

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the Consideration and)	
Implementation of Section 393.1075,)	File No. EX-2010-0368
The Missouri Energy Efficiency Investment)	
Act.)	

COMMENTS OF THE
MISSOURI ENERGY GROUP

COMES NOW the Missouri Energy Group (MEG) and submits the following Comments on the proposed rules for implementation of Section 393.1075 RSMo Supp. 2009, the Missouri Energy Efficiency Investment Act ("MEEIA"), published in the Missouri Register on November 15, 2010, and in particular 4 CSR 240-3.163:

The MEG believes that demand-side programs investment mechanism ("DSIM") should not include a provision for recovery of lost revenues.

While it is reasonable to assume that energy efficiency programs will have some effect in reducing sales and, therefore, revenues, the reduction in usage may also cause reductions in some other costs. Any reduction in fuel costs will pass through to the customers through a fuel adjustment clause (if the utility has one). As is presently the case with Ameren Missouri ("AMMO," formerly AmerenUE), the utility will retain 5 percent of any reduction in fuel costs. In the long run, there will be reductions in fixed costs which will also be retained by the utility that will not flow through. Reductions in non-fuel variable costs will accrue 100 percent to the utility.

A lost revenue recovery mechanism is also inconsistent with the way other changes are handled. A utility believes that energy efficiency programs will reduce sales and thereby, reduce contributions to fixed costs. By the same reasoning, one could argue

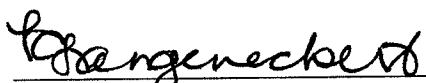
that every time a utility adds a customer, it will increase sales and increase the contribution to fixed cost, so there should be a refund to customers in that class as a result.

To estimate the lost revenues, engineering estimates of savings for each energy efficiency program must be assumed. There is no way to determine the actual effect of the various energy efficiency programs. If actual sales are higher than forecast sales, will the utility still collect lost revenues, even if energy efficiency programs have reduced sales below the expected amount if those programs were not in place? If customers reduce their energy consumption of their own volition without using any of the utilities' energy efficiency programs, should the utility recover the lost fixed cost due to that reduction?

Because of the many assumptions and complexities involved in estimating reduced sales due to energy efficiency programs, the MEG asks that language that allows the Commission to approve a lost revenues mechanism be rejected.

Respectfully submitted,

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