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MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DEPARTMENT

REBUTTAL TESTIMONY
OF
MARK L. OLIGSCHLAEGER

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

FILE NO. EO-2012-0142

Jefferson City, Missouri
April 2012

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1 **REBUTTAL TESTIMONY**

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3 **MARK L. OLIGSCHLAEGER**

4 **UNION ELECTRIC COMPANY**

5 **d/b/a Ameren Missouri**

6 **FILE NO. EO-2012-0142**

7 Q. Please state your name and business address.

8 A. Mark L. Oligschlaeger, P.O. Box 360, Suite 440, Jefferson City, MO 65102.

9 Q. Please describe your educational background and work experience.

10 A. I attended Rockhurst College in Kansas City, Missouri, and received a Bachelor
11 of Science degree in Business Administration, with a major in Accounting, in 1981. I have been
12 employed by the Missouri Public Service Commission (“Commission”) since September of 1981
13 within the Auditing Unit.

14 Q. What is your current position with the Commission?

15 A. In April 2011, I assumed the position of Acting Manager of the Auditing Unit,
16 Utility Services Department, Regulatory Review Division, of the Commission.

17 Q. Are you a Certified Public Accountant (CPA)?

18 A. Yes, I am. In November of 1981, I passed the Uniform Certified Public
19 Accountant examination and, since February of 1989, I have been licensed in the state of
20 Missouri as a CPA.

21 Q. Have you previously filed testimony before this Commission?

22 A. Yes, numerous times. A listing of the cases in which I have previously filed
23 testimony before this Commission, and the issues I have addressed in testimony in cases from
24 1990 to current, is attached as Schedule MLO-1 to this rebuttal testimony.

1 Q. What knowledge, skills, experience, training and education do you have in the
2 areas of which you are testifying as an expert witness?

3 A. I have been employed by this Commission as a Regulatory Auditor for almost
4 30 years, and have submitted testimony on ratemaking matters numerous times before the
5 Commission. I have also been responsible for the supervision of other Commission employees
6 in rate cases and other regulatory proceedings many times. I have received continuous training
7 at in-house and outside seminars on technical ratemaking matters since I began my employment
8 at the Commission.

9 Q. Have you participated in the Commission Staff's ("Staff") review of Union
10 Electric Company d/b/a Ameren Missouri's ("Ameren Missouri" or "Company") Application in
11 this proceeding?

12 A. Yes, I have, with the assistance of other members of Staff.

13 Q. What is the purpose of your rebuttal testimony?

14 A. The purpose of this testimony is to address portions of the *2013-2015 Energy*
15 *Efficiency Plan* (Ameren MEEIA Report) which is attached to the Company's Application in this
16 proceeding, as well as the Supplemental Direct Testimony of Ameren Missouri witness
17 William R. Davis.

18 **EXECUTIVE SUMMARY**

19 Q. Please summarize your rebuttal testimony in this proceeding.

20 A. I address Ameren Missouri's proposed ratemaking treatment of certain costs
21 associated with its Missouri Energy Efficiency Investment Act initiatives, often referred to as
22 demand-side management (DSM) programs, in its proposed Demand-Side Programs Investment
23 Mechanism (DSIM). In particular, I address Ameren Missouri's proposal to collect funds from

1 customers prospectively in rates in order to offset the projected financial impact of its proposed
2 DSM investments.

3 I recommend that the Company's proposal to pre-collect amounts from customers
4 through its DSIM "performance mechanism" be rejected, as pre-collection in rates is not
5 necessary to protect UE against either significant negative earnings or significant negative cash
6 flow impacts caused by DSM investments. I recommend the Commission instead allow the
7 Company to book a regulatory asset equal to 15.4% of its net DSM benefits, with the amount of
8 the regulatory asset to be collected later in rates subject to true-up based on actual net shared
9 benefits determined through an evaluation, measurement and verification (EM&V) process. This
10 alternative approach would provide reasonable protection to Ameren Missouri's earnings levels
11 from DSM program impacts, would allow the Company to maintain adequate cash flows, and is
12 consistent with the Commission's MEEIA Rules.

