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FILE NO. ER-2014-0258

REBUTTAL TESTIMONY

OF

GREGORY W. LOVETT

ON

BEHALF OF

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

**St. Louis, Missouri
January 2015**

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I. Introduction

Q. Please state your name and business address.

A. Gregory W. Lovett, Ameren Missouri, One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom are you employed and in what position?

A. I am employed by Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri” or “Company”) as Manager of Energy Efficiency.

Q. Please describe your educational background, work experience and the duties of your position.

A. I joined Central Illinois Public Service Company (“CIPS”) as a Distribution Engineer in Quincy, Illinois in 1981 and held several positions in Springfield, Illinois prior to the merger of CIPS and Union Electric Company (“UE”) in 1998, when I was Business Improvement Consultant. After the merger, I became Senior Engineer of Metering for Ameren Missouri, then known as AmerenUE. After holding several positions in St. Louis, I was promoted to my current position with Ameren Missouri. I have a Bachelor of Science Degree in Electrical Engineering from the University of Illinois and a Master of Business Administration from Webster University. As Manager of Energy Efficiency in the Energy Efficiency and Renewable Energy

1 Department, I oversee the operations of the Ameren Missouri Evaluation, Measurement
2 and Verification projects for the energy efficiency programs.

3 **II. Purpose and Scope**

4 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

5 A. The purpose of my rebuttal testimony is to respond to the testimony of
6 John Buchanan on behalf of the Missouri Department of Economic Development
7 Division of Energy (“DE”). Specifically, I am responding to Mr. Buchanan’s request to
8 discontinue biennial evaluations following the “second” evaluation for the Ameren
9 Missouri Low Income Weatherization Program scheduled for completion on July 31,
10 2015, and the associated tariff change. In addition, I am addressing the Low Income
11 Weatherization portion of Staff’s Revenue Requirement Cost of Service Report¹
12 (“Report”) prepared by Dr. Henry Warren of the Missouri Public Service Commission
13 Staff (“Staff”).

14 **III. Response to Recommendations of Staff**

15 **Q. Staff offers four recommendations with respect to the Low Income**
16 **Weatherization Program administered by DE. Do you agree with those**
17 **recommendations?**

18 A. To paraphrase, Dr. Warren offers the following recommendations:

19 1. Prior utilized funds remain in the Missouri State Environmental
20 Improvement and Energy Resource Authority (“EIERA”) account for future
21 weatherization use.

¹ Staff Report, Revenue Requirement, Cost of Service, Case No. ER-2014-0258, December 5, 2014, p. 138-141.

1 2. Ameren Missouri continue to include \$1.2 million in rates to
2 weatherize homes annually, with \$60,000 being set aside to pay for program evaluation.

3 3. The second evaluation of the program should include the impact of
4 weatherization with respect to gas service for Ameren Missouri combined gas-electric
5 service; and

6 4. Continue evaluations, but do so on a 5-year rather than 2-year
7 basis.

8 Ameren Missouri does not object outright to these recommendations, with the
9 exception of the fourth one. Ameren Missouri does wish to confer with Staff concerning
10 the intent behind the recommendations, particularly No. 3, but has no objection to the
11 principle of considering the benefits for customers who also receive gas utility service
12 (not necessarily confined to Ameren Missouri gas customers).

13 **Q. Why should the biennial evaluations continue for the Low Income**
14 **Weatherization Program?**

15 A. The Company recommends the program remain unchanged as described in
16 the Nonunanimous Stipulation and Agreement Regarding Ameren Missouri's Low
17 Income Weatherization Program from Case No. ER-2012-0166 ("S&A"). From
18 paragraph 3:

19 This group (Stakeholder) will review and discuss the
20 evaluations and provide input to Ameren Missouri
21 regarding the timing and scope of work for future
22 evaluations. The Stakeholder Group will also discuss the
23 recommendations contained in the evaluations and possible
24 implementation steps that may be appropriate.

25 In addition, paragraph 5 describes how the evaluation will be funded:

26 5. Ameren Missouri will be entitled to withhold up to
27 \$60,000 from the \$1.2 million that it receives annually in

1 Low Income Weatherization Program funds to hire an
2 Evaluation, Measurement and Verification (EM & V)
3 contractor for future evaluations. The cost of the
4 evaluation will not exceed \$120,000 unless the Stakeholder
5 Group determines otherwise. Any withheld funds that are
6 in excess of amounts needed for future evaluations shall be
7 used to provide low income weatherization services; such
8 amount shall be included in the following year's
9 weatherization fund payment after the evaluation is
10 completed. If additional funds are expected to be needed to
11 perform the second evaluation, the Stakeholder Group may
12 request Ameren Missouri Gas or Laclede to supplement the
13 funds provided by Ameren Missouri electric to hire the
14 EM & V contractor. This agreement does not obligate
15 Ameren Missouri Gas or Laclede to provide supplemental
16 funds, and any such provision of supplemental funding by
17 either entity would be entirely at the discretion of that
18 entity.

