

Exhibit No.:	
Issues:	Residential Rate Design
Witness:	Emily Piontek
Sponsoring Party:	Renew Missouri
Type of Schedule:	Rebuttal Testimony
Case No.:	ER-2019-0374
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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2019-0374**

**REBUTTAL TESTIMONY**

**OF**

**EMILY PIONTEK**

**ON BEHALF OF**

**RENEW MISSOURI**

March 9, 2020



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1 **I. Introduction**

2 **Q. State your name, business name, and address.**

3 A. My name is Emily Piontek and I am a Policy Research Clerk at Renew Missouri  
4 Advocates, Inc. (“Renew Missouri”) located at 409 Vandiver Drive, Suite #5- 205,  
5 Columbia, Missouri 65202.

6 **Q. On whose behalf are you appearing in this case?**

7 A. I am appearing as a witness on behalf of Renew Missouri, a 501(c)(3) focusing on  
8 renewable energy and energy efficiency policy in the State of Missouri.

9 **Q. What are your qualifications in commenting on this rate case?**

10 A. I have served as a renewable energy policy researcher for Renew Missouri since May of  
11 2018. In my time at Renew Missouri, I have appeared as a witness before the House  
12 Utilities Committee to testify in favor of securitization legislation, assisted with  
13 comments delivered by Renew Missouri on the Integrated Resource Plans of all the  
14 investor-owned utilities in the state, and conducted a broad range of research on  
15 renewable energy and energy efficiency issues pertinent in Missouri. Recently, I provided  
16 rebuttal testimony on behalf of Renew Missouri to the Missouri Public Service  
17 Commission in an ongoing rate case, File No. ER-2019-0335.

18 Additionally, I have earned a Graduate Certificate in Public Policy from the  
19 Truman School of Public Affairs at the University of Missouri and will graduate with a  
20 Masters of Science in Human Dimensions of Natural Resource Management from the  
21 School of Natural Resources at the University of Missouri-Columbia in May 2020. My  
22 Master’s research is centered on the intersection of environmental and social justice, and

1 has been presented at the 2019 conferences in 2019 and 2020, as well as submitted for  
2 publication. In 2012, I earned my B.A. in History and in Political Science from  
3 Washington University.

## 4 **II. Purpose of Testimony & Summary of Conclusions**

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

6 A. The purpose of my rebuttal testimony is to respond to testimony presented by the Empire  
7 District Electric Company, a Liberty Utilities company (sometimes referred to as “the  
8 Company”). I critique the proposed tariff (YE-2020-0029) that increases the residential  
9 customer charge from \$13 to \$19 monthly. Additionally, I comment on recommendations  
10 made by Staff in regards to the customer charge increase, as well as comment on direct  
11 testimony submitted by Mr. Hackney in regards to the Low-Income Pilot Program. This  
12 testimony is submitted in support of rate design that (1) gives customers control over  
13 their electric bill, and (2) incentivizes energy conservation.

### 14 **Q. What conclusions have you drawn regarding the proposed customer charge 15 increase?**

16 A. Customer charge increases present a number of concerns that run counter to policy  
17 objectives held by the state of Missouri, including by the Missouri Department of Energy.  
18 These policy objectives include keeping electric rates among the lowest in the country,  
19 implementing comprehensive energy efficiency programs, and improving resource  
20 diversification by supporting net metering and DER proliferation, for example. As this  
21 increase to the customer charge will not provide an actionable price signal on customers’

1 bills, is accompanied by an *increase* to the Company’s current effective energy charge,<sup>1</sup>  
2 will inequitably burden low-usage and low-income customers, and will disincentivize  
3 emissions reductions on behalf of the Company and its customers, I advocate that no  
4 increase to the customer charge be approved in this rate case, as Staff has also done.  
5 Furthermore, I argue that the amount of the customer charge increase violates ratemaking  
6 fundamentals.<sup>2</sup> In doing so, I will respond to direct testimony by the Company’s  
7 witnesses.

### 8 **III. Residential Customer Charges & Response to Testimony**

#### 9 **Please explain the change to residential customer charges proposed by the Company.**

10 A. The Company proposes to increase the monthly residential customer charge from  
11 \$13/customer to \$19/customer in this tariff.

#### 12 **Q. On what basis does the Company propose to increase residential customer charges?**

13 A. The company believes it is necessary to increase its residential customer charge from \$13  
14 per customer to \$19 per customer on the basis of cost recovery. In his direct testimony,  
15 Company witness Mr. Tim Lyons states that an increase to residential customer charges  
16 will reflect the proportional cost of providing service to this customer class.

