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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EA-2024-0212

SURREBUTTAL TESTIMONY

OF

STEVEN M. WILLS

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

St. Louis, Missouri

August, 2024

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STEVEN M. WILLS

FILE NO. EA-2024-0212

I. INTRODUCTION

1

Q. Please state your name and business address.

2

3

A. Steven M. Wills, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

4

5

6

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

7

A. I am the Senior Director of Regulatory Affairs for Ameren Missouri.

8

Q. Please describe your educational background and employment experience.

9

10

A. I received a Bachelor of Music degree from the University of Missouri-Columbia in 1996. I subsequently earned a Master of Music degree from Rice University in 1998, then a Master of Business Administration ("M.B.A.") degree with an emphasis in Economics from St. Louis University in 2002. While pursuing my M.B.A., I interned at Ameren Energy in the Pricing and Analysis Group. Following completion of my M.B.A. in May 2002, I was hired by Laclede Gas Company as a Senior Analyst in its Financial Services Department. In this role, I assisted the Manager of Financial Services in coordinating all financial aspects of rate cases, regulatory filings, rating agency studies and numerous other projects.

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1 A. Condition 2 seeks to redefine the paradigm for pricing subscriptions on
2 which the Program was based. This is evident by reviewing relevant information from the
3 2021 case in which the Program was approved. The Stipulation and Agreement that was
4 ultimately approved by the Commission and which resolved a majority of issues in that
5 case included the following:

6 The permanent Community Solar Program as proposed by the Company
7 should be approved, but with the following modifications to the Company's
8 proposal: (1) Language will be added to the proposed tariff allowing transfer of the
9 Community Solar pilot program resource to the extent pilot participants desire to
10 participate under the permanent program terms; (2) permanent program resource
11 construction cannot begin until 70% of a resource for the permanent program is
12 subscribed; (3) shareholders to bear the risk for any undersubscribed portion of the
13 permanent Community Solar program to a 50% undersubscribed threshold,
14 provided, that if the subscription rate falls below 50%, non-participant ratepayers
15 would shoulder the costs; and (4) Market costs and revenues for any
16 undersubscribed portion of a permanent program resource will be allocated to
17 shareholders and not flow through the FAC.²

18 This provision clearly states that other than the specific modifications called for in
19 the paragraph cited above, the Program was approved "as proposed by the Company." The
20 Company's proposal (which was approved as modified by that paragraph) was detailed in
21 part in the direct testimony of Company witness Annemarie Nauert, which included the
22 following table describing several details of the Program, and comparing and contrasting
23 those details with the previously approved pilot version of the Program:

² ER-2021-0240, Unanimous Stipulation and Agreement, pp. 11-12, paragraph M *see also* Lovett Direct Testimony at 4, lines 6-24.

1 **Table 1: Summary of Proposed Design and Impact to Customers³**

Pilot Design	Proposed Design	Impact to Customers
Solar blocks of 100 kWh	Fixed percentage of kWh	Eliminates risk of over-subscription
Customers can subscribe to replace up to 50% of last 12 months' average annual energy usage, in whole block increments (rounding down)	Customers can subscribe to replace up to 100% of monthly usage, in 1% increments	Responsive to desire for 100% subscriptions
Resource construction cannot begin until 90% subscription level	Resource construction cannot begin until 50% subscription level	Responsive to declining satisfaction levels while waiting for next resource
SRECs owned by Ameren Missouri and are to be retired on participants' behalf	Unchanged	Unchanged
Participation fee of \$25/block for new resource (not replacement from waitlist) enrollments only	Fixed participation fee of \$25 for all enrollments	Responsive to desire for 100% subscriptions
Two year commitment; waived if replacement from waitlist is possible	Unchanged	Unchanged
Solar Generation Charge Cap	Unchanged (terminology changed to Rate)	Unchanged
Total Facilities Charge tied to general rate cases	Unchanged (terminology changed to Rate)	Unchanged
New resource(s) levelized costs averaged with existing resource(s), with new pricing applying to all participants (averaging method unspecified)	Unchanged	Unchanged

³ ER-2021-0240, Annemarie Nauert Direct Testimony, p. 8, l. 1, emphasis added.

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1 The bolded provision in witness Nauert's Table 1 discussed pricing – indicating that
2 the Program would follow the pricing model of the pilot program unchanged, which
3 explicitly contemplated pricing the program at the *levelized cost* of the resource. A
4 levelized cost is exactly what it sounds like. It is a metric that characterizes the cost of the
5 resource on a cents per kilowatt hour basis, which if applied to the output of the resource
6 would produce revenues over the life of that resource sufficient to cover its full lifetime
7 cost on a net present value basis. That's a complicated way to say the levelized cost is a
8 single rate that can be used to pay for a resource if applied to the resource output over the
9 resource's life.

