

Exhibit No.:	_____
Issue(s):	Grid-Access Charge/ Inclining Block Rates/ Economic Development Riders
Witness/Type of Exhibit:	Marke/Rebuttal
Sponsoring Party:	Public Counsel
File No.:	ER-2016-0179

REBUTTAL TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI

FILE NO. ER-2016-0179

January 24, 2017

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REBUTTAL TESTIMONY
OF
GEOFF MARKE
UNION ELECTRIC COMPANY
d/b/a Ameren Missouri
CASE NO. ER-2016-0179

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Economist, Office of the Public Counsel (OPC or Public Counsel), P.O.
4 Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Dr. Marke that filed direct testimony in ER-2016-0179?**

6 A. I am.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of this testimony is to respond to the rate design direct testimony regarding:

9 • Grid-Access Charge

10 ▪ Ameren Missouri (“Ameren” or “Company”) witness William R. Davis

11 • Inclining Block Rates

12 ▪ Missouri Division of Energy (“DE”) witness Martin R. Hyman

13 ▪ Sierra Club witness Douglas B. Jester

14 • Economic Development Riders

15 ▪ Ameren witness William R. Davis

16 ▪ Missouri Industrial Energy Consumers (“MIEC”) witness Maurice Brubaker

1 **Q. Please state OPC's position.**

2 A. OPC rejects Ameren Missouri's grid access charge as both inappropriate and counter to
3 Commission and Company efforts promoting least-cost resource planning. We are currently
4 analyzing our position on the appropriateness of introducing inclining block rates for Ameren
5 Missouri's residential customers in light of a federal court ruling that Ameren Missouri
6 violated the Clean Air Act at its Rush Island energy plant. As such, we are reserving the right
7 to comment further in surrebuttal testimony.

8 Further, OPC is opposed to both economic development riders as currently drafted, but are
9 open to further discussions on the topic moving forward and will continue working with
10 other parties to find common ground for an amendable solution.

11 **II. ENERGY GRID ACCESS CHARGE**

12 **Q. What is the Company proposing?**

13 A. Ameren Missouri witness William R. Davis proposes a \$4.89 per month fixed charge for
14 Residential and Small General Service customers. According to Mr. Davis, the Company
15 plans on continuing to increase this per month fixed charge in each subsequent rate case until
16 it reaches \$14.68 per month for an undefined amount of time. It should be noted, that this
17 proclamation assumes that distribution system costs will remain static for future rate cases;
18 otherwise, the fixed cost amount will presumably be increased from this projected estimate in
19 future rate cases.

20 As it stands, Ameren Missouri's proposal represents a 61% and 48% increase in fixed charge
21 recovery for the Residential and Small General Service classes respectively after taking into
22 account the current fixed cost recovery, otherwise known as the customer charge.

23 **Q. What is OPC's position?**

24 A. OPC rejects Ameren Missouri's proposed rate design. If there has to be an increase in rates,
25 we advocate that the increase be administered through the energy charge that places more

1 control of the bill in low-income and fixed-income households that does not penalize
2 efficient, conservative and environmentally responsible ratepayers.

3 OPC is unaware of any such grid access charge proposal, anywhere, outside of an attempt in
4 2015 by the Arizona Public Service (“APS”) electric investor-owned utility.¹ APS only
5 proposed such a charge due to the pronounced increase of rooftop solar in its service
6 territory. Of note, APS also dropped their proposal before there was even a formal hearing
7 due to the public backlash.² When asked in discovery (see OPC DR-507), Ameren Missouri
8 could not point to any utility that had a similar charge in place.³ To be clear, solar installation
9 in Missouri is nowhere near the levels seen in Arizona. As of October 2016, Arizona had an
10 estimated 138 MW of net generation from distributed solar energy, while Missouri had 13
11 MW.⁴ This makes the idea of such a proposal even more unnecessary.

12 As such, the rest of my response will focus on the impact this proposal will have on historical
13 and future energy efficiency efforts and not on current solar penetration.

14 **Q. Mr. Davis asserts that the energy grid access charge promotes fairness between**
15 **customers within a class. Please respond.**

16 A. Mr. Davis is correct in part: Aggressively pursuing energy efficiency as a least cost resource
17 will necessitate redistribution impacts on non-participants. The Commission has supported
18 energy efficiency, due to enabling legislation, because there are potentially significant
19 aggregate gains to the overall economy and all ratepayers from “unlocking” higher levels of
20 savings. However, to unlock these gains means that “participants” transfer some of the fixed
21 costs they were previously paying via the variable component of their bill, to
22 “nonparticipants.” Participants also financially benefit from receiving the rebates from
23 ratepayer-subsidized energy efficiency measures, which enable them to reduce their

¹ Bade, G (2015) APS proposes higher fixed charges for rooftop solar customers UtilityDive
<http://www.utilitydive.com/news/aps-proposes-higher-fixed-charges-for-rooftop-solar-customers/383323/>

² Shallenberg, K.(2015)APS withdraws controversial solar grid fee request.UtilityDive
<http://www.utilitydive.com/news/aps-withdraws-controversial-solar-grid-fee-request/406354/>

³ See GM-1.

