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Service Commission

Exhibit No. 225
Issues: DSM Regulatory Asset
Low Income Weatherization
Witness: Henry E Warren
Sponsoring Party MO PSC Staff
Type of Exhibit Surrebuttal Testimony
Case No ER-2008-0318
Date Testimony Prepared: November 4, 2008

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

HENRY E. WARREN

**UNION ELECTRIC COMPANY
D/B/A AMERENUE**

CASE NO. ER-2008-0318

**Jefferson City, Missouri
November 2008**

Exhibit No. 225
Case No(s) ER-2008-0318
Date 11/25/08 Rptr MJ


BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Electric) Case No. ER-2008-0318
Service Provided to Customers in the)
Company's Missouri Service Area.)

AFFIDAVIT OF HENRY WARREN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Henry Warren, of lawful age, on his oath states that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him, that he has knowledge of the matters set forth in such answers, and that such matters are true to the best of his knowledge and belief.



Henry Warren

Subscribed and sworn to before me this 14th day of November, 2008



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086



Notary Public

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SURREBUTTAL TESTIMONY

OF

HENRY E. WARREN

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SURREBUTTAL TESTIMONY

OF

HENRY E. WARREN

**UNION ELECTRIC COMPANY
D/B/A AMERENUE**

CASE NO. ER-2008-0318

14 Q. Please state your name and business address

15 A. My name is Henry E Warren and my business address is P O Box 360,
16 Jefferson City, Missouri, 65102

17 Q. Are you the same Henry E Warren that contributed to the Staff Cost of
18 Service Report (Staff Report) filed August 28, 2008, and re-filed on September 8, 2008?

19 A I am

1. EXECUTIVE SUMMARY

20 Q What is the purpose of your surrebuttal testimony?

21 A My surrebuttal testimony will address two issues 1) I will respond to the
22 rebuttal testimony of Office of Public Counsel (OPC) witness Ryan Kind regarding the
23 issue of Union Electric Company d/b/a AmerenUE (UE or Company) booking only net
24 expenditures of acquiring Demand Side Management (DSM) resources in the regulatory
25 asset account that was agreed upon in the last UE rate case for deferring UE's DSM
26 expenditures; 2) I will respond to the rebuttal testimony of UE's witness Richard J. Mark
27 regarding the issue of UE not complying with its contractual obligation to fund low
28 income weatherization in 2008 as detailed in Department of Natural Resources – Energy
29 Center (DNR Energy Center) witness Laura Wolfe

1
2 **2. REBUTTAL TESTIMONY OF RYAN KIND, THE OFFICE OF THE PUBLIC**
3 **COUNSEL, DSM COST RECOVERY**

4 Q. What Rebuttal Testimony did OPC Witness Ryan Kind, submit in
5 response to your direct testimony regarding UE net expenditures on Demand Side
6 Management (DSM) resources?

7 A In his Rebuttal Testimony, Mr. Kind supported Staff's proposal that only
8 the **net expenditures** of acquiring DSM resources be included in the regulatory asset
9 account (RAA) The RAA was agreed upon in the last UE rate case for deferring UE's
10 DSM expenditures Mr Kind further specified that OPC recommends that the Missouri
11 Commission adopt language that has been approved by the Illinois Commerce
12 Commission to protect customers of Ameren's Illinois operating subsidiaries from being
13 overcharged for DSM costs. To protect UE's customers from paying more than the net
14 incremental costs of DSM programs I recommend the Commission adopt a modified
15 version of the Reimbursement of Incremental Costs (RIC) factor that Mr Kind presented
16 in his rebuttal testimony

17 The DSM Regulatory Asset will contain all prudently incurred net
18 incremental DSM costs Incremental costs are defined as those costs that
19 exceed the level of costs in existing rates for DSM programs such as the
20 costs of low income weatherization programs that exceed the low income
21 weatherization program costs reflected in existing rates In addition to
22 booking the incremental costs of implementing DSM programs in its
23 RAA, UE shall book the reimbursement of incremental costs, in dollars,
24 that are equal to funds from any source that the Company receives (such
25 as payments received for bilateral sales of capacity and payments or
26 credits from MISO [Midwest Independent Transmission System
27 Operator]for demand response or energy efficiency programs) that are
28 associated with its implementation of DSM programs and not otherwise
29 credited If a Fuel Adjustment Clause (FAC) is available to the Company,
30 all value associated with such reimbursement of incremental costs will
31 flow through the FAC