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<sup>1</sup> By “current effective energy charge”, I am referring to the current energy charge net of the temporary tax rider. See Residential Rate Design Direct Testimony by Staff Witness Kliethermes, R., on behalf of the Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 29, 2020, p.14.

<sup>2</sup> In particular, bill historicity and bill gradualism concerns are of note in this tariff, YE-2020-0029. See Bonbright, J. (1961). *Principles of Public Utility Rates*. See the third principle of “Revenue related attributes”, regarding “stability and predictability of the rates themselves”.

1 Utilities across the United States have sought increased customer charges in  
2 recent rate cases, with mixed results. Typically, a higher fixed charge can guarantee cost  
3 recovery to utilities facing reduced loads due to energy efficiency measures, reduced  
4 consumption induced by distributed energy generation or customer defection, or due to  
5 economic challenges to the utility, including those introduced by volatile or changing  
6 weather patterns.<sup>3</sup>

7 **Please summarize the effect of the Company's proposed changes to residential customer**  
8 **charges.**

9 The proposed increase to customer charges would have a detrimental impact on low-  
10 income customers, low-usage customers, customers employing distributed energy  
11 resources on-site (e.g., net metered solar, etc.), and on the overall energy conservation  
12 and energy efficiency goals supposedly important to the Company itself. An increase to  
13 the residential customer charge, as proposed in this tariff, introduces a negative feedback  
14 loop into the cycle of energy generation, consumption, and subsequent demand. Namely,  
15 by raising standard fees that do not vary with customer energy use and over which  
16 customer's themselves have no control, the proposed customer charge increase will have  
17 the adverse effect of disincentivizing energy conservation and energy efficiency  
18 investments by residential customers.

19 The proposed \$6 increase to the residential customer charge will violate rate-  
20 design principles regarding bill predictability, and will impose a substantial shock to  
21 customers. The Company does intend to maintain its current Low Income Pilot Program,

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<sup>3</sup> Whited, M. et al. (2016). Caught in a fix. Synapse Energy Economics.

1 which reduces the customer charge to \$0 for certain low-income customers (e.g., those  
2 who would qualify for LIHEAP and are not more than two months delinquent on their  
3 bills). However, this program does not go far enough in reducing the negative impact of  
4 such high customer charges. I will address concerns regarding the LIPP in more detail in  
5 my response to Company witness Mr. Nathaniel Hackney (p.11).

6 **Q. What is your response to direct testimony submitted on behalf of Empire District**  
7 **Electric Company in regards to an increased customer charge?**

8 A. Mr. Lyons argues on behalf of the Company that a residential customer charge of \$19  
9 falls in line with customer charges assessed by other utilities across Missouri. Yet, the  
10 utilities he cites are rural electric cooperatives. For any of the Missouri-based IOUs, the  
11 customer charge proposed in this tariff far and away exceeds those assessed by either  
12 Ameren Electric or Evergy.<sup>4</sup> Furthermore, while Mr. Lyons argues that a residential  
13 customer charge increase is necessary to recover that class cost of service, the Company  
14 simultaneously requests that a type of revenue decoupling rider be implemented (e.g., a  
15 “Weather Normalization Rider”; see p.54 of Mr. Lyons’ direct testimony). As the  
16 Weather Normalization Rider would decouple revenue collection from electricity, the  
17 risk of under-collecting the costs of service would be skirted.

18 I concur with Staff witness Ms. Kliethermes, who has also determined that the  
19 dramatic increase to the customer charge proposed by the Company is inappropriate.

20 Previously, a Report and Order of the Missouri Public Service Commission (2014)

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<sup>4</sup> Residential Rate Design Direct Testimony by Witness Lyons, T., on behalf of Empire District Electric Company. State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 2019, p.32.



1 defined the appropriate function of a customer charge as that which may recover costs  
2 associated with “meter reading, billing, postage, customer account service, and a portion  
3 of the costs associated with required investment in a meter, the service line drop, and  
4 other billing costs”.<sup>5</sup> Staff believes that a customer charge of \$11.91 more than recovers  
5 the cost of such services previously approved by the Commission, but recommends that,  
6 in lieu of lowering the customer charge, the Company be allowed to maintain the current  
7 charge.<sup>6</sup>

8 **Q. What approach was taken in making your recommendation?**

9 A. I will present a conceptual analysis to demonstrate how the proposed customer charge  
10 increase will negatively impact energy conservation and energy efficiency goals through  
11 what I term a “negative feedback loop”. In direct testimony, Staff undertook a class cost  
12 of service study to make their own recommendation. I will rely on that analysis here, as  
13 there is no need to replicate a sound study that is publicly available in this case.

