

Exhibit No. 4

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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ET-2021-0082

SURREBUTTAL TESTIMONY

OF

JARED SCHNEIDER

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

**St. Louis, Missouri
March, 2021**

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I. INTRODUCTION

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Q. Please state your name and business address.

A. Jared Schneider, Ameren Missouri, One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. Are you the same Jared Schneider that filed Direct Testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your Surrebuttal Testimony in this proceeding?

A. The purpose of this testimony is to address certain contentions of the Staff of the Missouri Public Service Commission ("Staff") and the Office of Public Counsel ("OPC") regarding Ameren Missouri's proposed Surge Protection Program. Specifically, my rebuttal testimony (a) addresses their comments about the structure and scope or coverage of the program; (b) explains why it makes sense for a utility to offer this kind of program, and (c) addresses their testimony regarding customer surveys, which we conducted to provide some additional information about interest in surge protection programs to supplement the program-specific research that we relied upon to develop the proposed program.

1 clearly states that the device will only provide protection for surges that pass through the meter²
2 and that only the specified motor-driven household equipment is covered by the warranty.³

3 **Q. Is the coverage offered through the proposed Ameren Missouri Surge**
4 **Protection Program and subsequent warranty comparable to that of the other utility**
5 **programs used as a basis for this business case?**

6 A. Yes, very much so. The warranty accompanying enrollment in the program will
7 cover motor driven items, which is the same base coverage that comes with the enrollment in the
8 programs for Florida Power and Light ("FP&L"), Duke Energy ("Duke"), and Georgia Power
9 ("GP"). FP&L and GP charge \$10.95 per month and \$9.95 per month, respectively, for a program
10 backed, like Ameren Missouri's proposed program, by the manufacturer's warranty alone. For an
11 additional fee, bringing the total to either \$15.95 per month ("FP&L") or \$10.98 per month (Duke),
12 FP&L and Duke offer additional warranty coverage for electronics that is underwritten by a third
13 party and not the device manufacturer. Please see Schedule JS-S1 attached to my testimony, which
14 summarizes program terms for the main programs we examined as part of our development of the
15 program proposed for approval in this case.⁴

16 **Q. If the surge protection device provides protection for electrical equipment**
17 **downstream of its location, why are only motor driven items covered by the manufacturer's**
18 **warranty; why are tv's, computers, phones, dvd players, or similar items not covered**
19 **underneath the warranty?**

² Direct Testimony of Jared Schneider, p. 7, lines 4-6.

³ Direct Testimony of Jared Schneider, p. 7, lines 19-22.

⁴ Schedule JS-S1 is a supplemental data request response that updates a similar table provided in response to an earlier data request in this case. After reading Staff's and OPC's rebuttal testimony, it appeared to me that the original table might not have provided the information on the other programs with as much granularity as might have been ideal, so I supplemented the data request response and am also including it with my testimony.

1 A. Surges can enter the home through means other than the electric meter, such as a
2 phone line or data line. Non-motor driven appliances are more susceptible to damage from surges
3 through these other means of entry. Consequently, one could expect a good deal of claims activity
4 for damage to those kinds of equipment that likely occurred due to a surge entering the home
5 through a means other than the meter. This leads most device manufacturers to not offer warranty
6 coverage for these other kinds of non-motor driven equipment. As noted, we have been very clear
7 and open with our customers about what the warranty does and does not cover.

8 **Q. Is Ameren Missouri opposed to offering a supplemental product that could**
9 **cover electronics in the future?**

10 A. No, the Company would consider doing so but believed it best to start with the
11 excellent protection for all electrical equipment against surges through the meter that is provided
12 by the surge protection device to be used for the program as we have proposed it. At some point
13 the Company may seek to expand the program if it believes it can cost-effectively do so to the
14 benefit of all of its customers, while also providing coverage that participating customers would
15 value and with which they would be satisfied.

16 **Q. Staff witness Coffey also raised issues about the length of a participating**
17 **customer's initial commitment and its cancellation fees. Why did the Company set the fee**
18 **and cancellation terms as it did?**

19 A. In developing the program structure – price, coverage, ownership, etc. – we
20 intentionally created a structure similar to that of other proven successful programs while
21 improving the probability that the program would provide incremental revenues over and above
22 its costs to the benefit of non-participants. A key means to make sure those benefits can be
23 delivered was to require participants to stay on the program (or pay a cancellation fee) long enough

1 so that program revenues from each customer will have covered the investment in the device itself
2 plus the cost of installing it in the first place.

