Missouri Public Service Commission

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ER-2008-0318 Date Testimony Prepared November 5 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2008-0318

SURREBUTTAL TESTIMONY

OF

RICHARD A. VOYTAS

ON

BEHALF OF

UNION ELECTRIC COMPANY d/b/a AmerenUE

> St Louis, Missouri November, 2008

> > Case No(s), OR -

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ì	SURREBUTTAL TESTIMONY				
2	OF				
3	RICHARD A. VOYTAS				
4	CASE NO. ER-2008-0318				
5	I. <u>INTRODUCTION</u>				
6	Q. Please state your name and business address.				
7	A My name is Richard A Voytas My business address is One Ameren Plaza,				
8	1901 Chouteau Avenue, St. Louis, Missouri 63103				
9	Q. By whom and in what capacity are you employed?				
10	A I am employed by Ameren Services Company ("Ameren Services") as				
11	Manager, Energy Efficiency and Demand Response in the Strategic Initiatives Department I				
12	am representing AmerenUE for purposes of this surrebuttal testimony				
13	II. PURPOSE AND SUMMARY OF TESTIMONY				
14	Q. What is the purpose of your surrebuttal testimony in this proceeding?				
15	A The purpose of my testimony is to recommend that the Missouri Public				
16	Service Commission ("Commission") not adopt the wording that Mr Kind suggests				
17	regarding cost recovery for DSM expenditures Mr Kind's proposed wording is on page 14,				
18	lines 21-25 of his rebuttal testimony				
19 20 21 22 23 24	"In addition to booking the incremental costs of implementing DSM programs in its regulatory asset account, UE shall book the reimbursement of incremental costs, in dollars, that are equal to funds from any source that the Company receives that are associated with its implementation of DSM programs and not otherwise credited"				

	Surrebuttal Testi Richard A Voyt	lacktriangle
1	Q.	Why should the Commission be concerned with Mr. Kind's proposed
2	wording?	
3	Α	The primary reasons are
4	•	The wording is vague to the point that it has no meaning
5	•	There is no differentiation between energy efficiency and demand response
6	•	The phrase "from any source" is too broad AmerenUE has no way of
7		knowing how to plan to address the tracking and accounting of potential
8		reimbursement of funds "from any source"
9	Q.	Discuss the vagueness of Mr. Kınd's proposal.
10	Α	The definition of incremental costs is generally well understood. In the case
11	of AmerenUl	E DSM expenditures, incremental costs means costs incurred by or for the
12	Company in	association with its energy efficiency and demand response programs
13	Incremental o	costs include 1) fees, charges, billings or assessments related to the programs

2) costs or expenses associated with equipment, devices, or services that are purchased, provided, installed, operated, maintained, or monitored for the measures, and 3) the revenue requirement of the return of and on a capital investment associated with a program based on

the Commission's authorized rate of return Mr Kind's proposed wording, however, makes

the concept of incremental costs difficult to understand by, in essence, requiring that

AmerenUE analyze every source of "funds" and determine if any of those "funds" may be

appropriate to credit toward the costs of implementing its DSM programs - both demand

response and energy efficiency programs

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Q. Does Mr. Kind accurately portray the Staff report section addressed by

Staff witness Henry Warren regarding DSM cost recovery?

1	A No Mr Warren's written report focuses exclusively on AmerenUE demand			
2	response programs and not on energy efficiency programs Specifically, Mr Warren			
3	addresses the AmerenUE Industrial Demand Response ("IDR") program In that specific			
4	program, AmerenUE agreed to book its net expenditures on the IDR program to its DSM			
5	regulatory asset account			
6	Q. What is the difference between a demand response program and an			
7	energy efficiency program?			
8	A A demand response program typically involves a small number of customer			
9	load curtailments for a small number of hours in a year. An energy efficiency program			
10	typically reduces energy consumption across most hours of the year			
11	Q. How does the critical differentiation of demand response and energy			
12	efficiency impact Mr. Kind's proposal that "AmerenUE shall book the reimbursement			
13	of incremental costs, in dollars, that are equal to funds from any source that the			
14	Company receives that are associated with its implementation of DSM programs and			
15	not otherwise credited"?			
16	A First, the term "DSM" includes both demand response and energy efficiency			
17	Second, while the process for attempting to net costs versus revenues for a demand response			
18	program focusing on a handful of large industrial customers with a small number of			
19	interruptions for a small number of days in a year is complex, it can be done accurately			
20	However, it would be practically impossible to attempt to net costs versus revenues for an			
21	energy efficiency program that impacts load for almost every hour of every year			
22	Q. Do you agree with the position proposed by Staff witness Mr. Henry			
23	Warren relative to crediting capacity and energy transactions as the result of the			

