 **Q. Have you previously testified before the Missouri Public Service Commission**  
5 **(“Commission”)?**

6 A. Yes. Please refer to Schedule KNR-R-1, attached to this testimony, for a listing of cases in  
7 which I have pre-filed testimony.

8 **Q. Why are you testifying in rebuttal?**

9 A. The purpose of my rebuttal testimony is to respond to the direct testimony of Union Electric  
10 Company d/b/a Ameren Missouri’s witnesses Jared Schneider and Steven M. Wills, and the  
11 Commission’s Staff (“Staff”) Recommendation regarding Ameren Missouri’s application to  
12 implement a regulated surge protection program.

13 **II. SURGE PROTECTION PROGRAM**

14 **Q. How does Ameren Missouri describe its proposed surge protection program**  
15 **(“Program”)?**

16 A. Ameren Missouri states in its application that the Program is designed to provide customers  
17 with the option to obtain protection from electrical surges that could otherwise enter their  
18 residence through the electric meter and damage to common household appliances.<sup>1</sup>  
19 Participating customers will pay a monthly fee of \$9.95 and in exchange Ameren Missouri  
20 will install a surge protection device, also known as a collar<sup>2</sup>, in the customer’s electric meter  
21 box that is designed to protect electrical devices from voltage surges and spikes. The device  
22 will be backed by the manufacturer’s 15-year warranty and provide coverage of up to \$5,000

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<sup>1</sup> Ameren Missouri’s *Application and Request for Waiver*, page 2, paragraph 5.

<sup>2</sup> Direct Testimony of Steven M. Wills, page 3, line 16.

1 per covered appliance, \$5,000 per occurrence, and \$50,000 in the aggregate over the 15-year  
2 life of the device. It will cover HVAC units, refrigerators, clothes washers and dryers,  
3 dishwashers, freezers, hard wired fans, and cooking appliances.<sup>3</sup> As an example, if a surge  
4 caused damage to an HVAC unit and a refrigerator, but it cost \$5,000 to replace the HVAC  
5 unit, then the refrigerator would not be paid for.

6 **Q. What is Ameren Missouri's cost for the surge protection device (collar)?**

7 A. Ameren Missouri states in its December survey, which is further discussed below, that the  
8 cost of the device is \$180. However, in its response to Staff data request 0001, Ameren  
9 Missouri's analysis workpaper states the cost of the meter based surge protector and  
10 installation ring is \$69.85.

11 **Q. What will Ameren Missouri's customers pay for them?**

12 A. Ameren Missouri is proposing that participating customers be locked into a 24-month  
13 agreement. Customers that choose to terminate the agreement prior to the end of the 24  
14 months, will be charged \$9.95 for each month remaining in the agreement. This results in  
15 those customers actually paying almost \$60 more than what the device actually costs Ameren  
16 Missouri at \$180 per device, or almost \$170 more than what the device actually costs Ameren  
17 Missouri at \$69.85 per device. Participating customers who stay in the program will pay  
18 \$9.95 per month as long as they are in the program.

19 **Q. What benefit do participating customers get beyond the protection of the device itself?**

20 A. Only the device manufacturer's 15-year warranty that provides coverage of up to \$5,000 per  
21 covered appliance, \$5,000 per occurrence, and \$50,000 in the aggregate over the 15-year life  
22 of the device.

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<sup>3</sup> Ameren Missouri's *Application and Request for Waiver*, page 3, paragraph 6.

1 **Q. How does Ameren Missouri propose to book its costs and revenues from the Program?**

2 A. In responses to data requests Ameren Missouri said that Program revenues will be recorded  
3 to FERC account 451 – miscellaneous revenues. The collars will not be recorded as part of  
4 CIAC. Program capital investment is to be recorded to account 370 – meters, Program  
5 expenses are expected to be recorded to FERC Accounts 408.1–411.1, 597, and 900-949 (as  
6 applicable). Additionally, in its response to Staff data request 0007 Ameren Missouri explains  
7 the capital investment made in program devices, including all installation costs, is qualifying  
8 electric plant as defined by plant-in-service-accounting (PISA) and will be recorded to plant-  
9 in-service and, therefore, will be included in the PISA deferral calculation.