13 I also recommend that Ameren Missouri's proposed program cost recovery component of
14 its DSIM include short-term interest applicable to monthly under or over-recoveries of
15 DSM program costs in customer rates.

16 **DSIM**

17 Q. Would you explain the legislative and regulatory context for Ameren Missouri's
18 Application in this case?

19 A. Yes. In 2009, the Missouri Legislature passed, and the Governor signed, the
20 Missouri Energy Efficiency Investment Act (MEEIA). The general intent of this act is to
21 encourage Missouri electric utilities to rely more on DSM investments when planning to meet
22 their future customer loads when investment in DSM programs is more cost-effective than
23 investment in traditional supply-side resources. Among other things, the MEEIA establishes that

1 “[i]t shall be the policy of the state to value demand-side investments equal to traditional
2 investments in supply and delivery infrastructure and allow recovery of all reasonable and
3 prudent costs of delivering cost-effective demand-side programs.”¹ In 2011, the
4 Commission promulgated Rules 4 CSR 240-3.163, 4 CSR 240.3.164, 4 CSR 240.20.093 and
5 4 CSR 240-20.094 (the “MEEIA Rules”) to implement the MEEIA.

6 Q. What is Ameren Missouri seeking with its application in this case?

7 A. It is seeking approval of its proposed DSM programs and DSIM.

8 Q. What is a DSIM?

9 A. A DSIM is a rate mechanism that can be used under the Commission’s MEEIA
10 Rules to obtain rate recovery of certain DSM costs, including DSM investments, either inside or
11 outside of a general rate proceeding.

12 Q. Is the Company’s Application consistent with the MEEIA Rules with respect to
13 operation of its proposed DSIM?

14 A. No. Ameren Missouri has requested variances from the Commission’s MEEIA
15 Rules that, if granted, would allow materially different ratemaking treatment of the utility
16 incentive component of a DSIM than would be allowed under the terms of the
17 Commission’s MEEIA Rule 4 CSR 240-20.093(2)(H). In his rebuttal testimony, Staff witness
18 John A. Rogers identifies and discusses other variances the Company has requested, and still
19 other variances the Company has not requested, which are all necessary for the Commission to
20 approve the DSM programs and DSIM Ameren Missouri is proposing.

21 Q. Would you generally describe the intended operation of DSIMs as defined under
22 the MEEIA Rules?

¹ Section 393.1075 3.

1 A. Yes. Under the MEEIA Rules, DSIMs can be used to recover three distinct
2 categories of revenue requirements—a “cost recovery” revenue requirement for DSM program
3 costs, a “utility incentive” revenue requirement for a share of the annual net benefits resulting
4 from the DSM investments, and a “utility lost revenue” revenue requirement (with “utility lost
5 revenue” being the portion of any reduction in the level of energy sales the utility experiences
6 due to its DSM programs that is lower than the level of its energy sales that was used to set the
7 utility’s rates in its last general rate proceeding). The MEEIA Rules specify that any customer
8 charge to recover DSIM utility incentive and/or utility lost revenue revenue requirements must
9 be retrospective in nature; i.e., the charge must be designed to allow sharing of actual annual net
10 shared benefits and/or recovery of actual lost revenues² which are measured and verified through
11 an EM&V process performed by a third party on a retrospective basis.³

12 Q. Is Ameren Missouri seeking to implement its proposed DSIM through a rate rider
13 mechanism outside of general rate cases?

14 A. No, though the MEEIA Rules allow it. As discussed in the Ameren MEEIA
15 Report at page 14, Ameren Missouri chose not to use a rate rider to collect DSM costs outside of
16 a general rate case since that provision of the MEEIA Rules is currently under court challenge.
17 Instead, any necessary rate changes associated with Ameren Missouri’s DSM programs would
18 only be included in rates in general rate proceedings, at least initially. Ameren Missouri is
19 proposing to include an initial level of DSIM costs in its general electric rate increase case
20 application currently on file with the Commission, Case No. ER-2012-0166.

