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Witness: Lynn M. Barnes  
Sponsoring Party: Union Electric Company  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**File No. EO-2015-0055**

**SUPPLEMENTAL TESTIMONY**

**OF**

**LYNN M. BARNES**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a Ameren Missouri**

**St. Louis, Missouri  
June 2015**

*Ameren* Exhibit No. 102  
Date 7-21-15 Reporter TM  
File No. EO-2015-0055

**SUPPLEMENTAL TESTIMONY**

**OF**

**LYNN M. BARNES**

**CASE NO. EO-2015-0055**

1           **Q.     Please state your name and business address.**

2           A.     My name is Lynn M. Barnes. My business address is One Ameren Plaza,  
3 1901 Chouteau Avenue, St. Louis, Missouri 63103.

4           **Q.     Are you the same Lynn M. Barnes who filed surrebuttal testimony in this**  
5 **docket on April 29, 2015?**

6           A.     Yes, I am.

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

8           A.     The purpose of my supplemental testimony is to address changes to the TD-  
9 NSB<sup>1</sup> portion of the Company's proposed DSIM, which are reflected in the Non-Unanimous  
10 Stipulation and Agreement ("Stipulation") and the mechanics of which are outlined in  
11 Company witness William R. Davis' supplemental testimony.<sup>2</sup> I will also briefly address the  
12 reasons for the changes to the Company's MEEIA 2 Plan reflected in the Stipulation, which  
13 are addressed in both Mr. Davis' supplemental testimony and that of Company witness Dan  
14 Laurent.

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<sup>1</sup> Capitalized terms and acronyms used in this testimony have the same meanings as in my surrebuttal testimony.

<sup>2</sup> Mr. Davis has assumed the role formerly performed for this case by Steven M. Wills and has adopted Mr. Wills' prior testimony. Mr. Wills was Manager of Quantitative Analytics in Corporate Planning for Ameren Services at the time the MEEIA 2 Plan was prepared and filed, but has since accepted a position as Director of Rates and Analysis for Ameren Illinois Company. Mr. Davis was the Company's witness on a number of MEEIA issues, including related to the TD-NSB and the performance incentive, in the Company's MEEIA 1 Plan docket.

1           **Q.     Addressing the second topic first, why did the Company agree to make**  
2 **changes to its MEEIA 2 Plan?**

3           A.     The Company's MEEIA 2 Plan was largely modeled on the MEEIA 1 Plan  
4 proposed by the Company and approved by the Commission pursuant to the Stipulation and  
5 Agreement ("MEEIA 1 Stipulation") entered into in that case. As in the MEEIA 1 Plan, the  
6 targeted savings in the MEEIA 2 Plan were based on the Realistic Achievable Portfolio  
7 ("RAP") results from the Company's most recent demand-side potential study. Also, the  
8 TD-NSB part of the DSIM proposed in the Company's MEEIA 2 Plan were essentially the  
9 same as the TD-NSB portion of the DSIM approved in the MEEIA 1 case.<sup>3</sup> In preparing its  
10 MEEIA 2 Plan, the Company sought to continue the successful approach reflected in the  
11 MEEIA 1 Plan, which almost all of the parties to the MEEIA 1 case agreed was appropriate.  
12 However, through other parties' testimony in this case and based on extensive discussions  
13 with them, it was apparent that some parties had concerns about continuing (as-is) some of  
14 the approaches reflected in the MEEIA 1 Plan. The Company considered those concerns.  
15 Based on that consideration and while assuring that the Company is not confronted with a  
16 disincentive that would prevent it from continuing to pursue energy efficiency, it determined  
17 that changes could be made to the MEEIA 2 Plan. Those changes are reflected in the  
18 Stipulation.

19           **Q.     What are those changes?**

20           A.     There are essentially three changes. First, a mechanism has been added within  
21 the originally-proposed TD-NSB portion of the DSIM (which, as noted, is essentially the

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<sup>3</sup> The DSIM approved in the MEEIA 1 case was not, initially, implemented via a rider because of the legal uncertainty surrounding use of a rider under MEEIA. A court decision later cleared up that uncertainty and, thereafter, a rider has been used, as was contemplated in the MEEIA 1 Stipulation. The basics of the TD-NSB portion of the DSIM continue to operate the same, both before and after a rider was employed.