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- Richard A Voytas 1 availability or implementation of a large industrial customer demand response 2 program? 3 Yes, I do Lena Mantle, Manager of the Energy Department for the Staff of Α 4 the Missouri Public Service Commission, has also indicated that she supports Mr Warren's recommendations in this matter Mantle deposition, pp 79-80, 1 6-8 (October 31, 2008) 5
 - Please discuss why Mr. Kind's wording, specifically the phrase "from any Q. source" is overly broad.
 - I will use what I consider an extreme example to illustrate this point. One of Α the primary objectives of DSM is to reduce load To the extent that AmerenUE load is reduced, AmerenUE generating plants have the capability to sell the generation that would have been used to serve AmerenUE load absent DSM programs into the wholesale markets The margin that AmerenUE generating plants earn as a result of these sales might be considered one of the "from any source" funds which in Mr. Kind's rebuttal testimony "are associated with its implementation of DSM programs and not otherwise credited "
 - Q. Please describe what AmerenUE may have to do to book the reimbursement of incremental costs, in dollars, that are associated with the prior example.
 - First, AmerenUE would have to develop hourly load shapes associated with Α the hundreds of energy efficiency and demand response measures (i.e. program components, like lighting or motors) that are offered via the AmerenUE DSM portfolio The load shapes would be estimates based on secondary data sources since AmerenUE does not have measure specific hourly load data for the AmerenUE service territory Second, AmerenUE would have to know the hourly marginal production costs for its generating fleet for each hour.

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1 Third, AmerenUE would need the hourly wholesale market prices for each hour Fourth, to 2 the extent that AmerenUE's DSM programs may have impacted its costs for operating in the Midwest Independent System Operator's ("MISO") ancillary services market, those impacts 3 4 have to be identified and appropriate costs and/or revenues assigned AmerenUE would 5 likely need a team of additional accountants and analysts to attempt to process the data 6 necessary to account for funds received "from any source" that are associated with the 7 implementation of AmerenUE's DSM programs The process would be based, to a large 8 extent, on assumptions on hourly load impacts of hundreds of energy efficiency measures 9 Q. Expand on the point that AmerenUE has no way of knowing how to plan 10 to address the tracking and accounting of potential reimbursement of funds "from any 11 source". 12 Α I believe the prior example illustrates that it is almost impossible to plan how to account for potential funds received "from any source" Equally important to note is that 13 14 the potential costs to AmerenUE to add incremental resources to attempt to build processes. 15 not to mention to collect and analyze data to identify funds received "from any source," may 16 exceed the value of those funds 17 Q. Are there adequate protections to keep AmerenUE ratepayers from being 18 overcharged for DSM expenditures? 19 Α I believe there are The incremental costs associated with AmerenUE DSM 20 expenditures will be recorded in the AmerenUE regulatory asset account. There will be 21 documentation associated with those costs for Commission review and approval Again,

AmerenUE supports the written report of Staff witness Henry Warren as it pertains to

recording net expenditures for demand response programs for large customers

1 III. AMERENUE VS. ILLINOIS COMMERCE COMMISSION APPROACH TO 2 DSM COST RECOVERY 3 Ο. What is Mr. Kind's testimony relative to the Illinois Commerce 4 Commission's treatment of the recovery of DSM costs to protect customers of Ameren's Illinois operating subsidiaries? 5 Mr. Kind proposes that the Commission adopt the same language that has 6 been approved by the Illinois Commerce Commission to protect customers of Ameren's 7 8 Illinois operating subsidiaries 9 0. What is the basic structure of the Illinois Commerce Commission's 10 approved DSM cost recovery provision for the Ameren Illinois operating subsidiaries? 11 A. The Illinois Commerce Commission approved the Ameren Illinois operating 12 subsidiaries energy efficiency and demand response cost recovery rider that allows for the expensing and contemporaneous cost recovery of DSM related expenditures The vast 13 14 majority of the Ameren Illinois Utilities ("AIU") DSM program related costs are specifically excluded from the determination of the AIU delivery service revenue requirement for general 15 ratemaking purposes Instead, the rider mechanism is a separate cost tracker with an annual 16 17 reconciliation that recovers program expenses dollar for dollar via a separate line item charge In a global sense, the AIU energy efficiency rider is part of a broadly defined 18 19 revenue requirement and indeed recovered through rates 20 Q. How does the Missouri Commission's DSM cost recovery framework 21 differ from that in Illinois? 22 Α The current AmerenUE DSM cost recovery structure is based on the 23 capitalization and amortization of DSM program related costs via a regulatory asset account

