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of Missouri

MISSOURI PUBLIC SERVICE COMMISSION

Case No.: ER-2024-0261

Surrebuttal Testimony of Caroline Palmer

On Behalf of

Consumers Council of Missouri

September 17, 2025

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I. INTRODUCTION

Q Please state your name, title, and employer.

A My name is Caroline Palmer. I am a Principal Associate at Synapse Energy Economics, Inc. (Synapse), located at 485 Massachusetts Avenue, Suite 3, Cambridge, MA 02139.

Q On whose behalf are you testifying in this case?

A I am testifying on behalf of the Consumers Council of Missouri (Consumers Council).

Q Are you the same Caroline Palmer who filed direct testimony in this docket?

A Yes.

Q Did you file rebuttal testimony in this docket?

A No.

Q What is the purpose of your surrebuttal testimony?

A I respond to the Company's rebuttal testimony regarding its cost of service study. If I do not comment on a rebuttal topic, it should not be interpreted as agreement.

II. COST OF SERVICE STUDY

Classification and Allocation of Distribution System Costs

Q How does the Company respond to your concern regarding the load carrying capacity of its hypothetical minimum system and your recommendation to credit customers for the demand-related cost of the minimum system?

A The Company does not deny that the hypothetical minimum distribution system it quantified has a load carrying capacity. Instead, the Company pivots away from my minimum system concern to focus entirely on its zero-intercept study. First, the Company notes that it based more than 40 percent of its classification of distribution plant and

expenses on the zero-intercept method, which it argues reflects no load carrying capacity. Then, the Company argues that it could classify all relevant distribution plant and expenses based only on the zero-intercept method and still obtain similar residential customer-related costs.[1]

Q Does Liberty continue to recommend its original distribution classification, based partly on minimum system studies, without adjusting for the load carrying capacity of the minimum system?

A Yes.[2]

Q Since you filed direct testimony, has another regulatory authority ordered a utility to account for the load carrying capacity of the minimum system?

A Yes. The Connecticut Public Utilities Regulatory Authority just issued its proposed final decision in United Illuminating's (UI) rate case. The Authority found the use of a load-carrying capacity adjustment to be consistent with the NARUC Manual and directed UI to use a load-carrying capacity adjustment in its compliance filing for the current case, and to further refine the load-carrying capacity adjustment as part of its next rate case application.[3]

[1] Rebuttal Testimony of Timothy S. Lyons p.10-11.
[2] Rebuttal Testimony of Timothy S. Lyons p.11.
[3] Docket No. 24-10-04. Proposed Final Decision of the Connecticut Public Utilities Regulatory Authority. September 10, 2025. p.213-214. Available at: https://www.dpuc.state.ct.us/dockcurr.nsf/4b3c728dd1c0d642852586db0069aa70/0e9f94624d21522e85258d01007311c4/$FILE/24-10-04%20PFD.pdf.

Q If the Commission approves Liberty's use of minimum system methods, do you continue to recommend adjusting for the load carrying capacity of the minimum system by crediting customers for the demand-related cost of the minimum system?

A Yes. I continue to recommend using at least a 1.5 kW credit per customer to develop class NCP demand allocations until a more detailed analysis can be conducted.[4]

Classification and Allocation of Advanced Metering Infrastructure (AMI) Meter Costs

Q Does the Company agree with your recommendation to classify AMI meter costs as a combination of customer, demand, and energy?

A No. The Company acknowledges that AMI meters can help facilitate benefits to the electric system, such as reduction in peak demands through time-of-use rates, but argues that realizing such benefits require other actions, such as changes in customer behavior, in addition to installing AMI meters.[5] The Company also argues that AMI meter costs do not vary based on changes in demand and energy but rather based on changes in the number of customers.

Q How do you respond to the assertion that AMI meters alone do not facilitate peak demand reduction and other benefits?

A The Company's argument does not change the fact that AMI meters are required to achieve the benefits described. The Company is not implementing AMI meters in a vacuum; instead, Liberty automatically moves its Missouri electric residential and commercial customers with AMI meters to a Time Choice rate plan that encourages

[4] 7.21.25 Direct Testimony of Caroline Palmer p.18.
[5] Rebuttal Testimony of Timothy S. Lyons p.21.

customers to shift usage to off-peak hours, thereby providing demand reduction benefits.[6] Such behavioral change is only possible once customers have an AMI meter, which is essential to achieving these demand reduction benefits.

Q How do you respond to the argument that AMI meter costs do not vary based on changes in demand and energy, and only vary based on the number of customers?

A Liberty's argument only considers the fact that the Company installs a certain *number* of meters based on number of customers but does not consider that the incremental *cost* of AMI meters is due to their enhanced functionality relative to non-AMI meters. The cost of the additional meter functionality relates to the power system benefits it enables and those costs should therefore be at least partially allocated based on these benefits.

Q Is there established regulatory precedent tying cost allocation to benefits?

A Yes. As I discussed in my direct testimony, both the Maryland and Colorado commissions have found that AMI classification should reflect the system-wide benefits of the technology.[7] The Federal Energy Regulatory Commission (FERC) has also determined that "the cost causation principle provides that costs should be allocated to those who cause them to be incurred and those that otherwise benefit from them."[8] Given that the benefits of peak demand reduction accrue to customers by reducing their share of demand-related system costs, the costs of Liberty's AMI meters are partly attributable to

[6] Customers "pay a little more for energy used during peak hours and a little less for energy used during off-peak hours." *See* "Time Choice Rate Plan." Liberty Utilities. https://central.libertyutilities.com/all/residential/rates/time-choice-rate-plan.html.

[7] 7.21.25 Direct Testimony of Caroline Palmer p.22-23.

[8] FERC's influential Order No. 1000 reformed the Commission's electric transmission planning and cost allocation requirements. *See* Order No. 1000, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities. 136 FERC ¶ 61,051 paragraph 535. Available at: https://www.ferc.gov/sites/default/files/2020-04/OrderNo.1000.pdf.

enabling peak demand reduction and should in turn be allocated among customers based on demand allocators. The same is true for energy-related benefits.

III. CONCLUSION

Q Does this conclude your testimony?

A Yes, it does.