19 **Q. Does Dr. Warren agree with continuing the evaluations of the Low**
20 **Income Weatherization program as described above?**

21 A. No. He agrees with the funding of evaluations, but would like to move the
22 evaluation to a 5-year rather than a 2-year cycle. On page 138 of the Report, Dr. Warren
23 states:

24 2) That Ameren Missouri continue to collect \$1.2 million in
25 rates annually, of which \$1.14 million will be for low-
26 income weatherization as currently allocated between the
27 Weatherization Agencies, and \$60,000 allocated annually
28 to the biennial evaluation of the low-income weatherization
29 program if determined by the Ameren Missouri
30 stakeholders to be appropriate;

31 And he continues on page 139:

32 4) That the timing of any evaluation subsequent to the
33 second biennial evaluation should be at the discretion of the
34 Company in consultation with the stakeholder group, but
35 not less often than every five years.

1 **Q. What is the purpose of conducting future evaluations?**

2 A. The S&A clearly spells out the purpose of the evaluations. Paragraph 2
3 states:

4 This evaluation will estimate both the electric and natural
5 gas savings realized by Ameren Missouri electric customers
6 who use natural gas supplied by either Ameren Missouri or
7 Laclede for space heating. It will also include an evaluation
8 of the effect of weatherization on participants' ability to pay
9 gas and electric bills and on the customers' arrearages.

10 In addition, paragraph 3 includes the cost effectiveness component, as follows:

11 The second evaluation will include an assessment of cost
12 effectiveness.

13 While I agree that program evaluation funding is important, it is for the purpose
14 of obtaining *useful and routine* evaluations of the program. Accordingly, I disagree with
15 Staff's recommendation to discontinue biennial evaluations in favor of a 5-year
16 evaluation. For evaluations to be meaningful, there must be a reasonable interval within
17 which the recommendations can be incorporated into the program. Five years is simply
18 too long, and diminishes the value of performing evaluations in the first place. Problems
19 with the program would remain for five full years, and continuous improvements cannot
20 be made to refine the program to meet participant needs and achieve energy savings.
21 Continuing the biennial evaluation will ensure customer funds are being utilized in the
22 most appropriate way and checks and balances are in place to monitor the program and
23 improve the energy savings results. This is not possible without on-going evaluations.

24 **Q. Have past evaluations of this program provided information to meet**
25 **these requirements?**

26 A. Yes. The evaluation process for this program has evolved and improved
27 over the last few years. The third evaluation is just starting and with the input from the

1 regulatory stakeholder group, twelve evaluation objectives will be addressed by the third-
2 party evaluator. Of these twelve objectives, eight are new, which will provide the
3 Company, DE and other stakeholders with valuable information to improve the program
4 process and impact results to better utilize customers funds. After working with DE to
5 implement appropriate changes, on-going evaluations will be needed to analyze and
6 document the benefits and identify opportunities for future improvements.

7 **Q. When was the Low Income Weatherization Program first evaluated?**

8 A. I was part of the regulatory stakeholder group that agreed to complete the
9 first evaluation of the Low Income Weatherization program. It was completed by
10 Apprise in December 2009 ("Apprise Evaluation").

11 **Q. Did the Apprise Evaluation make any recommendations to improve
12 the program?**

13 A. Yes. The Apprise Evaluation included fourteen recommendations in four
14 areas: program management, weatherization staff training, impact and satisfaction.

15 **Q. Has DE fully implemented all of these improvements?**

16 A. No, according to the 2012 evaluation conducted by The Cadmus Group
17 ("Cadmus Evaluation"), several of the Apprise Evaluation recommendations have not
18 been fully implemented. One of the Cadmus Evaluation recommendations included in
19 the Apprise Evaluation is a concern to the evaluation of the Program is the tracking
20 database.

21 While DE did develop a new Missouri weather assistance program database, data
22 collected in it is so limited that the ability to conduct the most recent evaluation was
23 negatively impacted.

1 **Q. What problems were caused by the fact that the database was not**
2 **fully implemented?**

3 A. While DE did secure a new database system as recommended in the
4 Apprise Evaluation, measure level detail was not collected and recorded in the new
5 database system. The lack of this data negatively impacted the 2012 evaluation to the
6 extent that the scope of the Cadmus Evaluation needed to be reduced from the original
7 evaluation plan. Cadmus anticipated having specific data on measures that were installed
8 at each participant’s home, similar to the level of detail they see in the databases for other
9 Ameren Missouri energy efficiency programs. When Cadmus learned that the anticipated
10 level of detail was not available, they had to eliminate their plan to develop measure level
11 savings and Total Resource Cost (“TRC”) results. This significantly reduced the quality
12 of the impact results, because the cost effectiveness of individual measures could not be
13 determined. This is particularly concerning given the fact that the low income program is
14 only evaluated every two years rather than annually. With good data, improvements can
15 be identified, and if followed, higher energy savings can be achieved.