10 Staff's condition seeks to ensure that the rate is calculated such that subscriber
11 revenues "recover the entire revenue requirement associated from the facility, from
12 participants, in each year of the program term."⁴ It should be self-evident that the revenue
13 requirement will not be identical in each year of a resource's life. The early years have a
14 higher undepreciated investment on which a return is required, and that return declines over
15 the life of the resource as depreciation accrues. That's just one factor that causes the revenue
16 requirement to vary by year. Others might include treatment of tax credits, changes in
17 Operations and Maintenance expense, or other things. Accordingly, the revenue
18 requirement is not static or consistent year to year.

19 In order for the rate charged to subscribers to achieve Staff's condition, the rate
20 would have to be high enough to pay the revenue requirement in the year of the *highest*
21 annual revenue requirement associated with the resource life, and therefore would over-
22 recover the revenue requirement associated with the resource *in every other year*. In

⁴ Staff Memorandum at 8, dated July 30, 2024.

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1 contrast, use of the levelized cost of the resource as the price would result in subscribers
2 paying exactly the net present value of the revenue requirement over the Program term, but
3 in any individual year would not match the revenue requirement precisely. This is not a
4 trivial issue. The rate would have to dramatically over collect the lifetime revenue
5 requirement of the resource in order to achieve the goal set out by Staff's Condition 2. This
6 is an untenable and unreasonable way to price the Program and would be patently unfair to
7 subscribers.

8 The fact that there will be variations in the revenue requirement impact of the
9 Program between years on a transient basis will not materially impact non-subscriber rates.
10 And what impacts do occur will be symmetric, in that it will produce modestly higher
11 revenue requirements in certain years, but lower ones in others. This is fair in general as a
12 concept. But even if transient impacts were considered undesirable, the scale of the impacts
13 from this Program would be so small as to be imperceptible in customer rates.

14 **Q. Are there any other conditions that you wish to address with which**
15 **you have concern?**

16 A. Yes. Condition 7 is also an inappropriate attempt to redefine Program terms
17 that were negotiated by parties and included in the Commission approved tariff governing
18 the Program. Staff's Condition 7 asks that "Any costs associated to the CSP be...isolated
19 from the non-subscribers in future rate cases." Related to this condition, earlier in Staff's
20 memorandum, Staff states:

21 The intended structure of the CSP is such that only its subscribers or
22 Ameren Missouri's shareholders pay the costs associated with the CSP, but
23 this structure only partially protects Ameren Missouri's unsubscribed
24 ratepayers. If the Project drops to below 50 % of program resources,

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1 according to the tariff the costs of the Project could be borne by the
2 unsubscribed ratepayers.⁵

3 It is perplexing that Staff asserts an intention of the Program and then in the very
4 next sentence clearly identifies the fact that the tariff specifically calls for a different
5 outcome than what Staff asserts the intention was. I can assure you that the tariff language
6 that explicitly and specifically describes a reasonable allocation of under-subscription risk
7 between non-subscribers and shareholders was not intended to put that entire risk on
8 shareholders. It very clearly identifies which risk is borne by which party. In fact, I'll share
9 the tariff language approved by the Commission Staff appears to be referencing for clarity:

10 13. The cost associated with any unsubscribed portion of
11 Program Resources will not be included in the revenue requirement
12 used to establish base rates if subscriptions cover at least 50 percent
13 of Program Resources. If subscriptions cover less than 50 percent of
14 Program Resources, then the cost associated with the unsubscribed
15 portion below 50 percent of Program Resources will be included in
16 the revenue requirement used to establish base rates.

17
18 14. Market costs and revenues associated with unsubscribed
19 Program Resources that are not included in the revenue requirement
20 used to establish base rates will not flow through Rider FAC.⁶

21
22 This is further reinforced in the language from the Stipulation and Agreement from
23 the 2021 case that I referenced above where it clearly states, "that if the subscription rate
24 falls below 50%, non-participant ratepayers would shoulder the costs."⁷

⁵ Staff Memorandum at 4, dated July 30, 2024, referencing Paragraph 13, Tariff Schedule 89.3 in footnote 5.

⁶ M.O.P.S.C. Schedule No. 6, 3rd Revised Sheet No. 89.3.

⁷ ER-2021-0240, Unanimous Stipulation and Agreement, pp. 11-12, paragraph M *see also* Lovett Direct Testimony at 4 lines 6-24.

1 Staff now appears to seek renegotiation of that risk sharing by shifting all risk that
2 subscribers do not pay for the entirety of the resource to shareholders.