3 **Q. You mentioned "proven successful programs" above. How did you define a**
4 **successful program and how did you determine its success?**

5 A. A successful program is one that provides value to the customer while generating
6 revenue in excess of its costs. The programs of peer utilities that Ameren Missouri mirrored – such
7 as FP&L, Duke, and GP – have both of those characteristics. We know this to be true based on the
8 fact that two of those three programs have existed for a significant length of time and have good
9 participation, while GP has also had a program for quite some time that GP more recently modified
10 so that it more closely mimics the FP&L and Duke programs. If the customers that utilized these
11 other programs didn't believe that the programs were providing value – they wouldn't enroll or
12 would leave. If these programs weren't generating revenue in excess of their costs, the companies
13 would terminate them. Ameren Missouri is looking to achieve the same objective through this
14 program with a key difference: the revenues will be used to reduce revenue requirements and
15 ultimately rates for all customers rather than keeping those profits for shareholders. Ameren
16 Missouri witnesses Tom Byrne and Steve Wills discuss the policy reasons that support the
17 approach the Company is proposing in this case.

18 **Q. Mr. Bax mentions "tiered protection" in his testimony and Ms. Coffey**
19 **addresses the different types of devices in her testimony. What does "tiered protection" have**
20 **to do with Ameren Missouri's proposed program?**

21 A. As used by Mr. Bax, nothing. Ameren Missouri's program will protect against
22 surges that enter through the electric meter, and will do a very consistent job of that as evidenced
23 by the tiny failure rate of the devices. Customers are free to add additional tiers of protection

1 against other possible surge entries, such as the phone or data lines I discussed earlier. As I have
2 discussed, the protection provided by the device used in the proposed program along with the
3 accompanying warranty, for the monthly fee, is fair and competitive when judged against similar
4 programs. And while more protection beyond that provided by the proposed program can be
5 obtained if a customer wants it, without a Type 1 surge protection device – like the one used for
6 the Company's program – customers could not achieve the kind of full tiered protection that Mr.
7 Bax and Ms. Coffey recommend.

8 III. WHY THIS PROGRAM VERSUS OTHER DEVICES

9 **Q. In her testimony, Ms. Coffey states that there are other surge protection**
10 **options the average consumer might consider other than what is offered in the program.**
11 **Similarly, Ms. Ferguson states that "there are competitive alternatives available to**
12 **customers to procure a surge protection device." How do you respond?**

13 A. The proposed program is a *voluntary* program. It provides high quality protection,
14 including for items not covered by the warranty that otherwise would have been damaged by a
15 surge coming through the meter, plus coverage for equipment that is covered by the warranty.
16 There are other surge-related risks that other devices could address, and any customer – on or off
17 the proposed program – remains completely free to take advantage of them.

18 **Q. I assume what you just said is true of other similar utility programs. Why do**
19 **customers choose to obtain surge protection from their utility?**

20 A. For a number of reasons. First, some of the "competitive devices" people point to
21 require the customer to hire an electrician and have them come inside their home and install a
22 device. That too has a cost, and it is more intrusive than the utility coming and opening its meter
23 box located outside the customer's home and installing the device on the base of the utility's meter.

1 Second, some customers simply prefer the convenience of having their utility install a surge
2 device, to replace it if it fails, and to handle the billing on their utility bill.⁵

3 **IV. CUSTOMER SURVEYS**

4 **Q. In her testimony, Staff witness Lisa Ferguson states that the two surveys**
5 **conducted only "contemplate a very small subset of Ameren Missouri's total electric**
6 **customer base"**⁶ **Similarly, OPC witness Roth states that the number of survey participants**
7 **"is far too low to speak for the entire eligible customer base."**⁷ **How do you respond?**

8 A. The surveys were simply a means to obtain an additional data point to supplement
9 the program-specific research we conducted about similar utility programs. We know these other
10 programs are successful, we have an understanding of the program characteristics of those utilities'
11 customer bases, and we certainly know that surges can be a significant issue in our service territory,
12 as I discussed in my direct testimony. We had good reason to believe our customers would be
13 interested in a program like customers elsewhere, but the surveys were a good way to obtain some
14 additional information about that interest. We could easily have developed and proposed the
15 program without them.

