

June 28, 2010

John Rogers
Utility Operations Division
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Re: EW-2010-0265

Dear John:

AmerenUE first wishes to acknowledge the efforts of Staff in developing the draft energy efficiency rule that is currently before the stakeholders. We appreciate Staff's efforts to create an effective vehicle for implementing the intent of the Legislature and the Governor as expressed in the Missouri Energy Efficiency Investment Act (MEEIA).

Last Friday, a Memorandum was filed by KCP&L, the Missouri DNR and the Natural Resources Defense Council. AmerenUE is in substantial agreement with the observations and recommendations of these parties, with a few important exceptions. Our key points of agreement are as follows:

1. The Memorandum states that MEEIA "... recognized that the current cost recovery construct related to such investments in electric utility-sponsored DSM serves as a critical deterrent to the realization of the potential of this resource." AmerenUE is in full agreement on this critical point.
2. We generally agree with the recommendations made in Section 1, Encouragement of DSM Investment, especially the idea of using a Shared Net Benefits approach to providing a return to the utility on its DSM investments. We continue to recommend that cost recovery be either direct expense recovery or utilize a short amortization period (three years or less), with unamortized balances receiving a return equal to the return allowed for the utility's rate base.
3. We agree with the recommendations made in Section 3, Timely Recovery and Approval, especially the recommendation that the DSM mechanism be established simultaneous with approval of DSM program plans. We also agree with the recommendation that utility plans must either be approved or rejected by the Commission.
4. We support the recommendations made in Sections 4 and 5 on the importance of flexibility, transparency and accountability.

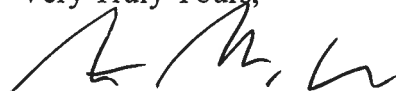


Our disagreement lies in some of the observations and recommendations made in Section 2, Determination of Level of DSM Investment. We agree with the statement that "...the goal of all cost-effective savings must be determined in the process of approving a three-year electric utility plan," as stated in the Memorandum. However, MEEIA does not contain language which would give the Commission the authority to adopt "gradually-increasing targets" as recommended by the Memorandum. The Commission's authority to establish rules is limited to the authority granted to it by the statute. The statute contains no targets nor does it direct the Commission to set any target levels. Further, the targets set forth (in the current draft rule and in the memo) are not based upon facts and circumstances specific to Missouri. There is no reason to believe that these targets represent "all cost-effective" DSM for AmerenUE or any other Missouri utility. AmerenUE believes "all cost-effective" will be a different level for each utility and should be based upon factors specific to each utility. The determination of whether a utility DSM plan is aligned with the MEEIA goal of "achieving all cost-effective demand-side savings" should be left to specific findings of fact in specific cases that come before the Commission.

In addition, some of the recommendations made in the Memorandum, particularly in Section 2A, impugn the integrity of the Commission's integrated resource planning (IRP) rule, and utility plans filed under that rule, while offering no supporting evidence whatsoever. Integrated resource planning exists in order to provide the Commission with insight on the utility's view, informed by stakeholder input, of the relative economics and risks of an array of supply-side and demand-side resource options. If the Commission were to adopt a standard that the utility's current IRP is "not a limiting factor" in its subsequent approval of utility DSM plans, it would call into question the usefulness of doing an IRP at all. Clearly, this was not the Legislature's intent in passing MEEIA.

AmerenUE continues to support an outcome in this rulemaking that truly aligns, without ambiguity, utility financial incentives with the achievement of all cost-effective demand-side savings – the clearly stated policy of MEEIA. Once this is accomplished, we look forward to working with the Commission, Staff and stakeholders to establish Missouri as a new leader in the design and delivery of high-quality demand-side services to our customers.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "S. M. Kidwell", written in a cursive style.

Stephen M. Kidwell