10 Ameren Missouri will utilize managerial accounting designations (minors) to separate  
11 program investment, revenues, and expense from other transactions recorded in its general  
12 ledger to the extent practical. Examples of items that are not practical to separate from non-  
13 program investment, revenues, and expenses are accumulated deferred income taxes, income  
14 taxes, and property taxes. Upon request and in conjunction with general rate proceedings,  
15 Ameren Missouri will use the managerial accounting described above and reasonable  
16 allocation methods to produce analyses indicating the financial position of the Surge  
17 Protection Program.

18 **Q. Is Ameren Missouri proposing to limit recovery of the costs of the Program to customers  
19 who participate in it?**

20 A. No. Ameren Missouri is proposing that both the costs and revenues of the Program flow to  
21 all of its customers. Ameren Missouri is projecting that in the long run Program revenues will  
22 exceed Program costs.

23 **Q. What if the Program's costs exceed its revenues?**

24 A. Generally all of Ameren Missouri's customers' rates will increase to cover the shortfall.



1 **Q. Will Ameren Missouri incur costs to administer the Program?**

2 A. Yes. In its response to Staff data requests 0001 and 0001.1, Ameren Missouri indicated there  
3 will be incremental operations and maintenance (“O&M”) expense that arises from activities  
4 that are undertaken to deliver the surge protection program. Some costs may be associated  
5 with work performed by existing internal labor, or categorized by external labor or non-labor  
6 costs. Ameren Missouri lists costs related to marketing, yearly maintenance checks, program  
7 full-time equivalents (“FTE”), catastrophic insurance costs, administration costs, removal  
8 costs third-party supplier, other digital (website, etc.), and billing.

9 **Q. How much does Ameren Missouri say they will be?**

10 A. In its response to Staff data request 0001, Ameren Missouri indicates in its analysis workpaper  
11 that O&M expense will vary from year to year over the next 20 years, but will trend downward  
12 after year 5 of the program. However, if you average the O&M expense over Ameren  
13 Missouri’s 20 year scenario provided in the analysis, O&M expense averages to  
14 approximately \$533,033 per year. In the first 5 years, O&M expense ranges from  
15 approximately \$745,000 to \$900,000.

16 **Q. Did Ameren Missouri provide information about surge protection programs other  
17 utility companies offer?**

18 A. Yes. Staff’s *Memorandum*, attached to its *Recommendation*, provides a detailed chart<sup>4</sup> of this  
19 information it obtained from Ameren Missouri, as shown below. Staff also notes that the  
20 programs provided by other utilities are offered outside of a regulated tariff, including a  
21 similar program Evergy offers.

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<sup>4</sup> Staff *Recommendation*, Staff *Memorandum*, page 3.

Utility Name	Price per month	Coverage Limits	Covered Items	Term & Change Provisions
Florida Power and Light	\$10.95 for SPD \$10.95 for warranty \$15.95 for both	\$5,000 per item, \$5,000 annual, \$100,000 lifetime for SPD and \$5,000 for electronics	SPD - motor driven, warranty - electronic	30 day term length, no cancellation fee
Duke Energy	\$7.99 for SPD \$2.99 for warranty	\$10,000 lifetime for SPD \$2,000 annual for additional warranty	SPD - motor driven, warranty-electronic	30 day term length, no cancellation fee, \$60 removal fee if not on program for 24 months
Evergy	\$5.95 for \$500 per item, \$5,000 annual; \$7.95 for \$1000 per item, \$10,000 annual & basic interior wire protection (\$500 claim limit)		"Cord and Plug" connected appliances and electronics	No term length, \$150 cancellation fee if not on program 24 months
Georgia Power	\$9.95	\$5,000 per item, \$5,000 per occurrence, \$100,000 lifetime	Motor driven	No term length, no cancellation fee
Ameren Missouri	\$9.95	\$5,000 per appliance, \$5,000 per occurrence, \$50,000 lifetime	Motor driven	24 month term, cancellation fee equal to the remaining cost of term

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**Q. Do you agree with Ameren Missouri witness Mr. Jared Schneider’s statement in his direct testimony that there is a need for a surge protection program?<sup>5</sup>**

A. No, in my opinion there is not a “need” for the Program. When weighing the benefits of such coverage against potential replacement costs, some customers may choose coverage; however, that does not constitute a “need,” but rather fulfilling a want. Customers have interests in many other things, but this does not mean that Ameren Missouri should begin supplying all the things its customers are interested in.