Surrebuttal Testimony of
Henry E Warren

1 Q What is your response to the Rebuttal Testimony of the OPC Witness, Mr
2 Kind?

3 A This language Mr Kind recommends is consistent with the
4 recommendation I made in the Staff Report, Cost of Service, and I support
5 language to ensure that only UE's net expenditures are included in the RAA

6 **3. REBUTTAL TESTIMONY OF RICHARD J. MARK, UNION ELECTRIC**
7 **COMPANY, LOW INCOME WEATHERIZATION**

8 Q. What Rebuttal Testimony did UE witness, Richard J Mark submit regarding
9 the Direct Testimony of Missouri Department of Natural Resources, Energy Center (DNR,
10 Energy Center), witness, Laura Wolfe on the contractual obligation of UE with the
11 Environmental Improvement and Energy Resources Authority (EIERA) to fund Low
12 Income Weatherization Assistance Program (LIWAP)?

13 A. In her direct testimony, Ms Wolfe's testifies that UE did not meet its
14 contractual obligation to the EIERA on July 4, 2008 to provide \$1,200,000 annually to the
15 EIERA for LIWAP For various reasons Mr. Mark does not consider it appropriate that UE
16 continue to provide \$1,200,000 annually to EIERA for LIWAP Instead, UE provided only
17 \$900,000

18 Q Did Ms Wolfe provide a copy of the contract between EIERA and UE?

19 A Yes, she did

20 Q Does this contract state that UE is to make annual payments to EIERA in the
21 amount of \$1,200,000 unless the Circuit Court of Cole County finds that LIWAP is to be
22 funded at a lower level?

23 A Yes, it does

Surrebuttal Testimony of
Henry E Warren

1 Q Has the Circuit Court of Cole County made any finding regarding the level
2 of funding?

3 A No

4 Q Who signed the contract with EI ERA for UNION ELECTRIC COMPANY
5 d/b/a AMERENUE?

6 A. Richard J. Mark, Senior Vice President Missouri Energy Delivery

7 Q In his rebuttal testimony does Mr Mark refer to any language in the contract
8 that excuses UE from fulfilling its obligation if UE considers it to be inappropriate?

9 A No

10 Q Did an authorized representative of the Commission sign the EI ERA
11 contract?

12 A Yes, it was signed by Wess Henderson, Executive Director.

13 Q In his rebuttal testimony does Mr Mark refer to anything in the EI ERA
14 contract that would allow UE to unilaterally modify the terms of the contract?

15 A No

16 Q. Do you find any reason that UE should not fulfill its contractual obligation
17 based on the assertion in the rebuttal testimony of Mr Mark that this not appropriate?

18 A No

19 Q. What is your response to the rebuttal testimony on Low Income
20 Weatherization of the UE witness Richard J Mark?

21 A Mr Mark provides no evidence that UE should not fulfill its EI ERA
22 contractual obligation to fund LIWAP at \$1,200,000 annually.

4. STAFF RECOMMENDATION

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Q What is your recommendation regarding the testimony of OPC witness Mr Kind regarding the determination of net DSM expenditures of UE for the RAA?

A This language Mr Kind proposes is consistent with the recommendation I made in the Staff Report and I support Mr Kind's proposed language to ensure that only UE's net expenditures are included in the RAA.

Q What is your recommendation regarding the rebuttal testimony of UE witness Mr Mark regarding the obligation of UE to fund EIARA \$1,200,000 annually for LIWAP?

A Mr Mark provides no countervailing evidence why UE should not fulfill its EIARA contractual obligation to fund LIWAP at \$1,200,000 annually

Q Does this conclude your surrebuttal testimony?

A Yes, it does