3 **Q. Why is it appropriate for any risk of undersubscription to be borne by non-**
4 **subscribers?**

5 A. First, it is appropriate because it was negotiated by the parties that represent
6 a variety of interests, including customer advocates, in an arm's length negotiation, and
7 subsequently was approved by the Commission and codified in the Program tariff.
8 Moreover, the resource that is being developed for the Program will also provide benefits
9 to non-subscribers. While the subscribers value the renewable attributes of the solar
10 production enough to pay a higher rate to promote the development of renewable
11 generation, the asset itself will still become a part of the Company's fleet of generating
12 units that will create energy and capacity value for all customers. To the extent that there
13 is a small amount of the revenue requirement of the resource that non-subscribers are
14 exposed to if there is an under-subscription condition, there are also benefits of avoided
15 energy and capacity that will reduce other costs for those customers. Staff itself
16 acknowledges this fact in Staff's Memorandum on page 9, where it says:

17 Despite this, the non-subscribers do potentially benefit. By exposing less of
18 its load to the MISO marketplace, Ameren Missouri could see some small
19 savings in purchased power that would affect all its customers, non-
20 subscribers included. Since both subscribers and non-subscribers can
21 potentially benefit from the Project, Staff concludes that the Project does
22 serve the public interest.

23 Further, the addition of approximately 7 MW of solar capacity will help address the
24 reliability issues for the benefit of all customers in today's tight capacity market, if only
25 marginally. I say only marginally because the unit is relatively small in the grand scheme

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1 of things and will only be accredited for a portion of its nominal capacity value due to the
2 timing of solar generation relative to system needs, but it is incremental accredited
3 capacity, nonetheless. And while it is true that the reliability impact is small because the
4 unit is small, so is it true that the costs of this are small in the grand scheme of Ameren
5 Missouri's revenue requirement because the unit is small. But fundamentally there are
6 benefits with the addition of incremental generation capability that will be provided by the
7 Program resource for all customers, and as a result an extremely modest risk of some small
8 amount of costs flowing to those customers is not unreasonable.

9 **Q. Do you have any additional concerns regarding Staff's Conditions 1, 3,**
10 **4, 5 and 6?**

11 A. Yes, I will describe how each Condition can be addressed to mitigate any
12 of Staff's concerns.

13 **Q. Please address your concern with Staff Condition 1.**

14 A. Condition 1 requests a modification of the Commission approved tariff. As
15 outlined above, provisions in the Company's approved tariff specifically states that any cost
16 associated with any unsubscribed portion of Program Resources will not be included in the
17 revenue requirement used to establish base rates if subscriptions cover at least 50 percent
18 of program resources.⁸ To the extent that the Commission finds the tariff might benefit
19 from further clarification on the point, the Company does not oppose including the redlined
20 language to paragraph 13 of the tariff:

21 13. The cost associated with any unsubscribed portion of
22 Program Resources will not be included in the revenue
23 requirement used to establish base rates if subscriptions cover at
24 least 50 percent of Program Resources. The cost to the subscribers

⁸ M.O.P.S.C. Schedule No. 6, 3rd Revised Sheet No. 89.3, para. 13, *see also* para. 14.

1 shall be the same as if the Program Resource was fully subscribed.
2 If subscriptions cover less than 50 percent of Program Resources,
3 then the cost associated with the unsubscribed portion below 50
4 percent of Program Resources will be included in the revenue
5 requirement used to establish base rates.
6

7 **Q. Please address your concerns with Staff Conditions 3 and 4.**

8 A. My concern with Condition 3 is that it assumes that customers on the
9 waitlist do not have rate information. This is not the case. Customers who applied to enroll
10 in CSP were provided the indicative rate as part of the on-line application process in
11 multiple locations. Specifically:

12 1) The indicative rate is described in an FAQ titled "How much does the
13 percentage-based Community Solar program cost?"

Frequently Asked Questions

What is Community Solar?	+
How does the percentage-based Community Solar program work?	+
What is the difference between the blocks-based Community Solar program and the percentage-based program?	+
How much does the percentage-based Community Solar program cost?	-
The estimated rate for the program is: Residential (1M): \$0.1587/kWh Small Business (2M): \$0.1446/kWh This will be updated with the tariff-based rate prior to billing commencement. Note: Existing Community Solar customers can continue on the blocks-based rate and will still be capped at 50% of their usage. No new enrollments will be accepted on the blocks-based program. One great benefit of this program is that approximately 50% of the rate (the Solar Generation Rate component) is capped. This portion of the rate cannot increase once it is set in the tariff. The Facilities Rate component (the other half of the rate) is subject to change.	

14 2) The indicative rate is also used in a 2-step on-line enrollment process. First,
15 the subscription level is selected by the customer. Second, the on-line calculator will
16 determine what the customers expected average monthly premium will be based upon their
17 individual usage history, the selected percentage level and the indicative rate, which is

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- 1 listed in the text in the solar allocation column. The customer can use the slider bar to
- 2 determine what subscription level best fits their needs and budget.