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<sup>5</sup> Direct Testimony of Jared Schneider, page 3, line 20.

1 **Q. Per its response to OPC data request 1102, Ameren Missouri conducted two surveys to**  
2 **gauge customer interest in surge protection. How many customers participated in the**  
3 **surveys?**

4 A. Ameren Missouri responded to OPC data request 1102 with this data. Customers with a valid  
5 email address on file with it and who have opted in to receive email communications from  
6 Ameren Missouri were invited to take the survey. In December 2019, 3,951 customers  
7 received a survey invitation, and 801 customers completed the survey. The survey included  
8 questions such as the customers initial reaction to the product concept, revealing the \$180  
9 price of the device and gauging interest based on the price being revealed, reasons for being  
10 interested or not interested in purchasing a device, gauging interest in surge protection  
11 insurance, reasons for being interested or not interested in purchasing the insurance, gauging  
12 interest in bundling the options and reasons why or why not. In April 2020, approximately  
13 4,200 customers received a survey invitation, and 882 customers completed the survey. The  
14 surveys included questions such as the location of the customer's primary residence, what  
15 utility provides electric service to the residence, who is the person responsible for paying the  
16 Ameren Missouri bill, is the residence rented or owned, has the customer ever experienced an  
17 electrical surge in the home, did the surge cause damage to electrical equipment, initial interest  
18 reaction to the described surge protection program, what monthly price is too expensive or  
19 too low or considered to be a bargain, and how appealing the names Whole Home Surge  
20 Protection, Home Surge Protection, Whole Home Surge Coverage, Surge Protection Plan,  
21 and Surge Safeguard are, which name is the most appealing and why.

22 **Q. What do Ameren Missouri's December 2019 survey results show?**

23 A. Based on the summary of the survey results in Ameren Missouri's response to OPC data  
24 request 1102, 95% of responding customers showed interest in a surge protection product.  
25 However, interest fell to 73% when Ameren Missouri revealed a cost of approximately \$180  
26 for the device and installation. Even though interest fell when informed of the cost of the

1 device and installation, survey responding customers are more interested in purchasing a surge  
2 protection device rather than in making recurring payments for surge protection (73% vs.  
3 43%). An equal percentage (36%) of customers shared interest in either bundling the surge  
4 protection device and insurance or purchasing the products individually. Overall, about 20%  
5 to 25% of customers surveyed reported having no interest in a surge protection device and/or  
6 insurance, either separately or bundled. However, the percentage of having no interest could  
7 have increased, based on the number of customers that did not choose to participate in the  
8 survey. Customers may have chosen not respond to the survey at all if they were not interested  
9 in such a program.

10 **Q. What reasons did customers give for being interested in purchasing an Ameren**  
11 **Missouri-provided surge protection device?**

12 A. The most common reasons why customers have interest in a surge protection *device* include  
13 1) reasonably priced, 2) whole house protection, 3) wanting to protect appliances and  
14 electronics, and 4) it would be less expensive than replacing appliances.

15 **Q. What reasons did customers give for not being interested in purchasing an Ameren**  
16 **Missouri-provided surge protection device?**

17 A. The most common reasons why customers *do not* have interest in a surge protection *device*  
18 include 1) the price being too expensive, 2) living on a fixed or limited income, 3) living in  
19 an apartment, 4) already having surge protection, and 5) have not needed this product to date.

