

**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 Regulatory Changes in) File No. EO-2015-0055
Furtherance of Energy Efficiency as allowed by MEEIA.)

**APPLICATION TO APPROVE DSIM FILING, REQUEST FOR VARIANCES
AND MOTION TO ADOPT PROCEDURAL SCHEDULE**

COMES NOW Union Electric Company d/b/a Ameren Missouri (Ameren Missouri or Company) and, pursuant to 4 CSR 240-20.093(2), 4 CSR 240-2.060, 4 CSR 240-3.163(11), 4 CSR 240-20.093(13) and 4 CSR 240-20.094(9), files this *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* (collectively, *Application*), and seeks thereby approval of certain demand-side programs, a Technical Resource Manual (TRM) and a Demand-Side Investment Mechanism (DSIM) as contemplated by the Missouri Energy Efficiency Investment Act (MEEIA)¹ and the Missouri Public Service Commission (Commission) regulations implementing MEEIA.² The documents which are being filed concurrently with this *Application*, together with the *Application*, are sometimes referred to collectively herein as the Company's "MEEIA filing."

I. APPLICANT

1. Union Electric Company is a Missouri corporation doing business under the fictitious name of Ameren Missouri, in good standing in all respects, with its principal office and place of business located at One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri 63103. Ameren Missouri is engaged in providing electric and gas utility services in portions of Missouri as a public utility under the jurisdiction of the Commission. There is already on file with the

¹ Section 393.1075, RSMo. (Cum. Supp. 2010).

² 4 CSR 240-3.163; 4 CSR 240-3.164; 4 CSR 240-093 and 4 CSR 240-094. Under MEEIA, a demand-side program is defined to include energy efficiency measures.

Commission a certified copy of the Company's Articles of Incorporation (*See* Case No. EA-87-105) and, the Company's Fictitious Name Registrations as filed with the Missouri Secretary of State's Office (*See* Case No. EN-2011-0069) said documents are incorporated herein by reference and made a part hereto for all purposes. Attachment 1 to this *Application* is a Certificate of Corporate Good Standing for Ameren Missouri.

2. Pleadings, notices, orders and other correspondence and communications concerning this *Application* should be addressed to:

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3. The Company currently has a rate case pending before the Commission, Case No. ER-2014-0258; other than the rate case cited, there are no other pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment, or decision has occurred within three years of the date of this Application.

4. The Company has no overdue annual report or assessment fees.

5. 4 CSR 240-22.080(12) requires Ameren Missouri to certify this *Application* as consistent with its Preferred Plan from its most recent Integrated Resource Plan (IRP) or to explain why it is not consistent. Ameren Missouri hereby certifies this Application is consistent with its current IRP.

6. On August 28, 2014, Ameren Missouri filed a notice (*Notice*) pursuant to 4 CSR 240-4.020(2), indicating its intent to submit a MEEIA filing no earlier than 60 days from that date. More than 60 days have expired since that *Notice* was filed.

II. APPLICATION

7. Attached to this *Application* is a report (*Report*), supported by affidavits, explaining the elements of Ameren Missouri's proposed demand-side programs, TRM and DSIM. The *Report* is similar in format to the reports the Staff has recently filed in general rate cases and includes the equivalent of testimony (and schedules thereto) from the Company's

subject matter experts in support of the MEEIA filing. Commission approval of the Company's proposed demand-side programs, TRM and DSIM is necessary to fulfill MEEIA's mandate that the Commission align utility financial incentives with helping customers to use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently. Ameren Missouri asks the Commission to approve the programs and the DSIM as filed. Specifically, the requested programs and the DSIM consist of the following principal elements:

- A three-year plan for specified demand-side programs³;
- Investment in such programs at a level designed to achieve energy efficiency savings at the Realistic Achievable Potential (RAP) level;
- Use of a Technical Reference Manual (TRM) to determine kilowatt-hour (kWh) savings achieved;
- Recovery of program costs and offset of the throughput disincentive at the same time energy efficiency investments are made; and
- An opportunity to earn an incentive amount based upon kWh savings achieved.

8. This is Ameren Missouri's second MEEIA filing. Ameren Missouri's first MEEIA filing was approved on August 1, 2012, and will conclude by year end of 2015.