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1 same as the TD-NSB portion of the DSIM already in place for the MEEIA 1 programs) that  
2 is specifically designed to address the impact of rate case timing (and rate case outcomes) on  
3 the TD-NSB share. Second, the megawatt-hour savings targets have been increased for the  
4 MEEIA 2 Plan as a whole by approximately 37% (and the program budget increased as  
5 needed to obtain those additional savings) in an effort to address issues raised by others who  
6 advocate for more savings in the Plan. Mr. Davis' supplemental testimony addresses the  
7 mechanics of the changes to the TD-NSB portion of the DSIM, and Mr. Laurent's  
8 supplemental testimony addresses the increase in savings targets and the budget. Finally, the  
9 Stipulation modifies the performance incentive mechanism portion of the DSIM to address  
10 concerns expressed by some of the parties to this case. Mr. Davis provides details on these  
11 changes in his supplemental testimony.

12 **Q. What types of changes were made to the TD-NSB mechanism?**

13 **A.** While some parties in this case, including Staff through the rebuttal testimony  
14 of Mr. Oligschlaeger, pointed out that the timing and outcome of rate cases can significantly  
15 impact the TD-NSB percentage necessary to address the throughput disincentive,  
16 Mr. Oligschlaeger went so far as to advocate for a "retrospective review and true-up" of three  
17 rate case parameters. After discussion on this issue, the Company and the signatories to the  
18 Stipulation agreed that the timing and outcomes in rate cases can affect what is needed to  
19 address the throughput disincentive. Mr. Davis discusses this further in his supplemental  
20 testimony.

21 **Q. Can the retrospective review and true-up proposed by Mr. Oligschlaeger**  
22 **be done and, if not, why not?**

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1           A.     No. For the reasons given in my surrebuttal testimony, a retrospective review  
2 and true-up of the TS-NSB share that is approved for use in this case, as proposed by  
3 Mr. Oligschlaeger, simply cannot be done without causing the Company to violate GAAP  
4 and SEC requirements. This means that if such a review/true-up were imposed, it is certain  
5 that the Company's earnings would suffer as a direct result of pursuing energy efficiency.  
6 For all of the reasons given in my surrebuttal testimony, this not only prevents an alignment  
7 of the Company's interests with helping its customers to use energy more efficiently, but it  
8 creates a significant and direct *disincentive* to provide energy efficiency programs at all.

9           **Q.     Your surrebuttal testimony indicated that GAAP and SEC requirements**  
10 **would not allow EM&V results to be applied retrospectively to change the TD-NSB**  
11 **share, but now you are focusing on rate case parameters. Why?**

12          A.     A data request sent by the MPSC Staff a few weeks ago suggested that I may  
13 have misunderstood one aspect of Mr. Oligschlaeger's rebuttal testimony. I had originally  
14 read his testimony, taken together with the Staff's overall position as reflected in its other  
15 witnesses' rebuttal testimony, and taken the position that EM&V results should be  
16 retrospectively applied to determination of the TD-NSB share. After receiving the data  
17 request suggesting that I may have misunderstood Mr. Oligschlaeger's position, I went back  
18 and read his testimony with that in mind. My reading confirmed that Mr. Oligschlaeger was  
19 really only expressing a desire to address the impact of rate case parameters on the TD-NSB  
20 share, but was not recommending that EM&V be retroactively applied. A copy of my  
21 response to the Staff's data request is attached to my testimony as Schedule LMB-ST1.

22          **Q.     Does your better understanding of Mr. Oligschlaeger's position affect**  
23 **your opinions and conclusions in your surrebuttal testimony?**

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1           A.     No, it does not. As noted above, while Mr. Oligschlaeger is not proposing to  
2 retrospectively apply EM&V to the TD-NSB share, he is proposing to retrospectively apply  
3 certain rate case parameters that will only become known later to the TD-NSB share. Doing  
4 this has the same negative impact on the Company's earnings due to pursuing energy  
5 efficiency programs as would retrospectively applying EM&V to the TD-NSB share because,  
6 under GAAP and SEC requirements, the revenue from the TD-NSB share simply cannot be  
7 recorded as income for the Company under Mr. Oligschlaeger's approach.