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- Therefore, there is no contemporaneous cost recovery of DSM program related costs 1 Rather, AmerenUE is allowed to capitalize and amortize its investments over a 10-year 2 3 recovery period in a regulatory asset account Does AmerenUE's current DSM cost recovery framework provide 4 Q. 5 regulatory disincentives for the Company to invest in DSM relative to the Illinois 6 Commerce Commission model based on contemporaneous cost recovery? 7 Α Yes 8 Q. Please explain. 9 Contemporaneous cost recovery reduces regulatory uncertainty when Α 10 compared to Missouri's capitalization and amortization model in several respects, including 11 • Length of time over which an energy efficiency investment is amortized 12 Rate of return on the unamortized balance of the investment 13 A "Regulatory Asset" is not backed by an actual plant or equipment. Carrying 14 substantial regulatory assets on the balance sheet can impact a utility's
 - Creation of a regulatory asset that may grow substantially over time

financial rating

- As a corollary to the prior point, potential uncertainty arising from future policy changes relative to DSM cost recovery
 - Q. Will Mr. Kind's proposal to (1) "cherry pick" certain provisions of the Illinois Commerce Commission's DSM cost recovery framework and (2) add more stringent requirements to them and (3) then apply them to a totally different Missouri model for DSM cost recovery increase regulatory uncertainty?

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1	A. Yes Mr Kind's proposed wording will increase regulatory uncertainty in a				
2	Missouri DSM cost recovery model that has largely been abandoned throughout the nation				
3	and thus will act as a disincentive to AmerenUE to invest in DSM initiatives Mr Kind				
4	proposes greater complexity than is necessary in the booking of AmerenUE DSM				
5	incremental costs which makes investment in DSM more susceptible to disallowance. When				
6	compared nationally with other jurisdictions that are heavily involved with the delivery of				
7	DSM programs, Staff and OPC's preference for the capitalization model for DSM cos				
8	recovery are outside of mainstream thinking				
9	Q. Please expand on your statement that the Missouri DSM cost recovery				
10	model has largely been abandoned throughout the nation.				
11	A I have the privilege of representing Ameren on the National Action Plan for				
12	Energy Efficiency ("NAPEE") Leadership group Through interactions with the Leadership				
13	Group and through the development of NAPEE resources to support the expansion of energy				
14	efficiency through the elimination of barriers, there is a general consensus that most states				
15	have either tried and switched or never elected to go to the capitalization and amortization of				
16	DSM program related costs model In fact the NAPEE guide on "Aligning Utility Incentive.				
17	with Investment in Energy Efficiency", published in November 2007, states the following or				
18	page 4-5				
19 20 21 22 23	"Capitalization currently is not a common approach to energy efficiency program cost recovery, although during the peak of the last major cycle of utility energy efficiency investment during the late 1980s and early 1990s many states allowed or required capitalization"				

1	IV.	DISCUSSION OF POTENTIAL FUTURE DSM COST RECOVERY			
2	PR	OPOSALS FOR THE MISSOURI COMMISSION TO CONSIDER			
3	Q. Are there provisions in the Energy Independence and Security Act of 200				
4	("EISA") t	hat specifically address state regulatory policy relative to electric energy			
5	efficiency programs?				
6	Α	Yes Section 532 of EISA amends the Public Utility Regulatory Policies Act			
7	of 1978 by addressing both integrated resource planning and rate modifications to promote				
8	energy efficiency investments				
9	Q.	Please list the provisions relating to integrated resource planning.			
10	Α	EISA section 532(16) requires that each electric utility shall-			
11		(A) integrate energy efficiency resources into utility, state, and regional			
12		plans, and			
13		(B) adopt policies establishing cost-effective energy efficiency as a			
14		priority resource			
15	Q.	Please list the provisions relating to rate design modifications to promote			
16	energy effic	ciency investments.			
17	Α	EISA section 532(17) has multiple considerations for state regulatory			
18	commissions' consideration. Considerations include				
19	;	Align utility incentives with delivery of cost effective energy efficiency			
20	2	2 Promote energy efficiency investments			
21	3	Remove the throughput incentive and other regulatory and management			
22		disincentives to energy efficiency			

Surrebuttal Testimony of Richard A Voytas

1	4 Provide utility incentives for the successful management of energy efficiency				
2	programs				
3	5 Allow timely recovery of energy efficiency related costs				
4	Q. Does AmerenUE's current cost recovery mechanism address the				
5	considerations specified in EISA?				
6	A. In my opinion, the proposed Missouri DSM cost recovery provisions begin to				
7	scratch the surface for considering the direction specified in EISA. The mere fact that the				
8	Missouri Commission now has a framework for addressing DSM cost recovery is a major				
9	step forward relative to the past where the framework for DSM cost recovery in Missouri had				
10	not been addressed by the Commission However, with that being said, significant regulatory				
11	disincentives to the growth of DSM still remain in Missouri For example, timeliness o				
12	DSM cost recovery remains an issue Lost revenue recovery mechanisms have not been				
13	addressed Incentives for the performance of DSM programs should be designed to truly pu				
14	DSM and supply-side investments on an equivalent basis				
15	Q. Does this conclude your surrebuttal testimony?				
16	A Yes, it does				