20 **Q. Does Ameren Missouri's Program allow customers to purchase a surge protection**  
21 **device?**

22 A. No. This option is not available through this program.

1 **Q. What reasons did customers give for their interest in surge protection insurance?**

2 A. The most common reasons why customers have interest in surge protection *insurance* include  
3 1) reasonably priced, 2) wanting to protect appliances and electronics, 3) cheaper than  
4 replacing appliances, 4) past experiences with power surges, and 5) this works for those who  
5 are renting.

6 **Q. What reasons did customers give for not being interested in surge protection insurance?**

7 A. The most common reasons why customers *do not* have interest in surge protection *insurance*  
8 included 1) \$750 coverage per item is too low, 2) already having home owners insurance  
9 which covers the home, 3) will use surge protectors instead, and 4) not wanting the hassle of  
10 making a claim. To clarify, the \$750 coverage per item was proposed as part of the program  
11 in the December 2019 survey, but has changed/increased to \$5,000 per appliance, per  
12 occurrence, in the currently proposed program.

13 **Q. What reasons did customers give for their interest in purchasing the device individually  
14 versus bundling the device and insurance into a monthly recurring fee?**

15 A. Customers who showed interest in purchasing the device individually did so because they did  
16 not need the insurance or did not want recurring monthly payments for insurance. Customers  
17 who showed interest in bundling the device and insurance did so because they viewed it to be  
18 more complete protection, or because they viewed it to be a lower cost and better value to  
19 purchase as a bundle.

20 **Q. What do the results of Ameren Missouri's April 2020 survey show?**

21 A. Based on the summary of the survey results Ameren Missouri provided in its response to OPC  
22 data request 1102, 91% of the customers who responded showed interest in a surge protection  
23 program. The price point at which customers considered a reasonable monthly charge was  
24 \$5.02 per month (the range in the survey being between \$3.20 and \$10.01). The most

1 appealing name to the customers that responded for a surge protection program was *Whole*  
2 *Home Surge Protection*. The April 2020 survey also gauged interest in unrelated items to the  
3 surge protection program: an electric vehicle charger at their home, a tree maintenance  
4 program, and a back-up generator.

5 **Q. Do you have concerns regarding the results of these surveys?**

6 A. Yes. As Staff has pointed out, Ameren Missouri did not present disqualifying factors to the  
7 customers to which it sent the surveys, which could have influenced customer interest.<sup>6</sup>

8 In addition to Ameren Missouri not disclosing eligibility requirements to the residential  
9 customers Ameren Missouri surveyed, the most appealing program name chosen by  
10 customers, *Whole Home Surge Protection*, is very misleading. Responding customers appear  
11 to have the impression that everything plugged in to the home is covered. However, home  
12 electronics such as computers, televisions, gaming consoles, etc. are not included in the  
13 proposed Program. Ameren Missouri's responses to OPC data requests 1109 and 1110 also  
14 indicate rooftop solar panels, electric vehicles and electric vehicle charging equipment would  
15 also not be covered.

16 Additionally, the monthly price point proposed in the Program is at the high end of the scale  
17 provided in the April 2020 survey and almost double the price point at which customers  
18 believed to be the most reasonable (\$5.02 per month). The higher monthly payment may  
19 drastically skew the number of customers that will sign up for the Program.

20 Last, the response rates are concerning. Ameren Missouri witness, Mr. Schneider explains in  
21 his direct testimony that the eligible customer base is approximately 1,000,000 customers.<sup>7</sup>  
22 However, Ameren Missouri sent surveys to less than 1% of its eligible customer base.  
23 Additionally, Mr. Schneider explains that the customers Ameren Missouri surveyed receive

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<sup>6</sup> Staff *Recommendation*, Staff *Memorandum*, page 4.

<sup>7</sup> Direct Testimony of Jared Schneider, page 7, lines 17 – 18.

1 surveys 1-2 times per month (including the surge protection surveys) and consists of  
2 approximately only 4,180 customers<sup>8</sup>, which is still less than 1% of the eligible customer base.  
3 In my opinion, this number is far too low to speak for the entire eligible customer base. In  
4 my opinion, it is highly unlikely that responses to the survey of less than 1% is representative  
5 of the estimated 1,000,000 customer base, and it is concerning that Ameren Missouri would  
6 propose a program based on such low survey participation.

