

Exhibit No.:
Issues: Energy Efficiency Programs
Cost Recovery
Witness: Lena M. Mantle
Sponsoring Party: MO PSC Staff
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Case No.: GR-2007-0003
Date Testimony Prepared: December 15, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

LENA M. MANTLE

UNION ELECTRIC COMPANY d/b/a AMERENUE

CASE NO. GR-2007-0003

**Jefferson City, Missouri
December 2006**

**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 Natural Gas)
Service Provided to Customers in the)
Company's Missouri Service Area.)

Case No. GR-2007-0003

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age, on her oath states: that she has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 5 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.


Lena M. Mantle

Subscribed and sworn to before me this 13th day of December, 2006.



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


Notary Public

My commission expires 9-21-10

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CASE NO. GR-2007-0003

Q. Please state your name and business address.

A. My name is Lena M. Mantle and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position with the Missouri Public Service Commission (Commission)?

A. I am the Manager of the Energy Department, Utility Operations Division.

Q. Would you please review your educational background and work experience?

A. I received a Bachelor of Science Degree in Industrial Engineering from the University of Missouri, at Columbia, in May 1983. I joined the Commission Staff (Staff) in August 1983. I became the Supervisor of the Engineering Section of the Energy Department in August 2001. In July 2005, I was named the Manager of the Energy Department. I am a registered Professional Engineer in the State of Missouri.

My work here at the Commission has included the review of resource plans of investor owned electric utilities since 1984. I was actively involved in the writing of the Commission's Chapter 22, Electric Resource Planning rules. I participated in the review of all of the utility filings under that rule. Since the Commission issued a waiver to the electric utilities from filing under that rule in 1999, I have been present at all but one of the utilities' semi-annual resource plan update meetings with Staff and Office of Public Counsel. I have

1 also been the Staff coordinator for the review of Union Electric Company's, d/b/a AmerenUE
2 (AmerenUE) and Kansas City Power & Light Company's (KCPL) Chapter 22 resource plan
3 filings since the suspension of the rule ended in December 2005.

4 I also participated in the development of the Regulatory Plan Stipulation and
5 Agreements for KCPL and The Empire District Electric Company, in Case Nos. EO-2005-
6 0329 and EO-2005-0263, respectively (Regulatory Plans).

7 I have also been involved, to a limited degree, in the review of any energy efficiency
8 programs of the gas utilities regulated by the Commission.

9 Q. Have you previously filed testimony with the Commission?

10 A. Schedule 1 contains a list of the testimony that I have filed with the
11 Commission.

12 **EXECUTIVE SUMMARY**

13 Q. Would you please summarize your testimony?

14 A. I am recommending that the Commission allow AmerenUE to use a non-
15 traditional cost recovery methodology for AmerenUE to recover future energy efficiency
16 program analysis and implementation costs. This methodology is the same cost recovery
17 methodology that was approved by the Commission in the Regulatory Plans. I am proposing
18 the same methodology in direct testimony in the AmerenUE electric rate increase case, Case
19 No. ER-2007-0002.

20 **DIRECT TESTIMONY**

21 Q. What methodology are you proposing for recovery of these costs?

22 A. I am proposing that energy efficiency program costs that AmerenUE incurs in
23 the future, assuming Commission approval of this methodology, be placed in a regulatory

1 | asset account. AmerenUE would amortize these costs over a ten-(10-) year period. The
2 | amounts accumulated in this regulatory asset account should be allowed by the Commission
3 | to earn a return not greater than AmerenUE's AFUDC rate.

4 | Q. Will the costs put in this account be automatically recovered by AmerenUE?

5 | A. Not necessarily. The amount in the regulatory asset account at the time of the
6 | next rate case will be reviewed by the parties in the case for a determination of the prudence
7 | of the planning and implementation of the energy efficiency programs.

8 | Q. Should there be a cap on the amount that AmerenUE can spend and place in
9 | this account?

10 | A. Yes. At the present time spending by AmerenUE on energy efficiency
11 | programs is quite limited by AmerenUE, so I do not want to restrict the amount of potential
12 | energy efficiency programs engaged in by AmerenUE by arbitrarily placing a cap on the
13 | account. However, that does not mean that the amount of spending on demand-side resources
14 | should be unlimited. The costs recovered through this account should only be for those
15 | energy efficiency programs that are shown to be cost-effective. When a more definitive
16 | estimate of cost-effective energy efficiency programs has been determined, parties in future
17 | cases may request a specific cap for this account.

18 | Q. What kind of energy efficiency costs would be placed in this account?

19 | A. Energy efficiency costs would include the costs of developing, implementing
20 | and evaluating customer energy efficiency programs.

