

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a)	
Ameren Missouri's 2nd Filing to Implement)	File No. EO-2015-0055
Regulatory Changes in Furtherance of Energy)	
Efficiency as Allowed by MEEIA)	

SIERRA CLUB'S AMENDED STATEMENT OF POSITION

Pursuant to the Missouri Public Service Commission's ("Commission") July 8, 2015 Order Directing Filing, Sierra Club, by and through undersigned counsel, hereby submits its Amended Statement of Position.¹ There have been several significant developments in this case since the filing of party positions on May 11. In the roughly two months since this time, the evidentiary hearing, originally set to begin on May 27, was rescheduled; settlement discussions have occurred; and two non-unanimous stipulation and agreements that would modify Union Electric Company d/b/a Ameren Missouri's ("Ameren" or the "Company") MEEIA Cycle 2 Plan were filed,² along with supplemental and then supplemental rebuttal testimony. Because several parties have filed timely objections to the stipulations,³ both stipulations are treated as non-binding joint positions of the signatory parties, and all issues remain for determination after hearing. Commission Rule 4 CSR 240-2.115(2)(D).

Sierra Club supports the joint position reflected in the Non-Utility Stipulation.⁴ While

¹ Sierra Club filed its initial Statement of Position on May 11, 2015. As stated in that filing, Sierra Club reserves the right to modify and/or take additional positions as the case proceeds.

² See Non-Unanimous Stipulation and Agreement (filed June 30, 2015) ("Utility Stipulation") and Amended Non-Unanimous Stipulation and Agreement Regarding Ameren Missouri's MEEIA Cycle 2 ("Non-Utility Stipulation") (originally filed July 7, 2015, amended on July 8, 2015). Signatories to the Utility Stipulation include Ameren, Missouri Department of Economic Development – Division of Energy, Kansas City Power and Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company, Natural Resources Defense Council ("NRDC"), and United for Missouri, Inc. Signatories to the Non-Utility Stipulation include Staff, the Office of the Public Counsel ("OPC"), Midwest Energy Consumers' Group, the Missouri Industrial Energy Consumers, and Earth Island Institute d/b/a Renew Missouri.

³ Sierra Club filed a timely objection to the Utility Stipulation on July 7.

⁴ The Non-Utility Stipulation indicated that Sierra Club "supports this stipulation in principle and is seeking formal internal approval to join as a signatory." Non-Utility Stipulation at 1. As discussed previously, the stipulation has

neither stipulation contains planned three-year savings that are even close to the levels that Ameren could and should achieve, the Non-Utility Stipulation presents a path forward to increase savings in 2017 and 2018, and focuses on a key concern with Ameren’s underlying efficiency analysis – customer participation rates.

A. Joint Issues⁵

1. Should the Commission approve, reject or modify Ameren Missouri’s MEEIA Cycle 2 Plan (hereafter the “Plan”)?

The Commission should modify Ameren’s MEEIA Cycle 2 Plan pursuant to the Non-Utility Stipulation. Sierra Club recognizes that such a modified plan, which was developed in the spirit of compromise,⁶ may not immediately result in significantly higher savings as compared to Ameren’s initial proposal (the increase would be from 426 GWh to 459 GWh), and that the Utility Stipulation includes a higher three-year savings estimate (584 GWh). However, the critical point is that the Non-Utility Stipulation provides a process for securing increased savings for the final two years of the plan, which includes the assistance of independent experts, a focus on customer participation rates, and further utility-stakeholder collaboration. Because none of the three-year savings estimates contained in the Company’s application or the stipulations – ranging from 426 GWh to 584 GWh – are sufficient alone, it is important to reassess the low estimates so as to increase savings during the life of the three-year plan. The Non-Utility Stipulation provides such a process.

Ameren’s initial proposed plan represented a significant step backward on energy efficiency, particularly in light of the progress the Company has made to date. Most of the parties that presented testimony in this case – including Staff, OPC, Sierra Club, and NRDC – generally

since been converted to a joint position under Rule 4 CSR 240-2.115(2)(D) and Sierra Club provides its support through this amended statement of position.