16 **Q. Did Cadmus make other recommendations in its evaluation report**
17 **that were similar to the recommendations found in the Apprise Evaluation?**

18 A. Yes. Cadmus made a total of seven recommendations and the following
19 recommendations are similar to the 2009 Apprise Evaluation recommendations:

- 20 • Increasing Ameren Missouri sponsorship awareness through leave-behind
21 materials;
- 22 • Developing Ameren Missouri-specific Low Income Weatherization
23 Program funding guidelines that complement the existing federal

1 guidelines and allow CAAs to more comprehensively serve participants,
2 thereby achieving greater savings;

3 • Collaboratively assessing the potential addition of new electric measures;

4 • Tracking and electronically reporting measure-specific details for all
5 participants;

6 • Tracking and electronically reporting previously inoperable heating or
7 cooling units, as well as those that were replaced rather than tuned-up.

8 **Q. Does Ameren Missouri agree with these recommendations?**

9 A. Yes, it does. Ameren Missouri developed educational energy efficiency
10 program materials for customers and would like to work with DE to evaluate potential
11 electric measures that may be included in the Low Income Weatherization Program in the
12 future. Ameren Missouri also supports the recommendation for improvements to the
13 database to assist in future evaluation efforts.

14 **Q. Were there any other results in that evaluation report that you would**
15 **like to discuss?**

16 A. Yes. Other results included:

17 • Participants in the program saw an average energy savings of 12%;

18 • The average number of disconnects for participants in the program
19 declined by 133%.

20 This type of information is needed to show the evaluated results and benefits of
21 the program.

1 **Q. What is the status of the second evaluation identified in the S&A?**

2 A. After extensive input with the regulatory stakeholder group, Ameren
3 Missouri issued a Request for Proposals on October 31, 2014 and subsequently received
4 eight bids. Ameren Missouri is currently negotiating with the selected bidder on the
5 Statement of Work and expects work to begin on the evaluation in January and have a
6 final report by July 31, 2015, in accordance with the S&A.

7 **Q. Does Ameren Missouri expect to learn anything new in this evaluation**
8 **or is this simply a repeat of previous evaluations?**

9 A. Yes, we do expect to receive new information with this evaluation. In
10 addition to the previous evaluation process, cost effectiveness and billing analysis, there
11 are several new objectives to the current evaluation which are:

- 12 • The evaluator will receive billing data and avoided costs from Laclede
13 Gas Company, allowing a more comprehensive cost effective analysis and
14 customer bill payment analysis since many of the measures included in the
15 Low Income Weatherization Program are building shell measures that
16 save both electricity and gas;
- 17 • The evaluator will be able to conduct a measure level analysis by
18 accessing data directly from the NEAT audit tool used by the Community
19 Action Agencies;
- 20 • The evaluator will compare the traditional utility cost effectiveness results
21 to the Savings to Investment Ratio (“SIR”) used by the audit tool and
22 explain the differences;

- 1 • The evaluator will examine the split between gas and electric spending
2 and determine if this split is appropriate based upon program savings;
- 3 • The evaluator will discuss the non-energy benefits of the program;
- 4 • The evaluator will elicit feedback from sub-grantees on program design;
- 5 • The evaluator will receive comments from the regulatory stakeholders
6 prior to issuing the final report.

7 **Q. Are the previous issues experienced with the database expected to be**
8 **an issue for this evaluation?**

9 A. Yes, the current status of the database is expected to be an issue. DE has
10 expressed to Ameren Missouri that no changes have been made to the database as a result
11 of the last evaluation. The only recent upgrade has been to attach the audit reports as a
12 pdf file attachment in the database, but this enhancement was already being developed
13 when Cadmus evaluated the program.

14 **Q. Does the pdf attachment of the audit reports provide any benefit for**
15 **future evaluations?**

16 A. It could provide some benefit as it allows the evaluator to review a sample
17 of audit reports. However, this enhancement is not sufficient to allow evaluators to query
18 the database to get the level of detail they need to conduct a measure level analysis of
19 savings and cost effectiveness. In order to do this, they would need to manually enter the
20 data from audit reports into a separate database or spreadsheet for analysis, a time
21 consuming and expensive option. That is why the proposed evaluator has suggested
22 going to the Community Action Agencies to gain access to their audit tool.