⁴ EIA (2016) Electric Power Monthly with Data for October 2016
<https://www.eia.gov/electricity/monthly/pdf/epm.pdf> p. 50.

1 electricity usage. Finally, the price-signal of rewarding efficient and conservation-minded
2 ratepayers and penalizing high-usage, inefficient ratepayers is designed to elicit actionable
3 changes in consumption behavior. Thus, price and the availability of rebates should be
4 designed to elicit participation in the programs.

5 OPC recognizes this trade-off and is acutely aware of the complexity and potential
6 unintended consequences inherent in this performance based mechanism. As such, we have
7 attempted to mitigate the impact of this cost transfer by ensuring: 1) that participation in
8 programs is as large as possible; 2) programs are designed to target low-income and multi-
9 family households; and 3) that all ratepayers ultimately realize the long-term resource
10 benefits from Commission-approved multiple MEEIA portfolios.

11 Putting aside, for a moment, immediate “fairness” issues between participants and non-
12 participants, the inclusion of an ever-increasing energy grid access charge would most
13 assuredly not be fair between ratepayers and shareholders. Increasing fixed cost recovery
14 *after* the Company stands to collect \$30 million in profit from the performance incentive
15 from ratepayers in MEEIA Cycle I and *after* the Commission agreed to Ameren Missouri’s
16 MEEIA Cycle II “games” the outcome of MEEIA rewards and revenue certainty to
17 shareholders and financial risks and bill uncertainty to *all* ratepayers.

18 Ameren Missouri should not get to have it both ways. Energy efficiency programs take time
19 to design and implement. The resource benefits from MEEIA(s) will only be realized after
20 *many* years of aggressive, sustained efforts. For example, Ameren Missouri’s MEEIA Cycle
21 II portfolio could not be justified as a least-cost resource by itself when filed. That is, it
22 would have been more economically efficient for ratepayers to have no MEEIA Cycle II than
23 what was initially proposed by the Company. The Commission agreed with this conclusion
24 and ultimately approved a redesigned MEEIA Cycle II that emphasized demand savings and
25 redesigned targets. As it stands, MEEIA Cycle II, by itself and even after the redesign, will
26 only be beneficial to all ratepayers from a resource perspective if a MEEIA Cycle III also
27 occurs with savings at similar or greater levels. Stated differently, stakeholders negotiated in

1 good faith with the Company knowing that they would likely have to commit to three
2 additional years of cost recovery and earnings opportunities before they could hope to see a
3 beneficial return in future resource deferment assuming planning remained static.

4 Of course, resource planning has not remained static. Shortly after the approved MEEIA
5 Cycle II, Ameren Missouri lost Noranda (representing roughly the energy usage of the city of
6 Springfield, Missouri). Additionally, less than a year after the MEEIA approval the EPA's
7 Clean Power Plan now appears unlikely to continue due to the composition of the current
8 federal administration. In short, the Company has found itself even longer on capacity than
9 what was originally agreed to.

10 **Q. Does Mr. Davis's proposal change the outcome of the MEEIA agreement?**

11 A. Yes. Rate design and the MEEIA portfolio are interdependent. OPC, and many other
12 stakeholders, negotiated in good faith with the Company with an expected outcome under a
13 reasonable timeframe. Less than one year later, the Company's proposed ever-increasing
14 "grid access charge" effectively results in a departure from seeking "least cost resources" and
15 minimizes historical and future efforts. Moving towards a straight fixed variable rate design
16 *is* a categorical departure and undermines what parties have previously agreed to and what
17 Ameren Missouri already richly profits from.

18 If Ameren Missouri wants to emphatically reduce shareholder risk there should be a
19 resounding reduction in shareholder reward. Additionally, if Ameren elects to go back on its
20 agreed-to obligations to seek least cost resource planning it should also withdraw its MEEIA
21 charge and refund its rewarded profits to date from previous ratepayer actions.

22 **III. INCLINING BLOCK RATES**

23 **Q. What are DE and the Sierra Club proposing?**

24 A. Both parties are proposing adoption of a flat volumetric rate for residential general use
25 customers during the winter and a two-block inclining rate for the summer.

1 **Q. What is OPC's position?**

2 A. OPC is currently analyzing the interplay between rate design, Ameren's MEEIA programs
3 and future resource planning in light of the federal court's recent ruling on Ameren
4 Missouri's Rush Island. As such, we are reserving the right to comment further in surrebuttal
5 testimony on our ultimate position.