7 **Q. Does OPC have concerns regarding the Commission’s ability to legally regulate Ameren**  
8 **Missouri’s proposed Program?**

9 A. Yes. However, I am not an attorney, so I will leave the discussion of the legality of the  
10 Program to OPC’s brief.

11 **Q. Ameren Missouri says the Commission should approve the Program, because it would**  
12 **be a revenue stream for customers going forward.<sup>9</sup> Is this a valid reason for the**  
13 **Commission to approve the Program?**

14 A. No. Not only is it unfair for all non-participating customers to have the expenses of this  
15 program included in their rates, but as pointed out by Staff, under Ameren Missouri’s  
16 assumptions, the program will cause non-participating ratepayers to pay about \$11 million  
17 more than they otherwise would.<sup>10</sup>

18 **Q. What is the significance of the Commission approving this Program?**

19 A. If the Commission were to approve this program, customers may believe that the Commission  
20 has vetted the Program, supports it, and customers may believe that they are not being taken  
21 advantage of. However, based on OPC’s concerns and Staff’s recommendation to reject the  
22 Program due to its findings, the Commission should reject Ameren Missouri’s Program.

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<sup>8</sup> Direct Testimony of Jared Schneider, page 5, lines 1 – 3.

<sup>9</sup> Direct Testimony of Jared Schneider, page 8, lines 8 – 12.

<sup>10</sup> Staff Recommendation, Staff Memorandum, pages 5 – 6, Insufficiencies in Non-Participating Ratepayer Analysis.

1           Additionally, approving this Program gives the impression that this is a monopoly service, i.e.  
2           not available from other vendors, and should be regulated by the Commission. Commission  
3           approval is similar to the Good Housekeeping seal of approval. It gives an advantage to the  
4           Ameren Missouri program over similar offerings in the competitive market.

5           **Q.    Are you aware of similar offerings to which Ameren Missouri’s customers have access?**

6           A.    Yes. There are similar offerings already available to Ameren Missouri’s customers that are  
7           not affected by a regulatory barrier. For example, a quick Google search shows that a  
8           customer can purchase a surge protection device without the need of a program or a monthly  
9           recurring insurance fee. Additionally, there are other non-regulated programs available to  
10          customers with similar insurance protections.

11          **Q.    Do you support Staff’s *Recommendation* to reject Ameren Missouri’s Program request?**

12          A.    Yes.

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

14          A.    Yes.



**CASE PARTICIPATION  
OF  
KERI ROTH**

<u>Company Name</u>	<u>Case No.</u>
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company	SR-2013-0016
Lake Region Water & Sewer Company	WR-2013-0461
Summit Natural Gas of Missouri, Inc.	GR-2014-0086
Hickory Hills Water & Sewer Company, Inc.	WR-2014-0167/SR-2014-0166
Empire District Electric Company	ER-2014-0351
Laclede Gas Company	GO-2015-0178
Missouri Gas Energy	GO-2015-0179
Missouri American Water Company	WR-2015-0301
Empire District Electric Company	ER-2016-0023
Hillcrest Utility Operating Company, Inc.	WR-2016-0064
Raccoon Creek Utility Operating Company, Inc.	SR-2016-0202
Moore Bend Water Utility, LLC	WC-2016-0252
Terre Du Lac Utilities Corporation	WR-2017-0110
Indian Hills Utility Operating Company, Inc.	WR-2017-0259
Missouri American Water Company	WR-2017-0285
Gascony Water Company	WR-2017-0343
Liberty Utilities (Midstates Natural Gas) Corp. D/B/A Liberty Utilities	GR-2018-0013
Kansas City Power & Light Company	ER-2018-0145
KCP&L Greater Missouri Operations Company	ER-2018-0146
Spire Missouri, Inc.	GU-2019-0011
Osage Utility Operating Company, Inc.	WA-2019-0185
Confluence Rivers Utility Operating Company, Inc.	WA-2019-0299

**CASE PARTICIPATION  
OF  
KERI ROTH**

**Company Name**

**Case No.**

Missouri American Water Company

WR-2020-0344