APPENDIX – STATEMENT OF QUALIFICATIONS

2	My name is Richard Voytas My business address is One Ameren Plaza, 1901
3	Chouteau Avenue, St Louis, Missouri 63103 I am the Manager, Energy Efficiency and
4	Demand Response for Ameren Services Company ("Ameren Services")
5	I earned a Bachelor of Science degree in Mechanical Engineering from the University
6	of Missouri-Rolla in 1975 and a Masters in Business Administration from St Louis
7	University in 1979 1 am a registered professional engineer in the State of Missouri I serve
8	as Ameren Corporations' representative on the Leadership Group of the National Action Plan
9	For Energy Efficiency ("NAPEE"), the Ameren representative on the Executive Board of the
10	United States Demand Response Coordinating Committee ("DRCC"), and the National
11	Electric Reliability Council ("NERC") Resource Issues Subcommittee I recently completed
12	my term as the Chair of the NERC Demand Side Influence on Reliability Task Force I also
13	have 33 years of extensive professional work experience with Ameren Services Company
14	and the former Union Electric Company ("Union Electric" or "UE")
15	I was employed full time by Union Electric beginning in May of 1975 Effective with
16	the merger of UE and Central Illinois Public Service Company into Ameren Corporation
17	("Ameren"), I assumed employment with Ameren Services My work experience started at
18	UE as an Assistant Engineer in the Engineering and Construction function. I worked as an
19	Assistant Engineer from 1975 to 1977 In 1977 I was promoted to Fuel Buyer in the Supply
20	Services Function In 1981 I transferred to the Engineering Department at Union Electric's
21	Rush Island Plant In 1982 I accepted a position in the coal marketing department at Cities
22	Service Company in Tulsa, Oklahoma In late 1982 I left Cities Service Company and
23	returned to Union Electric as an Engineer in the Corporate Planning Department From 1982

through 1992 I worked as an Engineer in the Corporate Planning Department, Engineer in the 1 2 Quality Improvement Department and Engineer in the Rate Engineering Department In 1993 I was promoted to Senior Engineer in the Corporate Planning Department In 1995 I 3 4 was promoted to Supervising Engineer in the Demand-Side Management section of 5 Corporate Planning In July 1998 the Resource Planning, Forecasting, Load Research and 6 Demand-Side Management sections were combined into one section of Corporate Planning and I was named Supervisor of that section known as the Corporate Analysis Department 7 8 In October 2001 I was promoted to Manager of Corporate Analysis Effective September 1, 9 2007 I was named Manager, Energy Efficiency and Demand Response which is part of the 10 Strategic Initiatives department 11 My duties as Manager, Energy Efficiency and Demand Response include the 12 following energy efficiency/demand response policy and planning, DSM potential study 13 development, program design, high level implementation planning, program evaluation, 14 measurement and verification design, and development of centralized data collection and 15 information systems for energy efficiency programs 16 I have submitted testimony before the Missouri Public Service Commission, the 17 Illinois Commerce Commission, and the Federal Energy Regulatory Commission

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Union Electric d/b/a AmerenUE for Authority Tariffs Increasing Rates for Electrice Provided to Customers Company's Missouri Service A	to File ectric in the))))	Case No ER-2008-	-0318	
AFFII	DAVIT OF F	CHARD A	A. VOYTAS		
STATE OF MISSOURI					
CITY OF ST. LOUIS)	SS				
Richard A Voytas, being first	duly swom o	n his oath, st	ates		
1 My name is Ric	hard A Voyt	as. I work n	n the City of St Loui	ıs, Mıssourı, and	
I am employed by Ameren Ser	vices Compai	ny as Manag	er of Corporate Ana	lysis	
2 Attached hereto	and made a p	oart hereof fo	or all purposes is my	Surrebuttal	
Testimony on behalf of Union	Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 10 pages,				
and Appendix, all of which hav	and Appendix, all of which have been prepared in written form for introduction into evidence				
in the above-referenced docket	in the above-referenced docket				
3 I hereby swear a	and affirm tha	nt my answer	rs contained in the at	tached testimony	
to the questions therein propounded are true and correct					
	,	- Ju	Richard A Voytas	ufa-	
Subscribed and sworn to before	e me this <u>3ra</u>	_	vember, 2008	U	
My commission expires					

Amenda Tesdell - Notery Public Notery Seal, State of Missouri - St. Louis County Commission #07158967 My Commission Expires 7/29/2011