6 **Q. Can you summarize this ruling?**

7 A. Federal judge Rodney Sippel ruled on January 23rd of this year that Ameren Missouri's 1,180
8 MW capacity coal-fired power plant Rush Island has violated the Clean Air Act. This
9 decision could ultimately force ratepayers to spend hundreds of millions of dollars on
10 pollution equipment (see GM-2).

11 **IV. ECONOMIC REDEVELOPMENT**

12 **Q. What is the Company proposing?**

13 A. Ameren Missouri witness William R. Davis proposes a pilot project allowing up to \$10
14 million in potential discounts to new customers who locate in sites where redevelopment
15 would result in more efficient utilization of the Company's existing infrastructure. A voting
16 collaborative (based on interested parties to this case) would determine when to award
17 discounts and how much would be awarded to a particular project. Finally, the Company
18 would be required to submit an annual report to the Commission describing all of the
19 activities of the pilot.

20 **Q. What is OPC's position?**

21 A. We are appreciative of Ameren Missouri's proposal and intend to continue discussions with
22 stakeholders begun in Ameren Missouri's last rate case and continued in EW-2016-0041.
23 Presently, OPC cannot support Ameren Missouri's proposal as drafted due to the uncertainty
24 surrounding "interested" stakeholders as voting members and the lack of specificity around
25 the \$10 million discount cap. However, we reserve the right to amend our recommendations

1 in surrebuttal testimony based on continued discussions with the Company and relevant
2 stakeholders.

3 **Q. What is MIEC proposing?**

4 A. MIEC witness Brubaker has proposed an economic development rider similar to what is
5 currently being offered by KCP&L with the omission of provisions tying the rider to
6 governmental incentives. Mr. Brubaker also seeks to strike the requirement for a customer
7 affidavit stating that load would not be added without the availability of the lower rate.

8 **Q. What is OPC's position?**

9 A. OPC cannot support MIEC's proposal as presently drafted. MIEC's rider is both overly
10 broad and potentially discriminatory. OPC does believe the provision of tying the rider to
11 government incentives as well as an affidavit placing the customer on their sworn assurance
12 is good, transparent policy and should be followed here as well if the rider is considered.
13 That being said, we are tentatively planning on offering up an alternative proposal for
14 surrebuttal testimony for consideration.

15 **Q. Does this conclude your testimony?**

16 A. Yes.

Ameren Missouri's
Response to OPC Data Request
Docket No. ER-2016-0179
In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its
Revenues for Electric Service

Data Request No.: OPC 507

Regarding the proposed energy grid access charge:

- a. Please provide all documents and analysis conducted by or on behalf of Ameren regarding the proposed energy grid access charge, including all analyses into the impact the energy grid access charge would have upon low-energy usage customers and low-income customers.
- b. **Is Mr. William Davis aware of any utility in the United States that charges a rate similar to the proposed energy grid access charge? If so, what utilities in what states?**
- c. Why is Ameren proposing a separate energy grid access charge instead of just proposing to recover more fixed costs through the customer charge?
- d. Does Mr. Davis believe moving more rate recovery from the volumetric rate to a fixed monthly charge will impact low energy users differently than it will high energy users? If so, what will those impacts be?

RESPONSE

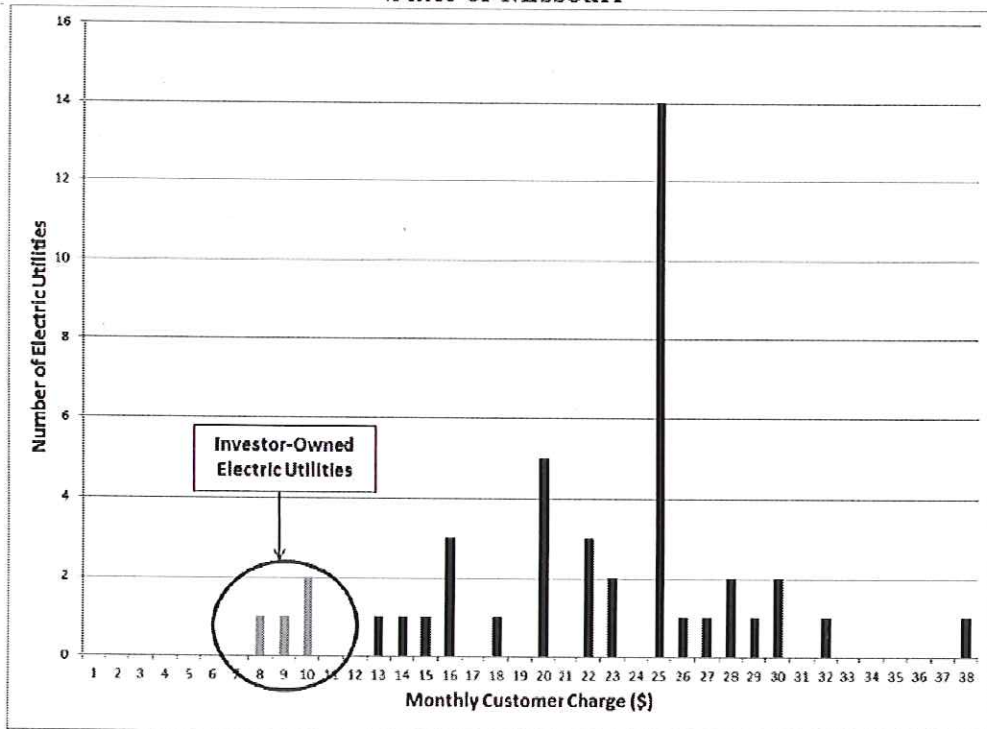
Prepared By: Bill Davis
Title: Director, Energy Efficiency and Renewables
Date: 9/27/2016