21 | Q. Why are you recommending special treatment for energy efficiency costs?

1 A. I am proposing this special treatment for energy efficiency programs to
2 overcome regulatory barriers to AmerenUE developing and implementing energy efficiency
3 programs.

4 Q. Please explain these regulatory barriers.

5 A. Gas utilities in Missouri have been hesitant to offer energy efficiency programs
6 because they would be offering programs to influence their customers to use less of the
7 product that they are in the business of providing. Thus, reduction in usage could reduce their
8 profits. In addition to a potential reduction in profits, the costs incurred to implement energy
9 efficiency programs, under traditional regulation in Missouri, would be an expense on which
10 the utility does not earn a return. Money spent on capital projects can be recovered and earn a
11 return. Therefore, the utility would rather provide a return to its investors or spend its limited
12 capital in a manner that would earn it a return.

13 Q. How would energy efficiency programs reduce the utility's profit?

14 A. If the utility's fixed costs are included in the volumetric charge as in the
15 current rate design, an energy efficiency program that induces the customers to use less
16 energy, would reduce what the utility recovers to meet its fixed costs and provide a profit.
17 Therefore gas utilities in Missouri are hesitant to offer energy efficiency programs because
18 they would be offering programs that influence their customers to use less of the product that
19 they deliver and the result is that the utility collects less of its fixed costs and/or earns less
20 profit.

21 If the Commission would adopt the rate design proposed by Staff that does not include
22 fixed costs in the volumetric charge, this cost recovery methodology would still provide an
23 incentive for AmerenUE to implement energy efficiency programs. The costs incurred to

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1 | implement energy efficiency programs, under traditional regulation in Missouri, are an
2 | expense on which the utility does not earn a return. This proposed methodology would allow
3 | AmerenUE to earn a return on its costs to evaluate and implement energy efficiency
4 | programs.

5 | Q. Does this conclude your direct testimony?

6 | A. Yes, it does.

PREVIOUS TESTIMONY OF
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<u>CASE NUMBER</u>	<u>TYPE OF FILING</u>	<u>ISSUE</u>
ER-84-105	Direct	Demand-Side Update
ER-85-128, et. al	Direct	Demand-Side Update
EO-90-101	Direct, Rebuttal & Surrebuttal	Weather Normalization of Sales; Normalization of Net System
ER-90-138	Direct	Normalization of Net System
EO-90-251	Rebuttal	Promotional Practice Variance
EO-91-74, et. al.	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-93-37	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-94-163	Direct	Normalization of Net System
ER-94-174	Direct	Weather Normalization of Class Sales; Normalization of Net System
EO-94-199	Direct	Normalization of Net System
ET-95-209	Rebuttal & Surrebuttal	New Construction Pilot
ER-95-279	Direct	Normalization of Net System
ER-97-81	Direct	Weather Normalization of Class Sales; Normalization of Net System; TES Tariff
EO-97-144	Direct	Weather Normalization of Class Sales; Normalization of Net System;
ER-97-394, et. al.	Direct, Rebuttal & Surrebuttal	Weather Normalization of Class Sales; Normalization of Net System; Energy Audit Tariff
EM-97-575	Direct	Normalization of Net System

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EM-2000-292	Direct	Normalization of Net System; Load Research;
ER-2001-299	Direct	Weather Normalization of Class Sales; Normalization of Net System;
EM-2000-369	Direct	Load Research
ER-2001-672	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;
ER-2002-1	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;
ER-2002-424	Direct	Derivation of Normal Weather
EF-2003-465	Rebuttal	Resource Planning
ER-2004-0570	Direct	Reliability Indices
ER-2004-0570	Rebuttal & Surrebuttal	Energy Efficiency Programs and Wind Research Program
EO-2005-0263	Oral	DSM Programs and Integrated Resource Planning
EO-2005-0329	Oral	DSM Programs and Integrated Resource Planning
ER-2005-0436	Direct	Resource Planning
ER-2005-0436	Rebuttal	Low-Income Weatherization and Energy Efficiency Programs
ER-2005-0436	Surrebuttal	Low-Income Weatherization and Energy Efficiency Programs; Resource Planning
EA-2006-0309	Rebuttal & Surrebuttal	Resource Planning
EA-2006-0314	Rebuttal	Jurisdictional Allocation Factor
ER-2006-0315	Supplemental Direct	Energy Forecast

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ER-2006-0315	Rebuttal	DSM and Low-Income Programs
ER-2007-0002	Direct	DSM Cost Recovery
GR-2007-0003	Direct	DSM Cost Recovery