8           **Q.     In your surrebuttal testimony, you explained why the TD-NSB share**  
9 **could not be retroactively changed and at the same time align the Company's interests**  
10 **with helping its customers use energy more efficiently. The structure set forth in the**  
11 **Stipulation has two tiers, and the finality of the second tier depends on actual rate case**  
12 **timing and other rate case parameters. Does this structure align the Company's**  
13 **financial incentives with helping customers use energy more efficiently?**

14           A.     Yes. As we sit here today, we believe the assumptions used to set the tier 1  
15 TD-NSB share create only a very small risk that the impact of the MEEIA 2 programs on the  
16 Company's sales would cause the Company to suffer a loss of income (as compared to the  
17 income experienced had there been no MEEIA 2 programs) due to the programs. At the  
18 same time, adding a tier 2 to the TD-NSB structure leaves, at most, only a small risk that  
19 customers might "pay too much" for the TD-NSB share. Mr. Davis discusses these small  
20 risks in his supplemental testimony. This means that it makes sense from a business  
21 perspective for the Company to utilize energy efficiency as a resource in the face of such a  
22 small risk, particularly when one considers that utilization of energy efficiency is desired by  
23 most, if not all, stakeholders and is encouraged by state policy. To put it another way, the

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1 risk is small enough that it does not create a misalignment of incentives. The bottom line is  
2 that the Stipulation addresses the concerns raised by others about a possible “over-recovery”  
3 of the throughput disincentive and sets forth a change to the TD-NSB portion of the DSIM  
4 which is in place now to address those concerns, but does not put the Company at a material  
5 risk to experience a reduction in its income as a result of implementation of the MEEIA 2  
6 programs.

7 **Q. You also mentioned that the Stipulation changes its MEEIA 2 Plan to**  
8 **increase targeted savings with corollary increases in the program budgets. Why is this**  
9 **change being made?**

10 A. Mr. Laurent addresses this in detail in his supplemental testimony.

11 **Q. Lastly, you mentioned that changes were being proposed to the**  
12 **performance incentive component of the DSIM. What are those changes?**

13 A. In short, although the Company believed it to be more appropriate to avoid the  
14 subjectivity inherent in determining NTG through EM&V, in the interest of reaching an  
15 agreement which addresses other parties’ concerns, it decided to take the approach reflected  
16 in the *Second Non-Unanimous Stipulation and Agreement Settling the Program Year 2013*  
17 *Change Requests* in the MEEIA 1 docket, File No. EO-2012-0142. That is, to average the  
18 evaluated EM&V results for the portfolio and if the average NTG falls within .9 and 1.1  
19 NTG, it will be deemed to be 1.0. If the average falls outside of that range, the process  
20 provided for in the above-referenced Stipulation will be followed. Mr. Davis addresses that  
21 process in more detail in his supplemental testimony. As Mr. Davis also discusses in his  
22 supplemental testimony, the Company is proposing to increase the potential performance

1 incentive that can be earned by \$5 million at the targeted level of performance in recognition  
2 of the fact that the Company has increased the targeted savings by approximately 37%.<sup>4</sup>

3 **Q. Why did the Company agree to modify its position regarding the**  
4 **application of EM&V to the performance incentive component of the DSIM?**

5 A. In continuing to balance the positions of other parties with the Company's  
6 concerns, we determined that we are willing to apply EM&V, but with a deemed NTG within  
7 a range, as a way to address the concerns of those who believe EM&V must be applied to  
8 any performance incentive as well as our concerns about the subjective nature of EM&V,  
9 particularly when it comes to determining NTG. This concession should not be interpreted  
10 as meaning that Ameren Missouri will not propose or require a different approach to the  
11 performance incentive in the future.