a. The attached file "Res and SGS Bill Impact of Access Charge.xlsx" includes a frequency distribution of the annual bill impacts of implementing an energy grid access charge for Residential and Small General Service customers. The Company has not performed an analysis of how the energy grid access charge could impact low income customers.

b. Any utility that includes any portion of the distribution system related revenue requirement into a monthly fixed charge regardless of what that charge is labeled on the customer bill, has a rate design similar to the Company's proposal in this case. **I do not**

have a list of such utilities, but I would suggest that any electric utility with a residential fixed monthly fee greater than \$5 a month would likely be including a portion of the distribution system related revenue requirement in the monthly fixed charge. For example, in ER-2014-0258 I provided the chart below showing that most Missouri cooperatives have significantly higher monthly fixed charges which is a good indicator that fixed distribution costs are incorporated into those monthly charges.

**Chart 1 – Comparison of Monthly Electric Customer Charges
State of Missouri**



c. customer charge can traditionally be thought of as reflecting the basic costs of metering and billing customers (e.g., monthly meter reading, billing, postage, customer accounting and customer service expenses, investment in meters and service lines), whereas the energy grid access charge is designed to reflect the minimum costs related to accessing the grid itself (e.g., distribution poles, line transformers, wires). Separating the two concepts can help customers better understand the different underlying costs of the system.

d. Moving more rate recovery from the volumetric rate to a fixed monthly charge will impact low energy users differently than it will high energy users. See item a. above.



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Federal judge says Ameren's upgrades to Rush Island Power Plant violated Clean Air Act rules

By ELI CHEN (/PEOPLE/ELI-CHEN) • 19 HOURS AGO

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A U.S. district court judge has ruled that Ameren Missouri violated the Clean Air Act when it made upgrades to its Rush Island Power Plant in Festus in the late 2000's.

In 2011, the Environmental Protection Agency filed a lawsuit against Ameren, alleging that the utility illegally installed boiler equipment that raised emissions of sulfur dioxide, a toxic gas that can cause asthma and worsen respiratory conditions. On Monday, Judge Rodney Sippel ruled in favor of the EPA, and wrote that Ameren should have applied for special permits and installed pollution control equipment when plant made the upgrades.

In a statement, Ameren spokesperson Brad Brown expressed disappointment in the judge's ruling.

"In bringing this enforcement action, the Obama Administration argued for legal interpretations and rulings that contradict with the plain language of Missouri's regulations, positions taken by the Environmental Protection Agency outside this litigation and other legal proceedings," Brown wrote.

Meanwhile, local environmentalists see the decision as a step forward in combating air pollution in Missouri. The Rush Island Power Plant is located in Jefferson County, an area that exceeds federal air quality standards for sulfur dioxide.

PRB Coal Users' Group Plant of the Year: Ameren's Rush Island Energy Center



http://mediad.publicbroadcasting.net/p/kwmu/files/styles/x_large/public/201608/rush-island-power-plant.JPG

An image of the Rush Island Power Plant in an article about its use of the Powder River Basin coal.

CREDIT RUSH ISLAND ENERGY CENTER, AMEREN CORP.

"This is the latest example of Ameren thumbing its nose at public health safeguards and prioritizing profit over human life," said Andy Knott, a clean energy activist for the Sierra Club's Missouri chapter.

The judge will set a meeting to determine what actions Ameren should take to remedy the violations. Area activists believe that Ameren should install scrubbers, devices to remove sulfur dioxide emissions, at its coal-fired plants.

"The solution would be for Ameren to install a scrubber to comply with the Clean Air Act and reduce those emissions," Knott said.

In Missouri, the company has only installed scrubbers at its Sioux Power Plant in West Alton, which cost about \$600 million.



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