14 **Q. With this in mind, please summarize why you recommend that the Commission  
15 reject the Company’s proposal to increase customer charges.**

16 A. Of course. As previously asserted, numerous negative policy impacts would result from  
17 an increased customer charge. I will address each in turn.

18 **Q. How would increased customer charges impact vulnerable populations?**

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<sup>5</sup> Missouri Public Service Commission. Case No. ER-2014-0258, Report and Order In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Increase Revenues for Electric Service (April 29, 2015).

<sup>6</sup> Residential Rate Design Direct Testimony by Staff Witness Kliethermes, R., on behalf of the Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 29, 2020, p.14.

1 A. Increased customer charges impose a disproportionate burden on vulnerable customers,  
2 including low-income customers, seniors households or households with young children,  
3 who may be struggling with volatile or burdensome electricity rates. Low-income  
4 customers already suffer heavily from high costs of energy, and are more likely to forego  
5 critical services (e.g., using air conditioning during heat events, heating homes to  
6 comfortable temperatures during the winter) in favor of keeping bills low.<sup>7</sup> These are  
7 costs over which low-income or conservation-minded customers attempt to exert control;  
8 in contrast, an increase to fixed charges is a cost over which there is absolutely nothing  
9 the customer can do to manage their bill. An annual bill increase for customer charges  
10 alone to \$228 (from \$132) will have a much more sizable impact on a low-income  
11 customer than it would to a customer earning a comfortable middle class wage,  
12 particularly as overall electric rates remain high in the YE-2020-0029 tariff.<sup>8</sup>

13 **Q. How would increased customer charges impact low-usage customer?**

14 A. Increased customer charges are not sensitive to the nuances and varied system  
15 requirements among diverse customers. For example, apartments historically have the  
16 lowest cost of service of any customer class due to the fact that multiple units can be  
17 served through a single delivery point.<sup>9</sup> Despite the lesser demand placed upon the

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<sup>7</sup> Vote Solar, “Guidance for utility commissions on Time of Use rates: A shared perspective from consumer and clean energy advocates”, Electricity Rate Design Review Paper No.2, July 15, 2017, *available at* <https://votesolar.org/files/9515/0039/8998/TOU-Paper-7.17.17.pdf>

<sup>8</sup> See Empire District Electric Company Tariff Revision YE-2020-0029, p.1. (August 8, 2019). Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area.

<sup>9</sup> Lazar, J. (2016) “Use great caution in design of residential demand charge rates”. Regulatory Assistance Project, *available at* <https://www.raonline.org/wp-content/uploads/2016/05/lazar-demandcharges-ngejournal-2015-dec.pdf>

1 system by such customers, those who reside in apartments may be unfairly and  
2 disproportionately assigned to customer-related cost recovery charges. Additionally, low-  
3 income customers are more likely to reside in multi-family apartments, which cost less  
4 than individual residences to serve, as well as tend to consume less energy than their  
5 higher-income counterparts. An increase to customer charges will impose inequitable  
6 costs to these customers, who can literally do nothing to respond.

7 **Q. How would increased customer charges impact customers employing distributed**  
8 **generation, or those investing in energy efficiency upgrades?**

9 A. Utilities have insisted that an increased fixed charge will assist the utility in recovering  
10 costs formerly associated with full-time customers, but when accounting for customers  
11 who have become less reliant on the grid due to their installation of solar panels or other  
12 distributed energy resources (“DER”), will account for the losses, defections, or sales  
13 reductions to such customers.<sup>10</sup> However, higher fixed charges essentially punish low-  
14 usage customers, who are (1) actually contributing predictable, low-cost power to the  
15 grid, (2) reducing their own demand during system peaks, or (3) covering the cost of  
16 equipment that ultimately contributes to the grid, as customers utilizing DER cover the  
17 costs of installation and operation of the equipment.

18 The Company does not pay its DER customers for anything but power sold back  
19 to the grid, and is even able to purchase that generation at the wholesale rate. As this  
20 power-purchasing relationship mirrors the transactional relationship between the

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<sup>10</sup> In particular, Ameren Missouri makes this argument in its current rate design case before the Missouri Public Service Commission. See Public Service Commission of the State of Missouri File No. ER-2019-0335, In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Decrease Its Revenues for Electric Service.

1 Company and SPP, it cannot be said that other customers absorb the cost of another’s net  
2 metered solar, for example. Recent studies have pointed to the fact that DER customers  
3 provide one of the surest avenues by which a utility may lower its revenue requirement  
4 through avoided investment in additional generation, transmission, and distribution  
5 equipment.<sup>11</sup> To be clear, an increase to the fixed customer charge will disincentive DER  
6 proliferation, and is shortsighted in its imposition on resource diversification.

7 **Q. How would an increased customer charge impact system-wide energy usage?**

8 A. In a 2015 case before the Minnesota Utilities Commission, an increase to fixed customer  
9 charges was denied on the basis that “a customer-charge increase for [residential] classes  
10 would place too little emphasis on the need to set rates to encourage conservation.”<sup>12</sup> The  
11 unintended consequence of such actions on energy conservation and consumption have  
12 been noted elsewhere, including by environmental advocates in a separate rate design  
13 case pending before the Commission. Notably, Sierra Club witness Avi Allison stated  
14 that an increase to fixed customer charges would render investments in energy efficiency  
15 “less effective” as “only the energy charge can be avoided through greater energy  
16 efficiency.”<sup>13</sup>

17 Furthermore, while the Company seeks an increase to its customer charge, utility  
18 regulatory bodies from across the country have made a few notable decisions to decrease

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<sup>11</sup> Whited, M. et al. (2016). “Caught in a fix.” Synapse Energy Economics. See Figure 10, p.28.

<sup>12</sup> Minnesota Public Utilities Commission, In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota; Findings of Fact, Conclusions, and Order; Docket No. E-002/GR- 13-868, May 8, 2015, p. 88.

<sup>13</sup> Rate Design Direct Testimony by Allison, A., on behalf of Sierra Club. Public Service Commission of the State of Missouri File No. ER-2019-0335, In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Decrease Its Revenues for Electric Service, December 18, 2019, p.11.

1 high customer charges. Regulators, environmental groups, and consumer advocates cited  
2 the impacts on energy conservation and efficiency, to DER customers, and to low-income  
3 customers as driving forces behind the decision to reduce fixed customer charges (see  
4 footnotes; 2018 Connecticut Public Utilities Regulatory Commission rate case<sup>14</sup>; 2017  
5 New York Public Service Commission rate case<sup>15</sup>). In the 2017 case before the New  
6 York Public Service Commission, the Acadia Center listed four primary reasons behind  
7 their support for a reduced customer charge, three of them environmental. High customer  
8 charges: (1) disincentive energy conservation, efficiency measures, and DER  
9 proliferation because they devalue a kWh saved or generated; (2) reduce diversity of the  
10 overall resource portfolio on a particular grid for the same reason; and (3) inhibit GHG  
11 emissions reductions targets by disincentivizing investment in the technologies and  
12 resources that contribute to a cleaner” grid (e.g., energy efficiency measures & DER).<sup>16</sup>

13 **IV. Low-Income Pilot Program & Response to Direct Testimony**

14 **Q. Please summarize the direct testimony of Mr. Nathaniel Hackney on behalf of the**  
15 **Company, as it pertains to the low-income pilot and customer charges.**

16 In direct testimony, Mr. Hackney summarizes the effect of the Company’s Low-Income  
17 Pilot Program (LIPP), and puts forth the intent of the Company to continue to offer this  
18 program in light of the residential customer charge increase. The LIPP removes the  
19 customer charge for qualifying customers on a seasonal (high-peak) basis, or more

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<sup>14</sup> Connecticut Public Utilities Regulatory Commission. Docket No. 17-10-46, Decision In the Matter of the Connecticut Light and Power Company d/b/a Eversource Energy (April 18, 2018).

<sup>15</sup> State of New York Public Service Commission. Case No. 17-E-0459, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan In the Matter of Central Hudson Gas & Electric Corporation (June 14, 2018).

<sup>16</sup> Statement in Support of Joint Proposal by Howe, C., on behalf of Acadia Center. New York Public Service Commission. Case No. 17-E-0459, In the Matter of the Central Hudson Gas & Electric Corporation (May 2, 2018).

1 permanently for select qualifying customers. Here, Mr. Hackney requests that the LIPP  
2 budget cap be removed, enabling the Company to assist more low-income customers.

3 **Q. Will the LIPP sufficiently combat negative economic burdens posed to residential**  
4 **customers by the proposed customer charge increase?**

5 A. In short, no. The LIPP does not go far enough in addressing burdensome electric bills.  
6 Already, thousands of customers struggle to pay electric bills at the current energy and  
7 customer charge levels.<sup>17</sup> As tariff YE-2020-0029 increases both the customer charge and  
8 the effective energy charge (net of the temporary tax rider), it appears that residential  
9 electric bills will only become more burdensome. However, I do recommend that the  
10 Company continue to offer LIPP, as Mr. Hackney was able to demonstrate that a number  
11 of customers have benefitted from utilizing the program. Merely, I caution that LIPP will  
12 insufficiently address the *additional* burdens posed by the customer charge increase put  
13 forth here, and should not be pursued as a permanent solution to the high customer  
14 charges proposed here. As it stands, the LIPP distracts from underlying issues posed by  
15 the Company's cost recovery plan, although I agree with Mr. Hackney that the LIPP  
16 should continue to be offered *as a partial solution* to burdensome energy bills overall.

17 **V. Recommendation and Response to Empire District Electric Company**

18 **Q. What is your recommendation to the Company in regards to the customer charge?**

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<sup>17</sup> Community Action Agencies referred 5,769 customers to the LIPP program; of these, Empire District Electric Company accommodated 1,218 customers total. See "Summary of Results: Low-Income Pilot Program" (August 2019, p.4), submitted in Direct Testimony of Hackney, N. behalf of See Empire District Electric Company. Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area.

1 A. On the basis of these noted policy concerns, Renew Missouri recommends that no  
2 increase to the fixed charge be made.<sup>18</sup> As a part of its 5-year Capital Plan, the Company  
3 has stated that it intends to begin implementing AMI in 2020-2021.<sup>19</sup> Ultimately, AMI  
4 technology will enable the utility to implement a more modernized rate design that  
5 allocates the costs of service in a more sophisticated manner.<sup>20</sup> For example, Synapse  
6 Energy Economics, Inc., states that Time-of-Use (TOU) rates (which AMI easily enables)  
7 can assist utilities with cost recovery without necessitating an increase to the customer  
8 charge.<sup>21</sup>

9 With this consideration and previously stated policy concerns in mind, the  
10 Commission should not permit Empire District Electric Company to implement the  
11 dramatic increase to fixed customer charges proposed in tariff YE-2020-0029. In 2015  
12 the Missouri Public Service Commission rejected a request made by another investor  
13 owned utility to increase fixed customer charges, and stated that “residential customers  
14 should have as much control over the amount of their bills as possible so that they can  
15 reduce their monthly expenses by using less power” as a lower customer charge “gives

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<sup>18</sup> Rate-design expert Mark LeBel (Acadia Center, the Regulatory Assistance Project) believes that the limited categories of costs that are appropriate for a fixed charge should be no more than \$10/month. In its current tariff, the Company’s customer charge already exceeds this recommended amount. See Trabish, H. (August 23, 2018). “Are regulators starting to rethink fixed charges?” *Utility Dive*. Retrieved from: <https://www.utilitydive.com/news/are-regulators-starting-to-rethink-fixed-charges/530417/>

<sup>19</sup> See Empire District Electric Company 4 CSR 240-22.080 Executive Summary, the Public Service Commission of the State of Missouri File No. EO-2019-0049.

<sup>20</sup> See “Movement Towards Modern Rate Structures” Direct Testimony by Staff Witness Lange, S., on behalf of the Public Service Commission of the State of Missouri File No. ER-2019-0374, in the Matter of Empire District Electric Company Request for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in its Missouri Service Area, January 29, 2020, p.23.

<sup>21</sup> Whited et al. (2016). “Caught in a fix.” Synapse Energy Economics, p. 4.

1           the customer more control.”<sup>22</sup> Incentivizing customers to reduce their demands on the  
2           grid and empowering them to control their energy bills are sound reasons to limit the  
3           Company in this regard.

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

5   **A.    Yes.**

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<sup>22</sup> Missouri Public Service Commission Report and Order, File No. ER-2014-0258, In the Matter of Union Electric Company, d/b/a Ameren Missouri’s Tariff to Increase Revenues for Electric Service, April 29, 2015, pages 76-77.