12 **Q. Please summarize the Company's position on the Stipulation.**

13 A. The Company wants to implement its MEEIA 2 Plan with the changes  
14 embodied within the Stipulation in order to build on the success it (and its customers) are  
15 seeing through its MEEIA 1 programs. The Company wants to preserve the alignment of  
16 incentives reflected in the MEEIA 1 Stipulation and wants to target as much savings as it  
17 reasonably can without spending dollars unwisely and without setting targets at a level that  
18 would preclude the Company from having a reasonable earnings opportunity, as MEEIA  
19 requires. The Company wants to be fair to its customers in terms of the proposed  
20 performance incentive, which is designed to provide the Company with an appropriate  
21 earnings opportunity consistent with MEEIA. The Company has taken steps through the

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<sup>4</sup> This is a 20% increase in the performance incentive potential. The minimum and maximum potential performance incentive levels are also being increased 20% to \$19.2 million and \$48 million, respectively.



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1 Stipulation being filed today to address concerns expressed about the determination of its  
2 TD-NSB share, while also preserving the necessary alignment of incentives, addressing  
3 concerns expressed about the targeted level of savings without destroying the earnings  
4 opportunity, and to fairly address concerns about evaluating the success of the programs  
5 before a performance incentive can be earned.

6 The Company could not accept the other changes advocated by the non-signatory  
7 parties because, if it did, its incentives would not be aligned and it would not have a  
8 reasonable earnings opportunity. Therefore, the Company asks the Commission to approve  
9 its MEEIA 2 Plan as modified by the Stipulation, thereby allowing the Company to proceed  
10 with its MEEIA 2 programs.

11 **Q. You were asked the following question at the end of your surrebuttal**  
12 **testimony: “Are you saying that if the plan is not approved as filed, the Company will**  
13 **cease energy efficiency expenditures entirely?” Has your answer to that question**  
14 **changed?**

15 **A. No, with the exception that we have found a way to change our plan in a way**  
16 **that closes the gap between what the Company needs to pursue energy efficiency consistent**  
17 **with MEEIA and other proposals in this case.**

18 **Q. Does this conclude your supplemental testimony?**

19 **A. Yes, it does.**

Ameren Missouri's  
Response to MPSC Data Request  
EO-2015-0055  
Ameren Missouri's 2nd Filing to Implement Regulatory Changes in Furtherance of  
Energy Efficiency as Allowed by MEEIA

Data Request No.: MPSC 0009 W Payne

Regarding Ms. Barnes' surrebuttal, p. 16, lines 3-5, wherein it states that "...Mr. Oligschlaeger proposes subjecting the amounts collected under the TD-NSB component to a subsequent true-up (i.e., retroactive change) using the results of EM&V": Please cite to the page numbers and line numbers of Mr. Oligschlaeger's rebuttal testimony wherein Ameren Missouri believes that he makes recommendations regarding retroactive true-up of the TD-NSB rate component using the results of EM&V.

**RESPONSE:** (Do not edit or delete this line or anything above this. Start typing your response right BELOW Date.)

**Prepared By:** Lynn Barnes

**Title:** Vice President Business Planning & Controller, Ameren Missouri

**Date:** May 28, 2015

There are no such page or line numbers. In preparing my surrebuttal testimony, I had in mind the Staff's position in the MEEIA 1 case regarding retroactive application of EM&V to the determination of the TD-NSB share. While not entirely clear from the Staff's rebuttal testimony, it was my belief when I prepared my testimony (which has since been explicitly confirmed by Staff witness John Rogers' surrebuttal testimony) that Staff was taking a similar position in this case, as was OPC witness Geoffrey Marke. To the extent I ascribed Staff's overall position to Mr. Oligschlaeger's testimony specifically, I was mistaken. However, Mr. Oligschlaeger's testimony does advocate for a retrospective review of the TD-NSB share for certain rate case parameters, which raises the same issues, concerns and problems as those outlined in my surrebuttal testimony.

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. )

AFFIDAVIT OF LYNN M. BARNES

STATE OF MISSOURI )  
 ) ss  
CITY OF ST. LOUIS )

Lynn M. Barnes, being first duly sworn on her oath, states:

1. My name is Lynn M. Barnes. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Vice President Business Planning & Controller.

2. Attached hereto and made a part hereof for all purposes is my Supplemental Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 8 pages and Schedule(s) LMB-ST1, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

*Lynn M. Barnes*

Lynn M. Barnes

Subscribed and sworn to before me this 22<sup>nd</sup> day of June, 2015.

*Beckie J. Eaves*

Notary Public

My commission expires:

