Exhibit No.:	
Issues:	Energy Efficiency DSM Programs
Witness:	Hojong Kang
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Surrebuttal Testimony
File No.:	EO-2012-0142
Date Testimony Prepared:	May 4, 2012

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

HOJONG KANG

UNION ELECTRIC COMPANY
d/b/a
AMEREN MISSOURI

FILE NO. EO-2012-0142

Jefferson City, Missouri
May 2012

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Filing to Implement Regulatory Changes Furtherance of Energy Efficiency as allowed by MEEIA	)))))	File No. EO-2012-0142

AFFIDAVIT OF HOJONG KANG

**STATE OF MISSOURI) **
) ss
COUNTY OF COLE)

Hojong Kang, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 5 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Hojong Kang

Hojong Kang

Subscribed and sworn to before me this 3rd day of May, 2012.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086

Susan L. Sundermeyer

Notary Public

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HOJONG KANG

UNION ELECTRIC COMPANY
d/b/a
AMEREN MISSOURI

FILE NO. EO-2012-0142

Q. Please state your name and business address.

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

Q. What is your present position at the Missouri Public Service Commission?

A. I am a Regulatory Economist in the Resource Analysis Section of the Energy Unit, in the Regulatory Review Division.

Q. Are you the same Hojong Kang that contributed to Staff's Rebuttal Testimony filed on April 13, 2012?

A. Yes, I am.

Q. Would you please summarize the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to address certain issues discussed in the rebuttal testimony of the Missouri Department of Natural Resources' ("DNR") witness, Dr. Adam Bickford, and in the rebuttal testimony of the National Resources Defense Council ("NRDC"), Sierra Club, and Renew Missouri's witness, Philip Mosenthal. In particular, I explain Staff's concern for Ameren Missouri's discontinuance of its Social Marketing Distribution ("SMD") program and Staff's agreement with Mr. Mosenthal's rebuttal testimony related to his concerns regarding Ameren Missouri's evaluation, measurement and verification ("EM&V") plan.

I make the following additional Staff recommendations related to the Company's demand-side program plan:

1. The Commission order Ameren Missouri to provide its reason for not continuing to provide a proven DSM program with such a high Total Resource Cost test ("TRC"); and
2. The Commission find the level of Ameren Missouri's proposed EM&V budget inadequate and not supported by best evaluation practices in the electric industry, and order Ameren Missouri to submit a revised and enhanced EM&V plan with an average annual spending level of approximately 5% of its total demand-side program plan budget.

<u>Social Marketing Distribution Program</u>

Q. Did Ameren Missouri choose not to include its former SMD program in its demand-side program plan?

A. Yes. This observation is made by Dr. Bickford on page 8, lines 12 – 16, of his rebuttal testimony.

Q. What was Ameren Missouri's Social Marketing Distribution program?

A. From July 2010 to September 2011, Ameren Missouri's SMD program provided not-for-profit organizations with energy-efficient compact fluorescent lamps ("CFLs"), which the organizations then distributed to residential customers in the communities they serve. The goal of the program was to reduce energy used for residential lighting and therefore lower household energy bills for those customers receiving SMD program services.

These not-for-profit organizations, such as municipalities, food pantries, and other social based organizations, have readily available low or no-cost labor to directly distribute CFLs to residential end users at little or no cost to Ameren Missouri (except for the cost of the lamp). When purchased in bulk quantities, the CFL lamps can be provided at a program cost which is less than the incentive provided through retailers under the Company's Residential Lighting Program. This results in a very cost-effective method of distributing CFLs, especially to members of low-income groups who may be reluctant to make the initial purchase of CFLs at retail prices. [1]

Q. How cost-effective was Ameren Missouri's SMD program?

A. The EM&V report of this program states, "the SMD program distributed 479,878 bulbs achieving a total net energy savings of 20,901 MWh."[2] The supporting document for the original tariff sheet for the SMD program showed a TRC ratio of 14.15,[3] which is several times greater than any of the DSM programs Ameren Missouri proposes in its *2013 – 2015 Energy Efficiency Plan*, and approximately seven (7) times greater than the TRC of 2.07 for the Company's entire demand-side programs plan. [4]

Q. Does the Company explain why the SMD program is not included in its *2013 – 2015 Energy Efficiency Plan*?

A. No. However, on April 30, 2012, Staff submitted a data request asking Ameren Missouri to clarify why it did not include the SMD program in its *2013 – 2015 Energy Efficiency Plan*.

[1] "*Supporting Information*" document under Tariff Tracking No.JE-2010-0695.
[2] *Lighting and Appliance Evaluation Program Year 2011*, The Cadmus Group, Inc., March 2012.
[3] "*Supporting Information*" document under Tariff Tracking No.JE-2010-0695.
[4] See Table 3.7 of the 2-13-2015 Energy Efficiency Plan for the estimated TRC of each of the proposed DSM programs in the Company's demand-side program plan.

Q. What recommendation does Staff have concerning Ameren Missouri's SMD program?

A. Staff recommends the Commission order Ameren Missouri to explain why it is not proposing to continue to provide a proven DSM program that has such a high TRC.

Evaluation, Measurement and Verification Plan

Q. Would you summarize the reasons why Mr. Mosenthal states Ameren Missouri's EM&V plan is inadequate?

A. Yes. Ameren Missouri proposes to spend approximately 2.7% of its total demand-side program plan budget on EM&V.[5] Mr. Mosenthal suggests on page 50 of his rebuttal testimony, that Ameren Missouri's planned expenditures for EM&V may be inadequate because: 1) "Ameren Missouri's current estimates of savings have not yet been fully independently reviewed and linked to Missouri-specific data"; 2) "the scale of share of net benefits awards associated with EM&V results is quite high, amounting to an estimated present value of $122 million (Ameren's proposed value) during 2013-2015—over 30 times the evaluation budget [of $4 million]"; and 3) "many of Ameren [Missouri]'s programs are new to the Missouri marketplace and have a limited track record, ..."[6]

Q. Do the MEEIA rules provide guidance on how much the electric utility should spend on its EM&V process?

A. The MEEIA rules specify that "[e]ach utility's EM&V budget shall not exceed five percent (5%) of the utility's total budget for all approved demand-side program costs."[7]

Q. What are the implications of inadequately funded EM&V?

[5] *Rebuttal testimony of Philip Mosenthal*, page 49, line 1.
[6] *Rebuttal testimony of Philip Mosenthal*, page 50, lines 10 -21.
[7] 4 CSR 240-20.093(7)(A):

A. Staff agrees with Mr. Mosenthal who states on page 54 in his rebuttal testimony:

> In Missouri, inadequate EM&V funding would result in a greater uncertainty about the calculation of large share of net benefits payments to Ameren, perhaps leading to reduced public confidence in the programs and Ameren's ability to administer them in the public interest. Inadequate EM&V budgets will also impair the identification of opportunities to improve program administration and delivery. Such problems can include inadequate financial controls, inappropriate rebate payments, inadequate technical review of large projects, and the continued expenditure of ratepayer money on ineffective programs.

Q. What recommendation does Staff have concerning Ameren Missouri's EM&V plan?

A. Staff recommends that the Commission find the level of Ameren Missouri's proposed EM&V budget is inadequate, is not supported by best evaluation practices in the electric industry,[8] and order Ameren Missouri to submit a revised and enhanced EM&V plan with an average annual spending level not to exceed five percent (5%) of its total demand-side program plan budget.

Q. Does that conclude your surrebuttal testimony?

A. Yes, it does.

[8] *Rebuttal testimony of Philip Mosenthal*, page 51, lines 1 – 17.