9. While the Company expects this case to be concluded in the second quarter of 2015, it will take several months after this case is concluded for the Company to ramp-up the necessary infrastructure to implement the level of energy efficiency programs proposed in the MEEIA filing. While the Company intends to issue requests for proposal (RFPs) during the pendency of this case, it will require time after the case concludes in order to contract with implementing contractors, time for contractors to achieve necessary staffing levels, etc.

10. The tariffs have been designed to provide the Company with the necessary flexibility to effectively implement and operate its demand-side programs and to make

³ The terms "demand-side" and "energy efficiency" are used synonymously herein. Under MEEIA, energy efficiency programs or investments are a sub-set of demand-side programs or investments.

improvements as necessary to adapt to market conditions. The simplest example of this flexibility is the Company's ability to change the incentive level if customer participation is lower than anticipated.

11. Certain Commission regulations (including rules contained in Chapter 3, 14 and 20 of Part 240), were promulgated in years prior to adoption of any Ameren Missouri MEEIA programs, and in present form, contain requirements that are inconsistent with the Company's requested MEEIA filing and DSIM. Accordingly, the Company seeks variance from those regulations, listed as follows:

- 4 CSR 240-20.093 (1)(A), (1)(EE), (1)(C), (1)(M) (5), (1)(O), (1)(P),(1)(Q), (2)(H), (2)(I), (3), (4), (5)(A)
- 4 CSR 240-20.094 (1)(A) (1)(C), (1)(J)(5), (1)(L), (1)(N) (1)(Z), (2)
- 4 CSR 240-3.164 (1)(A), (1)(F)(5), (1)(H), (1)(J), and (2)(C)(9)
- 4 CSR 240-Chapter 14

In order to implement the proposed programs and the requested DSIM, the Company requests the variances⁴ from the Commission's MEEIA regulations:

A. Variances from Annual Demand and Energy Targets – The Company requests variance from the requirement to provide annual demand and savings “targets” as part of the DSIM and associated tariffs. The plan provides for a portfolio of programs designed to achieve savings over a three-year period. Various programs under the portfolio will mature at different points during the time frame, and the Company requires flexibility in portfolio management to maximize savings. Specific targets at the program level limit flexibility and impede the

⁴ The Company is requesting a portion of the lifetime net benefits as an offset to the throughput disincentive. While the Company does not believe a variance of the definition of the term “lost revenue” in 4 CSR 240-3.163(1)(Q), 4 CSR 240-3.164(1)(M), 4 CSR 240-20.093(1)(Y) and 4 CSR 240-20.094(1)(U) is required to implement the DSIM reflected in its MEEIA filing, to the extent the Commission disagrees, the Company requests a variance from the definition of “lost revenue” contained in these rule sections so that lost revenues include sums necessary to cover the entire throughput disincentive (i.e., all kWh sales lost) created by energy efficiency investments.

Company's ability to achieve all cost-effective energy efficiency. Therefore, the Company requests variance from 4 CSR 240-20.094(1)(A), 4 CSR 240-20.094(3)(A) and 20.094(4)(A), which make specific reference to "annual demand and energy savings targets."

B. Variations from "Program Cost" Requirements

4 CSR 240-20.093(1)(N) and (4) limit cost recovery to program costs and exclude recovery of the cost of throughput disincentive and performance incentive. These limitations are inconsistent with the intended operation of Ameren Missouri's Plan. Recoveries necessary to overcome the barrier presented by throughput disincentive are consistent with the dictates of MEEIA and a foundational element to Ameren Missouri's DSIM.

C. Variance from Statewide TRM Requirements

The Company's plan will use the Ameren Missouri TRM prior to any possible statewide TRM being implemented. 4 CSR 240-20.093(7)(E) could be construed to require Ameren Missouri to change mid-plan to the new TRM, creating substantial uncertainty associated with retroactive TRM application. Accordingly, Ameren Missouri seeks variance from the statewide TRM requirements and allow it to use a Company-specific TRM.

D. Promotional Practices

Implementation of Energy Efficiency programs requires substantial marketing and promotion. 4 CSR 240-3.150 and Chapter 14 were not promulgated in a manner cognizant of MEEIA implementation. The DSIM filing establishes the parameters of marketing energy efficiency products and services, and therefore the Commission's approval of the plan and general MEEIA oversight are the most appropriate vehicles for the regulation of MEEIA-related utility marketing and promotion. Accordingly, the Company seeks a variance from the Commission's promotional practices rules.

E. VariANCES REGARDING RETROSPECTIVE RECOVERY – The Company is requesting the Commission provide variances of the following rules to the extent that the rules, as written, would allow only retrospective recovery of the portion of net shared benefits that under the Company’s MEEIA filing and the proposed DSIM are to be reflected in the DSIM.

1. 4 CSR 240-20.093(2)(H). “Any utility incentive component of a DSIM shall be based on the performance of demand-side programs...and shall include a methodology for determining the utility’s portion of annual net shared benefits **achieved and documented** through EMV reports...”

2. 4 CSR 240-20.093(2)(H)3. “Any utility incentive component of a DSIM shall be implemented on a **retrospective basis** and all energy and demand savings used to determine a DSIM utility incentive revenue requirement must be **measured and verified** through EMV.”

3. 4 CSR 240-20.093(1)(EE) and 4 CSR 240-20.094(1)(Z). These sections define Utility Incentive Component of a DSIM as the methodology approved by the Commission to allow the utility to receive “a portion of annual net shared benefits **achieved and documented** through EMV reports.”

4. 4 CSR 240-3.163 (1)(A), 4 CSR 240-20.093 (1)(C) and 4 CSR 240-20.094 (1)(C). These sections of the rules define "Annual net shared benefits" as meaning a utility's “avoided costs **measured and documented** through evaluation, measurement, and verification (EMV) reports....”

5. 4 CSR 240-3.163(1)(F)5, 4 CSR 240-20-093(1)(M)5 and 4 CSR 240-20.094(1)(J)5. These sections define a DSIM. Part (5) of each definition

states that "Utility incentive based on the **achieved** performance level of approved demand-side programs."

Good cause exists to vary the requirement to apply the recovery of net shared benefits on a retrospective basis because allowing prospective recovery in no way diminishes the role of EMV. Since Ameren Missouri is requesting the approval of a TRM in this case, the annual EMV process will be slightly different than in recent history. Relying largely on recent EMV reports, the TRM embodies the most reasonable approximations of the energy savings and costs of end-use measures at this time. Agreeing to the TRM values up-front will provide additional transparency to the process and greatly facilitate understanding the performance of the programs. Even with the approval of the TRM, the utility will still evaluate its programs by focusing on process and impact annually, incorporating the results into the TRM prospectively. In addition to the Company's EMV processes, the Commission's EMV auditor will provide another report of the utility's EMV efforts. This streamlined process reduces uncertainty and is more pragmatic for assessing energy efficiency programs. It is also important to recognize that most of the proposed energy efficiency programs and the majority of the measures offered already have proven track records as they are extensions of programs the Company has offered since 2009.

Retrospective recovery heightens recovery risk and does not value demand-side and supply-side resources equally. First, as program costs are spent the effects are, for practical purposes, immediate. For example, a business customer receives a rebate after the energy efficiency project is complete. So, energy efficiency can be thought of as a continuous stream of demand-side resources becoming "used and useful." It is simply impossible to file monthly rate cases (each taking 11 months) to provide an opportunity for timely recovery. Furthermore, delayed recovery has detrimental effects to the Company's financial position. Including a

portion of net benefits in the DSIM mitigates the immediate negative impacts to cash flow and earnings caused by the throughput disincentive. Without the implementation of energy efficiency, the utility would not experience the associated degradation of its financial position. These immediate financial effects are clearly shown in the *Report* and demonstrate that delayed recovery of the throughput disincentive will impede the adoption of utility energy efficiency efforts.

The annual reporting requirement and the requirement to file for modification if there is a twenty percent (20%) or more variance from the approved demand-side plan three-year budget and/or any program design modification which is no longer covered by the approved tariff sheets for the program are adequate safeguards to allow contemporaneous recovery.

Finally, there is no legal basis to unduly delay recovery and the MEEIA statute in no way requires EMV to be complete before recovery. In fact, the retrospective recovery is a direct contradiction to the requirement of providing timely cost recovery which is found within MEEIA.

F. Variance Regarding Calculation of Utility Incentive – The Company believes use of the TRM is consistent with measurement of performance of a demand-side program. However, to avoid confusion, the Company requests a variance from the following rule so that it may use the TRM to calculate the utility incentive component of the DSIM:

4 CSR 240-20.093(2)(H). “Any utility incentive component of a DSIM shall be **based on the performance of demand-side programs...**”

For the net shared benefits calculation, the Company requests that net shared benefits be calculated based upon the characteristics set out in the TRM and the number of measures as

determined by EMV. The *Report* explains exactly how the TRM is to be used. This variance is necessary for all of the reasons set forth in paragraph 12A above.

G. Variations Regarding “Rate” and “Revenue Requirement” Definitions. 4 CSR 240-20.093(1)(O) and 4 CSR 240-3.163(1)(H) define "DSIM rate" as the charge on customers' bills for the portion of the DSIM revenue requirement assigned by the Commission to a rate class. 4 CSR 240-20.093(1)(P) and 4 CSR 240-3.163(1)(I) define “DSIM revenue requirement” as the costs associated with the DSIM plan. Taken together and without a variance, these definitions would mean that only charges reflected in a DSIM approved as part of a MEEIA filing could be included on a separate energy efficiency line item on a customer's bill. However, the MEEIA statute allows certain customers to opt-out of *all* energy efficiency charges,⁵ which is more than just the costs of Ameren Missouri’s DSIM. Consequently, good cause exists to grant a variance for these definitions to the extent necessary to allow the Company to include in that separate line item the costs associated with current and historical energy efficiency cost recovery (i.e., the regulatory asset that under prior rate case orders is currently being amortized over 6 years) in addition to the costs reflected in the DSIM itself. This will allow the Company to effectuate opt-out requests, which MEEIA allows, regardless of whether the cost was incurred under a MEEIA-approved program or "any other authority."

H. Variations Related to Net Shared Benefits – The Company also requests partial variance from the following rules to the extent that the Company’s proposed DSIM does not reflect a sharing of “annual” net shared benefits:

1. 4 CSR 240-3.163(1)(A), 4 CSR 240-20.093(1)(A) and 4 CSR 240-20.094(1)(C). These sections define “Annual Net Shared Benefit” and require the calculation be done “...on an **annual** basis.”

⁵ Section 393.1075.7, RSMo. (Cum. Supp. 2010).

2. 4 CSR 240-20.093(1)(Q), 4 CSR 240-20.093(2)(M) and 4 CSR 240-3.163(1)(J).

These sections define a DSIM utility incentive revenue requirement as the revenue requirement to provide the utility with a portion of **annual** net shared benefits based on the approved utility incentive component of a DSIM.

3. 4 CSR 240-20.093(2)(H) requires the incentive component of a DSIM to be based upon “**annual** net shared benefits.”

4. 4 CSR 240-20.093(1)(EE) and 4 CSR 240-20.094(1)(Z). These sections define Utility Incentive Component of a DSIM as the methodology approved by the Commission to allow the utility to receive “a portion of **annual** net shared benefits achieved and documented through EMV reports.”

All of these rules contain the word “annual” in the phrase “annual net shared benefits.” The word “annual” could be interpreted to restrict the sharing of net benefits to individual years. If so, good cause exists to strike the word “annual” because the Company’s analysis shows that it is only logical to share the lifetime net benefits. For example, the net benefits are negative for the first several years (i.e. the costs exceed the benefits). Although this is a natural occurrence and the ongoing benefits outweigh the initial costs by more than a factor of three, it does not make sense to share a negative number. Using the lifetime savings is the same as the Utility Cost Test, which evaluates the lifetime benefits compared to lifetime costs.

- I. Variance from Semi-Annual Rider Adjustment Requirements

4 CSR 240-20.093(5)(A) and (2)(L) provides for semi-annual rider adjustment. The Company proposes a forecasted rather than retrospective approach to recovery and thereby eliminates in most cases the need for a semi-annual update. However, the Company would like

to reserve the option to utilize a semi-annual update should it be necessary to adjust or correct recovery in any given year.