Choose Your Subscription Percentage

The amount you select is the amount of energy you want to subscribe to Community Solar - what you choose is completely up to you. The higher the percentage, the more you're contributing to clean energy in Missouri. Once you're enrolled, you can change your percentage at any time.

Select Amount up to 100%

50%

How much will my subscription cost?

The chart below shows what your selection could cost based on the average energy usage shown. Keep in mind, your solar premium will fluctuate each month based on the average energy usage at your address.

Total Energy Usage	Standard Usage	Solar Allocation	Solar Premium
799kWh	400kWh	400kWh	\$25.45
<p>What does this mean?</p> <p>This is your average amount of total energy used each month.</p>	<p>What does this mean?</p> <p>This is your estimated amount of energy billed at your standard rate each month.</p>	<p>What does this mean?</p> <p>This is the percentage of your total energy usage you are choosing to allocate to solar which will be billed at the solar rate of \$0.1587/kWh each month.</p>	<p>What does this mean?</p> <p>This is the estimated additional monthly cost based on your solar allocation and your previous month's average energy usage for your address.</p>

Impact of Your Subscription Selection

10% SUBSCRIPTION saves the equivalent of a forest acre a year	20% SUBSCRIPTION is like driving 5,000 fewer miles a year	30% SUBSCRIPTION saves the energy it takes to charge 350,000 cellphones
--	--	--

*Using 1,000 kWh/month as average household usage.

Will I be able to change my subscription amount?


Yes, you can change your subscription percentage at any time and the changes will be reflected immediately - even if you make the change during the middle of a billing cycle.

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- 1 The second step in the enrollment process is confirmation of the customer's selected
2 solar subscription level.

Please verify the following information

██████████@yahoo.com
██████████ SAINT LOUIS MO 63119

Subscription Overview Edit 

Your Total Requested Solar Subscription: 50%

Once you enroll and the solar facility is constructed, you'll start to see Community Solar as a line item on your monthly bill. The amount billed is based on how much of your monthly usage you choose to allocate to the program.

You will be subject to the one-time \$25.00 fee at time of facility construction in the future. Ameren Missouri will notify you if this is the case.

Authorization

I have read and understand the [Terms and Conditions](#) and [Billing Charges](#) of the Community Solar Program

- 3 As you can see, the waitlist customers and prospective customers are well
4 aware of the premium rate associated with subscribing to the Community Solar program.
5 For reference, the link to the on-line Community Solar enrollment landing page is:
6 [https://www.ameren.com/missouri/residential/clean-energy-customer-
8 programs/solar/community-solar](https://www.ameren.com/missouri/residential/clean-energy-customer-
7 programs/solar/community-solar)

- 8 Prior to the Project being placed in service, the Company will update the pricing in
9 the CSP tariff. Once the updated CSP tariff is approved, customers who applied to the
10 program will be notified of the filed rate. A customer who has applied to the program may
11 still opt-out of the CSP Program prior to the first billing cycle. Whether the indicative rate

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1 is higher or lower than the final rate, customers can opt-out of the CSP Program prior to
2 the first billing cycle or at a later time.

3 Condition 4 requests the calculation for conservative "not-to-exceed" rate. Again,
4 the application process allows the customer to use a rate calculator and see the indicative
5 rate under the CSP Program.⁹

6 **Q. Did the Company already provide the information under Condition 5?**

7 A. Yes, Mr. Lovett testified that the Project is 85% subscribed at 5.98 MW,
8 which exceeds the requirement of 70% as agreed to under the Stipulation and Settlement.¹⁰
9 The Company's actual subscriber level as of August 14, 2024, is approximately 86%.¹¹
10 Consequently, the Company has already met this condition.

11 **Q. Does the Company agree to the in-service criteria under Condition 6?**

12 A. Yes, the Company agrees with the in-service criteria provided in response
13 to Data Request No. 0021 and as stated in Staff's Memorandum dated July 30, 2024, on
14 pages 10-11.

15 **IV. CONCLUSION**

16 **Q. Does this conclude your surrebuttal testimony?**

17 A. Yes, it does.

⁹ <https://www.ameren.com/missouri/residential/clean-energy-customer-programs/solar/community-solar>

¹⁰ Direct Testimony of Gergory Lovett at 6, lines 1-3; *see also* ER-2021-0240, Unanimous Stipulation and Agreement, pp. 11-12, paragraph M *see also* Lovett Direct Testimony at 4 lines 6-24.

¹¹ As of August 14, 2024, there are 1802 customers on the CSP waitlist with an associated requested solar requirement for 6.03 MW and the New Florence Solar Energy Center is 86% subscribed which is more than the 70% subscription level requirement prior to construction.