21 Q. Would you briefly describe how Ameren Missouri has structured its
22 proposed DSIM?

² Lost revenues are defined in Rule 4 CSR 240-20.093(1)(Y).

³ 4 CSR 240-20.093(2)(G)5 and 4 CSR 240-20.093(2)(H)3.

1 A. Yes. As generally set out in the Ameren MEEIA Report, Ameren Missouri
2 has proposed a DSIM that includes a cost recovery component and an incentive component.
3 (The Company is not seeking inclusion of a lost revenues component to its DSIM.) A more
4 specific description of each component of Ameren Missouri's proposed DSIM follows:

5 1) Cost Recovery Component – a forecasted amount of \$48.4 million in direct
6 program costs to be recovered annually in rates set in Case No. ER-2012-0166, based upon an
7 average of Ameren Missouri's annual budgeted DSM program costs over the years 2013 to 2015.
8 These amounts will be accounted for by Ameren Missouri in a "tracker mechanism."

9 2) Incentive Component (called a "Performance Mechanism" by Ameren Missouri),
10 which is split into two parts. The first part is a proposed recovery of \$32.5 million annually in
11 the years 2013-2015 which is estimated to result in a retention by UE of 15.4% of the net present
12 value of Ameren Missouri's projection of the total DSM programs' shared benefits as measured
13 over a twenty-year period. The second part is a proposed recovery of \$10 million annually in the
14 years 2016-2018, if certain DSM performance targets are attained by the Company. The
15 \$10 million amount of annual recovery equates to an additional retention by Ameren Missouri of
16 4.8% of DSM benefits, measured on a net present value basis over a twenty-year period.

17 Under the Company's DSIM proposal, certain adjustments to the DSIM rate could be
18 made to the program cost recovery and the net shared benefits performance mechanism
19 components over the term of the DSIM to "true-up" the DSIM revenue requirement to reflect the
20 actual amount of DSM program costs and shared benefits incurred as a result of differences in
21 actual customer numbers served and the measures installed compared to the initial assumed
22 value for these metrics.

23 Q. What is "throughput disincentive" as Ameren Missouri uses that term?

1 A. Ameren Missouri uses the term “throughput disincentive” for the reduction in its
2 revenues associated with its customers using DSM programs, net of five percent (5%) of variable
3 fuel/purchased power expenses not expended and net of off-system sales revenues due to
4 reduction in customer loads⁴. For purposes of convenience and consistency, I will use the term
5 “throughput disincentive” in my testimony as well. Please note that Ameren Missouri’s
6 definition of the term “throughput disincentive” is different than the definition of “lost revenues”
7 in the MEEIA Rules. The difference is that any reduction in its revenues from its customers due
8 to DSM programs are included in the Company’s definition of “throughput disincentive,” while
9 only the portion of throughput disincentive due to DSM programs that cause the level of Ameren
10 Missouri’s retail energy sales to fall below the level used to set rates for the Company in its last
11 rate filing is included in the term “lost revenues” in the MEEIA Rules. Ameren Missouri asserts
12 that experiencing an amount of throughput disincentive that is not large enough to meet the
13 MEEIA rules definition of “lost revenues” still disincentivizes it to offer DSM programs.

14 Q. What is Ameren Missouri’s solution in its proposed DSIM to the problem of
15 throughput disincentive?

16 A. As previously discussed, Ameren Missouri has designed part of the performance
17 mechanism component of its proposed DSIM to collect from customers an amount equal
18 to 15.4% of the net present value of total projected DSM programs’ shared benefits over a
19 twenty-year period. Per page 13 of the Ameren MEEIA Report, this quantification of the DSIM
20 net shared benefits revenue requirement allows the Company to recover amounts from its
21 customers approximately equal to the amount of expected throughput disincentive, based on the
22 first three years of its proposed DSM programs.