J. Variance from 120-day Approval Requirement

The Company requests additional time beyond the time limit contained in 4 CSR 240-20.093 (3), which is 120 days. The Company finds that the 120-day requirement is too constrained given the press of business associated with the Company’s current rate case procedural schedule, the time needed for Staff to review this application and for the Company to respond to any concerns of Staff or interveners. However, in order to have the time necessary to engage contractors and to complete the work necessary to have the MEEA 2016-18 programs for launch on January 1, 2016, the Company must have approval of this filing no later than June of 2015.

12. To address these issues, the Company proposes a procedural schedule, as set forth in the table below. Ameren Missouri believes the proposed schedule affords Staff and interveners sufficient time to review yet still completes the proceeding in time for the Company to implement programs by January 1, 2016. Given these needs, the Company proposes the following procedural schedule:

Date	Description
12/22/2014	Filing Date
03/02/2015	Rebuttal Testimony
03/30/2015	Surrebuttal Testimony
04/20/2015- 04/22/2015	Hearing
05/08/2015	Briefs
05/19/2015	Reply Briefs
06/09/2015	Expected Order

The Company also proposes to hold a weekly technical conference with Staff, the Office of Public Counsel, the Division of Energy and all interveners for as long as that conference is productive. Ameren Missouri proposes to hold the first technical conference the week of January 12, 2015. Finally, Ameren Missouri asks the Commission to set a short intervention deadline, so that parties can participate in all of the technical conferences and that a procedural schedule can be finalized.

13. Ameren Missouri will provide Staff, the Office of Public Counsel and the Division of Energy (and interveners) access to all work papers and other documentation to facilitate review of the Company's MEEIA filing.

WHEREFORE, Ameren Missouri respectfully requests that the Missouri Public Service Commission approve the demand-side programs, Technical Resource Manual and the DSIM proposed in its MEEIA filing, the variances listed above and for other relief as is appropriate in this case.

Respectfully submitted,

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

/s/ Matthew R. Tomc

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CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the foregoing have been e-mailed or mailed, via first-class United States Mail, postage pre-paid, to the service list of record this 22nd day of December, 2014.

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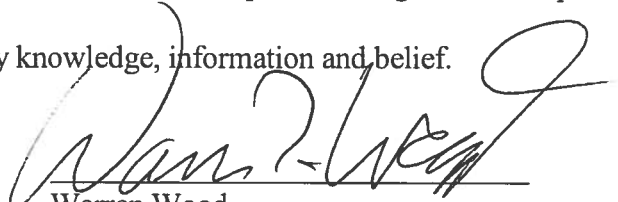
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/s/ Matthew R. Tomc

Matthew R. Tomc

VERIFICATION

I, Warren Wood, of lawful age, being duly sworn, depose and say that I am the Vice President of External Affairs & Communications for Union Electric Company d/b/a Ameren Missouri; that I have knowledge of the facts stated in the foregoing Application; that I certify that the requested action is substantially consistent with the preferred resource plan specified in Union Electric Company d/b/a Ameren Missouri's most recent triennial compliance filing or annual update report; and that said facts are true to the best of my knowledge, information and belief.


Warren Wood

Subscribed and sworn to before me this 19 day of December 2014.


Notary Public

NE
Julie Irby - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #13753418
My Commission Expires 1/15/2017

STATE OF MISSOURI



Jason Kander
Secretary of State

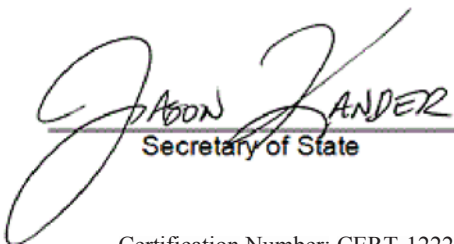
CORPORATION DIVISION
CERTIFICATE OF GOOD STANDING

I, JASON KANDER, Secretary of State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

UNION ELECTRIC COMPANY
00040441

was created under the laws of this State on the 21st day of November, 1922, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the GREAT SEAL of the State of Missouri. Done at the City of Jefferson, this 22nd day of December, 2014.


Secretary of State

Certification Number: CERT-12222014-0003