⁵ The issues presented herein reflect the issues contained in the *List of Issues, Order of Opening Statements, Order of Witnesses, and Order of Cross Examination*, which Staff filed on May 4, 2015.

⁶ Corrected Clean Supplemental Direct Testimony of Sarah L. Kliethermes at 3.

agreed that Ameren's proposed plan included savings levels that are too low, did not represent progress towards achieving all cost-effective energy efficiency savings, and should not be approved as filed. Indeed, no party provided testimony supporting the proposed saving targets.

The modified savings levels in the Utility Stipulation are directionally correct but insufficient. Framed as a 37% increase in savings (as compared to the Company's initial filing), what the Company actually proposes is a roughly 25% decrease in planned savings (as compared to Cycle 1) with no clear path forward to increasing savings and customer adoption rates. While Ameren agrees to work collaboratively with stakeholders to identify additional cost-effective energy savings, a stronger commitment is needed to ensure that increased savings levels are achieved.

Given the low levels of savings that currently are on the table, reassessing what Ameren can achieve in 2017-2018 – based on (i) assistance from a third-party mediator and independent experts and (ii) company-stakeholder collaboration – provides promise of a plan that can represent progress towards achieving all cost-effective energy efficiency savings. As Staff witness Rogers testified in his supplemental direct, the Non-Utility Stipulation provides these “two avenues” to move towards reaching the goals of MEEIA.⁷

In its initial statement of position, Sierra Club stated that the Commission should modify the Plan so that the annual savings targets reflect the guideline savings goals provided in the demand side program rule implementing MEEIA, 4 CSR 240-20.094(2)(A), which would increase Ameren's planned savings to a rate of 1.1-1.5% per year during the three-year period. Sierra Club maintains that Ameren should pursue these higher savings levels by taking at least some of the steps Sierra Club witness Tim Woolf outlined in rebuttal testimony and correcting critical flaws in its Potential Study and Integrated Resource Plan. The process outlined in the Non-Utility Stipulation, including expert recommendations as to how to increase savings in 2017 and 2018

⁷ Supplemental Direct Testimony of John Rogers at 3.

(with a particular focus on program participation rates), can help Ameren move in that direction.

Finally, Sierra Club continues to believe that the Commission should decline to use a rate impact analysis of the type presented in Staff's initial rebuttal testimony. A rate impact screen is an inaccurate way to assess the benefits that demand-side programs provide to non-participating customers because it does not capture the system-wide benefits of efficiency for all customers, such as risk mitigation. As Sierra Club witness Woolf explains in surrebuttal, requiring programs to pass a rate impact screen would harm consumers by taking millions of dollars of benefits off of the table. Moreover, screening efficiency programs based on a rate impact analysis is inconsistent with cost-effectiveness testing under MEEIA. Eliminating programs based on a rate impact screen would render the total resource cost ("TRC") test and utility cost test ("UCT") essentially meaningless and would prevent the pursuit of all cost-effective efficiency, contrary to MEEIA. As such, the Commission should reject the use of a rate impact screen. Concerns about rate impacts on non-participants should be balanced against the benefits of reducing electricity costs, and addressed through program design and implementation practices that will increase efficiency program participation

2. Do the programs in the Plan, and associated incremental energy and demand savings, demonstrate progress toward achieving all cost-effective demand-side savings consistent with state policy (as established by MEEIA)?

Sierra Club incorporates by reference its response to this question in its May 11 Statement of Position (with regards to Ameren's initial proposal), and provides the following additional information.

Like Ameren's initial proposal, the Utility Stipulation falls short of demonstrating progress toward achieving all cost-effective demand-side savings consistent with MEEIA. The revised savings estimates remain roughly 25% below those for MEEIA Cycle 1 and are even lower when compared to what Ameren is achieving in practice, with no clear path forward to increasing

savings in the near term. As discussed above, the process outlined in the Non-Utility Stipulation for seeking higher savings in the final two years of the three-year period can help Ameren move towards the goal of achieving all cost-effective demand-side savings.