1 **Q. Do low income programs have the same cost effectiveness**
2 **requirements as other energy efficiency programs undertaken pursuant to the**
3 **Missouri Energy Efficiency Investment Act (“MEEIA”)?**

4 A. No, they do not. While this program is not a MEEIA program, the
5 MEEIA program offers a point of comparison. Low Income Weatherization programs do
6 not have the same requirement to be cost effective as other energy efficiency programs
7 such as MEEIA, and I am not advocating the DE Weatherization Program be required to
8 meet strict cost-effectiveness tests. Nonetheless, they should be developed to be as cost
9 effective as possible, and evaluations can help achieve this end.

10 Even without requirements for cost effectiveness, Ameren Missouri believes its
11 customers’ money should still be spent in an effort to get the most savings for customers.
12 There is a vast difference between a program that has a non-cost-effective TRC of .8 to .9
13 and one that has a TRC of .1 to .2. To continue running a program with an extremely low
14 TRC without attempting to make program improvements would not be advisable.

15 **Q. Are there any other reasons to calculate cost effectiveness?**

16 A. Yes, if the cost effectiveness of specific measures can be determined, the
17 best mix of measures can be determined. There is a limited amount of funds that can be
18 spent on each home, so it makes sense to spend those funds on the measures most
19 beneficial to the homeowner.

20 **Q. You mentioned one of the new evaluation objectives is that the**
21 **evaluator will compare the traditional utility cost effectiveness results to the SIR**
22 **used by the audit tool. How is this cost effectiveness test different?**

1 received without periodic evaluations. In addition, Ameren Missouri will release any
2 funds collected for evaluation that are not spent back to DE to weatherize low income
3 homes. This amount is expected to be approximately \$24,000 in 2015, which will
4 weatherize seven additional homes.

5 **Q. Does Mr. Buchanan give any other reasons why future evaluations of**
6 **the Low Income Weatherization Program should be discontinued?**

7 A. Yes. Mr. Buchanan states that biennial evaluations do not give DE
8 enough time to implement changes. I disagree. Ameren Missouri implements its MEEIA
9 programs on a 3-year cycle with an annual evaluation. Ameren Missouri and its
10 implementers make program design changes on at least an annual basis and occasionally
11 more often, as conditions warrant. There is no reason why DE cannot implement changes
12 within a 2-year period. Important changes that were recommended as far back as 2009
13 have still not been implemented. In contrast to Mr. Buchanan's recommendation to
14 terminate evaluations of the programs, I would recommend that adherence to evaluation
15 recommendations be monitored and the implementation of those recommendations be
16 considered in future rate cases, when this program and its funding are at issue.

17 **Q. What was Mr. Buchanan's final reason for discontinuing evaluations?**

18 A. Mr. Buchanan states that the biennial evaluation addresses only one of
19 four utility funded weatherization programs administered by DE. While this is true,
20 unless DE is willing to commit to a thorough evaluation of the entire low income
21 weatherization process in Missouri, the best and most appropriate thing Ameren Missouri
22 can do is to evaluate the program that is funded by its customers. The Company has
23 committed substantial funding to this program over the last several years, and the

1 associated expenses have been included in rates paid by customers. The 2015 evaluation
2 will attempt to include all funding sources and all energy savings, including gas and
3 electric, for those homes served by Ameren Missouri electricity that receive
4 weatherization through the program. In addition, Ameren Missouri has received a
5 commitment from one of the other utilities, Laclede Gas Company, which has been
6 participating in the current evaluation design calls, to provide the data needed to analyze
7 gas savings.

8 **Q. Why do you believe this program should continue to be evaluated**
9 **periodically?**

10 A. The evaluation that is expected to be completed by July 31, 2015 will be
11 the most in-depth evaluation completed to date. As such, it can be expected to have more
12 detailed recommendations to improve the program. If DE implements at least some of
13 those recommendations, it will be beneficial to conduct a future evaluation to determine
14 the impact of those changes on the program. Ameren Missouri, its customers, and the
15 participants in the weatherization program all have a shared interest in improving
16 effectiveness of the money spent to administer this program. We cannot achieve that end,
17 however, if we do not evaluate the performance of the program at some reasonable
18 interval.

19 **Q. How often do you believe evaluations should be conducted?**

20 A. The current schedule of every two years is appropriate. This gives DE and
21 Community Action Agencies sufficient time to implement recommended changes before
22 the next evaluation to determine the effectiveness of these changes. As previously stated,

1 Ameren Missouri's MEEIA programs are evaluated and program improvements are
2 implemented every year.

3 **Q. Do you agree with Mr. Buchanan that tariff sheet 175 needs to be**
4 **updated?**

5 A. Yes, with respect to changing the name of Missouri Department of Natural
6 Resources to Division of Energy in paragraph 1 and updating the date of the next
7 evaluation, but I do not agree with removing paragraph 5 which describes the evaluation
8 process.

9 **Q. Does this conclude your rebuttal testimony?**

10 A. Yes, it does.