16 All of that said, the surveys do provide a useful data point to consider. As discussed in part
17 in my direct testimony, the surveys suggested that at least 9 out of 10 customers that responded
18 were either at least somewhat interested in a surge protection service, and 54% were either very
19 interested or extremely interested in such a program. Also recall that the scenarios for which the
20 Company conducted its financial analyses of the net benefits that may be derived from the Program

⁵ E.g., there is no need to make an appointment and otherwise to make arrangements to be home during some window of time to let the worker inside the home to complete the installation, or to replace a device that fails or gets past its useful life.

⁶ Rebuttal Testimony of Lisa Ferguson, page 10, lines 12-13.

⁷ Rebuttal Testimony of Keri Roth, page 11, line 3.

1 were based on an expected enrollment rate of 5% and a sensitivity with enrollment *as low as 2%*.
2 Regardless of the precision with which the survey results reflect the views of over a million
3 residential customers, they are an indicator of strong interest among a significant number of
4 customers, which should increase confidence in the ability of the Program to attract the modest
5 number of participants needed to make the Program beneficial in terms of its goal of enhancing
6 the affordability of electric service.

7 **Q. In their testimony, OPC witness Roth and Staff witness Coffey also express**
8 **concerns about the survey results, pointing to survey questions about a possible "Whole**
9 **Home Surge Protection" program. Please address their comments.**

10 A. As discussed earlier, the surge collars protect more items than are covered by the
11 manufacturer's warranty and thus do protect the entire home, if the surge comes through the electric
12 meter. Second, the results of the first of the two surveys conducted show there is interest in a surge
13 protection program, regardless of any reference to "whole home," and so too do the second survey
14 results since the "whole home" question was one of the last questions asked, with responses to the
15 earlier questions already demonstrating program interest.

16 **Q. Ms. Roth raises a separate issue, that is, she claims that the pricing for the**
17 **proposed program is almost double the price point that customers believed was optimal as**
18 **established in the April 2020 survey. How did Ameren Missouri determine the price point**
19 **for enrollment in the program?**

20 A. As I discussed in my direct testimony, the Company analyzed other utility programs
21 across the country and used that as a basis to develop assumptions and parameters for the Ameren
22 Missouri program. The price range for the same service and comparable coverage range from \$7.95

1 to \$10.95 per month.⁸ While it is true that the survey respondents identified \$5.02 as the optimal
2 price point, the range for acceptable pricing received via the surveys was from \$3.20 to \$10.01 per
3 month. That information, coupled with what we know about other similar programs charging (as
4 I noted, between \$7.95 and \$10.95 per month; for the most comparable programs, between \$9.95
5 and \$10.95 per month), supports our decision to set our charge at \$9.95 per month. It is important
6 to recognize that there is always a trade-off between driving higher volumes with lower prices
7 versus creating greater margin per customer with a higher price point. Of course any potential
8 customer would always rather pay less rather than more for a product/service, but that does not
9 mean that the service isn't worth more or that the price point of \$9.95 per month is too high.

10 **Q. Another criticism of the surveys from Ms. Coffey and Ms. Roth was that they**
11 **did not mention that customers would be unable to enroll in the program if they had their**
12 **electric service disconnected in the previous 12 months for nonpayment. Is this concern**
13 **valid?**

14 A. No. The survey questions were intended to gauge interest *in the program* regardless
15 of any eligibility criteria. Whether a customer had been disconnected in the last 12 months and as
16 it may turn out could not participate has no correlation at all with *interest* in a surge protection
17 program.

18 **V. OTHER CONCERNS RAISED BY STAFF AND OPC**

19 **Q. On page 2 of Ms. Coffey's testimony she states a potential discrepancy between**
20 **my direct testimony and the submitted tariff pages regarding the devices' ability to protect**
21 **against lightning strikes. Does the device protect against lightning strikes?**

⁸ See Schedule JS-S1 attachment to my testimony.

1 A. Yes. The device protects against surges, initiated by lightning, that come through
2 the service line. What the device cannot protect against are surges, initiated by lightning, that come
3 through *other means* into the home, which would include a direct lightning strike that the tariff
4 pages are referring too. To make sure there is no confusion on this point, the Company will modify
5 the final tariff that would take effect for the program if approved by the Commission to read: "e.
6 Direct lightning strike(s) to the residence or surrounding property that do not cause a surge to enter
7 the residence through the meter."