3. If the Commission approves a Plan, what are the components of the demand-side programs investment mechanism and how will each of the components be administered?

Sierra Club refers to the Non-Utility Stipulation.

4. If the Commission approves a Plan, what variances from Commission rules based on a showing of good cause are necessary?

Sierra Club refers to the Non-Utility Stipulation. With respect to the other potential variances, Sierra Club reserves the right to present a position as the case proceeds.

B. Office of the Public Counsel's Issues⁸

1. If the Commission approves a plan, should the total resource cost test be applied uniformly when calculating net shared benefits?

Sierra Club did not address this issue in testimony and reserves the right to present a position as the case proceeds.

2. If the Commission approves a demand-side program investment mechanism that includes a performance incentive, should the performance incentive be included as a cost when calculating the net shared benefits?

Sierra Club did not address this issue in testimony and reserves the right to present a position as the case proceeds.

C. Sierra Club's Issue

1. In assessing the cost-effectiveness of demand-side programs, should Ameren Missouri consider the results of the utility cost test?

Yes. The UCT provides valuable information concerning the cost-effectiveness of energy efficiency measures and programs, and the impact of such resources on customers' electric bills.

⁸ Sierra Club's responses to the remainder of the issues are unchanged from its initial filing.

Indeed, of all of the standard cost-effectiveness tests, the UCT provides the best indication of the extent to which energy efficiency can reduce electricity costs and, therefore, lower customer bills on average. Yet, Ameren Missouri did not report the results of the UCT in its Potential Study. By excluding measures and programs that pass the UCT but not the TRC, Ameren understates available efficiency opportunities.

Missouri law and Commission regulations recognize the role that the UCT should play in assessing the cost-effectiveness of demand-side resources. Specifically, MEEIA provides that:

The commission shall permit electric corporations to implement commission-approved demand-side programs proposed pursuant to this section with a goal of achieving all cost-effective demand-side savings. ... The commission shall consider the total resource cost test a preferred cost-effectiveness test. Programs targeted to low-income customers or general education campaigns do not need to meet a cost-effectiveness test, so long as the commission determines that the program or campaign is in the public interest. *Nothing herein shall preclude the approval of demand-side programs that do not meet the test if the costs of the program above the level determined to be cost-effective are funded by the customers participating in the program or through tax or other governmental credits or incentives specifically designed for that purpose.*

393.1075(4), RSMo (emphasis added). The Commission's rule on demand-side programs similarly provides that "[t]he Commission shall approve demand-side programs which have a total resource cost test ratio less than one (1), if the commission finds ... the costs of such programs above the level determined to be cost-effective are funded by the customers participating in the programs." 4 CSR 240-20.094(3)(C).

As Sierra Club witness Tim Woolf explains in rebuttal testimony, the primary difference between TRC and UCT is that the TRC test includes participant costs whereas the UCT does not. As a result, programs that pass the UCT but not the TRC test generally are programs with costs that are "above the level determined to be cost-effective" under the TRC test and are "funded by the customers participating in the program." 393.1075(4), RSMo; 4 CSR 240- 20.094(3)(C). Thus, the UCT should be considered in assessing the cost-effectiveness of demand-side programs.

D. Missouri Division of Energy's Issue

1. If the Commission modifies Ameren Missouri's MEEIA Cycle 2 Plan what modifications should the Commission adopt?

Sierra Club respectfully refers to its response to Joint Issue No. 1 above. Sierra Club also refers to Mr. Woolf's rebuttal testimony for additional examples of the ways in which Ameren could increase its planned savings.

Dated this 16th day of July, 2015.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct PDF version of the foregoing was filed on EFIS and electronically mailed to all counsel of record on this 16th day of July, 2015.

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