

**Union Electric Company d/b/a Ameren Missouri
Case No. ER-2011-0028**

**Missouri Department of Natural Resources
Statement of Positions**

4. Energy Efficiency/Demand Side Management (DSM):

A. Is Ameren Missouri in compliance with the Missouri Energy Efficiency Investment Act (MEEIA) regardless of whether or not proposed rules under the law are effective?

MDNR: Ameren Missouri (Ameren) is required to comply with MEEIA regardless whether the proposed rules are in effect. Ameren's compliance with MEEIA may be determined by the extent to which Ameren's continuation and/or expansion of DSM programs includes pursuing all cost effective demand side savings.

(1) What DSM programs should Ameren Missouri continue and/or implement, and at what annual expenditure level; and

MDNR: Ameren should continue its current DSM programs. Further, Ameren should implement all cost-effective DSM programs to generate savings consistent with the MEEIA goal. The continuation and expansion of DSM programs is in the public interest as shown by the customer participation and is consistent with clear policies of this state. Wolfe, Rebuttal Testimony page 5.

(2) Should Ameren Missouri continue to ramp up its demand side management programs to pursue all cost-effective demand side savings?

MDNR: Yes. The Commission should direct Ameren to continue ramping up its DSM programs to pursue all cost effective savings. The energy efficiency programs in Ameren's portfolio have saved more energy and been less expensive to implement than expected. If the programs already being offered have exceeded expectations, then the Commission should direct Ameren to build on its past successes and pursue all programs that offer cost effective savings. Wolfe, Rebuttal page 5.

B. Does Ameren Missouri's request for demand-side management programs cost recovery in this case comply with MEEIA requirements?

(1) Should the Commission approve a cost recovery mechanism for Ameren Missouri DSM programs as part of this case? If so,

MDNR: Yes. Movement toward more timely cost recovery of Ameren's DSM program expenses is essential to removing disincentives to further DSM program investment. Requiring utilities to recover the costs of providing cost-effective DSM programs over unreasonable lengths of time creates a disincentive for utilities to pursue all cost effective DSM and is contrary to the goal of implementing all cost effective DSM as stated in MEEIA. Wolfe Rebuttal page 8.

(a) Over what period should DSM program costs incurred after December 31, 2010, be amortized?

MDNR: The amortization period for recovery of DSM program costs incurred after December 31, 2010 should be shortened to 3 years in order to provide more timely cost recovery. A longer amortization period creates a disincentive to maintaining and expanding programs. More timely cost recovery is not only consistent with MEEIA but also with energy policy in the *National Action Plan for Energy Efficiency Vision for 2025: A Framework for Change* published in November 2008. Treating DSM program costs the same as supply side assets such as generation facilities fails to recognize that Ameren does not have ownership of the actual DSM measure installed, that Ameren's incentives do not cover the entire cost of the DSM measures installed nor does Ameren control the use or maintenance of the DSM measures installed. Requiring Ameren to recover the costs of providing rebates that are only a partial amount of the total cost of the DSM measures installed over the full life that measure, or a weighted averaging of the various lives of widely varying DSM measures, creates an unnecessary and unwanted disincentive for Ameren to invest in all cost effective DSM. Wolfe Rebuttal page 8.

(b) Should the mechanism include an adjustment to kWh billing determinants?

MDNR: There are a number of issues that require modification or clarification before MDNR could recommend including an adjustment to the billing determinants in the cost recovery mechanism. These issues and modifications include details for the determination of the billing unit adjustment, defining how the savings achieved will be measured for the

true up, and structuring the DSM portfolio to mirror the RAP plan from the IRP in energy savings. Wolfe Surrebuttal, page 6.

(c) How much should the Commission reduce the billing determinants? and

(d) If billing units are adjusted for demand side savings, how should the NBFC rates be calculated?

C. Should a portion of the low income weatherization program funds be utilized to engage an independent third party to evaluate the program?

MDNR: Not necessarily. An evaluation at this time may not be as beneficial or relevant to the program on a going-forward basis due to the anomaly of the American Recovery and Reinvestment Act. Also, Ameren's last evaluation of the low income weatherization program covered the period ending October 2008, so only two program years have elapsed since that study.

10. Solar Rebates Accounting Authority Order (AAO):

A. What is the appropriate method -- RESRAM or an Accounting Authority Order (AAO) -- for Ameren Missouri to recover the costs it incurs for compliance with the Missouri Renewable Energy Standard (RES) after the true-up date in this case (February 28, 2011)?

B. If the Commission determines that an AAO is appropriate, should the Company be authorized in this case to implement an AAO to recover the costs it incurred for compliance with the RES before the true-up date in this case?

C. What amount of solar rebate costs should Ameren Missouri be allowed to include in the revenue requirement used to set rates in this case?

MDNR: Ameren should be allowed to recover the actual costs of this program in revenue requirement. This is a mandatory program that requires Ameren to offer these rebates. Ameren should not be required to carry the costs of these rebates any longer than one year. Wolfe Rebuttal page 15.

(4) Should Ameren be required to eliminate declining block rates for the residential winter energy charge? If so, should the declining block rates be eliminated in a revenue neutral manner?

MDNR: Yes, the Commission should require Ameren to eliminate declining block rates and do so on a revenue neutral basis. The purpose of removing declining block rates is to encourage energy efficiency and conservation. Declining block rates do not send a signal to encourage reduced usage. Removing the declining block rate structure for a flat rate structure will likely lead to an increase in bills for higher usage customers, but this increase is offset by decreases for the first block of billing units. Lower usage customers will likely see a decrease in monthly bills. Wolfe Rebuttal page 16.