8 **Q. On page 3 of Ms. Roth's testimony she points to a device cost of \$180, as**
9 **referenced in materials provided in discovery for the December 2019 survey (the first survey)**
10 **as compared to the device cost information reflected in the analyses provided in the**
11 **Company's response to Staff Data Request 0001. Please explain what these devices cost and**
12 **how that relates to the \$180 noted in the survey materials.**

13 A. The December 2019 survey results were compiled before we had conducted our
14 detailed research of other programs, prior to issuing an RFP for the devices themselves, and prior
15 to nailing down costs for the third-party administrator who will install the devices. The cost of the
16 actual device (and installation ring that comes with it) is \$69.85. Based on the number of devices
17 we expect to install in the first year for the expected case, the installation cost will be about \$45
18 per device, bringing the installed cost to approximately \$115 per device. This is the figure utilized
19 in our financial analysis of the program.

20 **Q. Staff witness Coffey also recommended that if the program is approved it**
21 **should be accompanied by a robust set of frequently asked questions (FAQs). Do you agree?**

22 A. Yes, and we are in the process of developing those (FAQ's) that will be posted on
23 the program website once it is created.

1 **Q. Does this conclude your Surrebuttal Testimony?**

2 A. Yes, it does.

Ameren Missouri's
Response to MPSC Supplemental - MPSC
ET-2021-0082

The Application of Union Electric Company d/b/a Ameren Missouri to provide a surge
protection program to customers

No.: MPSC 0002s1

Please provide a list and description of other surge protection programs reviewed by Ameren Missouri. Include, at a minimum, utility name, monthly charges, description of appliance payments, term lengths, and customer change provisions. Also specify if the utility is fully rate regulated, and whether the program is tariffed or offered outside of the utility tariff. Sarah Lange (sarah.lange@psc.mo.gov).

RESPONSE

Prepared By: Jared Schneider
Title: Product Development Analyst
Date: 3/17/2021

In reading the parties' rebuttal testimony, it appears that the original table provided in response to MPSC 0002 would benefit from additional granularity about peer utility programs. Therefore, I have updated the original table in this response.

Utility Name	Customer enroll in:	Price	Coverage Limits	Covered Items	Change Provisions
Florida Power and Light	SPD w/ base warranty	\$10.95/mo for SPD w/ base warranty	\$5000 per item, \$5,000 annual, \$100,000 lifetime for base wrnty	Motor Driven w/surge through meter only	No Cancellation Fee
	and/or Service Warranty	\$9.95/mo for service warranty	\$5000 annual for service warranty	Electronics w/surge through any entry	
	Or Both of the above	\$15.95 for both	Both of the above	Both of the above	
Duke Energy	SPD w/ base warranty	\$7.99/mo for SPD & base warranty; \$44.95 installation fee	\$10,000 lifetime for SPD	Motor Driven w/surge through meter only	No cancellation fee although \$60 removal fee if not on program for 24 months
	SPD W/ Base warranty and additional extended warranty	\$10.98/ month \$44.95 installation fee	\$10,000 lifetime for base warranty; \$2,000 annual for additional extended warranty	Motor Driven w/ surge through the meter & Electronics w/ surge through any entry	
Evergy	SPD and extended warranty combined program	\$5.95/mo for \$500 per item, \$5000 annual		"Cord and Plug" connected appliances and electronics w/ surge through the meter only	Has the right to charge \$150 cancellation fee if not on the program for 24 months
		\$7.95/mo for \$1000 per item, \$10,000 annual			
		\$9.95/mo for \$1000 per item, \$10,000 annual & basic interior wire protection (\$500 claim limit)			
Georgia Power	SPD w/ base warranty	\$9.95/mo for SPD w/ Base Warranty	\$5000 per item, \$5000 max product warranty per occurrence; \$100,000 lifetime	Motor Driven w/ surge through the meter only	No cancellation Fee
Ameren Missouri	SPD w/ base warranty	\$9.95/mo for SPD w/ Base Warranty	\$5000 per item, \$5000 max product warranty per occurrence; \$50,000 lifetime	Motor Driven w/ surge through the meter only	Cancellation fee equal to monthly payments remaining before 24 months enrolled