⁴ Under Ameren Missouri’s approved FAC, Ameren Missouri’s customers receive 95% of the net savings resulting from reduced fuel and purchased power costs and increases in off-system sales revenue resulting from Ameren Missouri’s DSM programs.

1 Q. Is Ameren Missouri's proposed approach of pre-collecting amounts from
2 customers through the DSIM utility incentive revenue requirement consistent with the
3 MEEIA Rules?

4 A. No. The MEEIA Rules require that the utility incentive component of a DSIM be
5 charged retrospectively to customers based upon actual DSM programs' data or performance
6 established through EM&V. However, Ameren Missouri calculated the performance component
7 revenue requirement of the Company's proposed DSIM for its first three years of operation to be
8 equal to 15.4% of the net present value of projected DSM programs' shared benefits over a
9 twenty-year future period. Ameren Missouri's incentive component proposal does not comply
10 with the MEEIA rule requirement that this rate element be based upon actual DSM programs'
11 data or performance on a retrospective basis following the completion of an EM&V.

12 Q. Why is Ameren Missouri opposed to retrospective recovery of the portion of its
13 performance mechanism DSIM component that is designed to offset throughput disincentive?

14 A. Ameren Missouri appears to be concerned that recovery from ratepayers after the
15 fact to offset throughput disincentive impacts would potentially harm both its earnings and its
16 cash flow (Davis Supplemental Direct, page 8).

17 Q. How would retrospective recovery of Ameren Missouri's throughput disincentive
18 negatively impact its earnings?

19 A. A utility's rates are designed to recover the fixed and variable expenses the utility
20 incurs in providing service, along with interest payable to bondholders and a return on equity
21 (ROE). In the short term, when a utility's sales level (and, hence, its revenues) fall, all
22 components of its cost of service, except a proportionate amount of variable expenses, can be
23 assumed to remain constant. This phenomenon is accounted for on a utility's financial

1 statements as a reduction to a utility's net income and earned ROE (i.e., its profit levels), unless
2 the decline in sales is very large. Severe declines in sales may cause a utility to be unable to pay
3 its ongoing interest obligations or fixed expenses. Based upon the information provided by the
4 Company, Staff believes that the level of sales decline Ameren Missouri projects that it attributes
5 to its proposed DSM programs in this proceeding could cause a decline in its profitability, but
6 will still allow it to easily recover its expenses (including interest and fixed expenses) in full.

7 Q. Can alternative measures be employed to help maintain a utility's pre-DSM
8 programs' earnings levels after DSM programs are implemented that comply with the
9 MEEIA Rules and do not require upfront infusions of cash from customers based upon
10 projections of lost margins?

11 A. Yes. One such alternative approach would be to authorize Ameren Missouri to
12 book a regulatory asset equal to 15.4% of the expected net benefits resulting from the
13 Company's DSM programs. A regulatory asset is a cost a utility may include on its balance
14 sheet on the basis that the utility believes the Commission is likely to allow recovery of the cost
15 in rates later in time. If the utility did not have this expectation, it must charge this cost
16 immediately as an expense on its income statement. If Ameren Missouri were to account for the
17 net shared benefits performance mechanism as a regulatory asset, the reduction in revenues from
18 DSM throughput disincentive would be offset by inclusion of an identical amount on the utility's
19 balance sheet as an asset, and not a charge against earnings, thus leaving the Company's earnings
20 unaffected during the period of revenue decline.

21 Q. Is Ameren Missouri's proposed quantification of a portion of its utility incentive
22 component to be approximately equal to its projected throughput disincentive an acceptable
23 approach under the MEEIA Rules?

1 A. Yes, per Rule 4 CSR 240-20.093(G)4.

2 Q. Why is Staff suggesting treating 15.4% of the expected DSM benefits as a
3 regulatory asset as an alternative approach to prospective recovery in customer rates?

4 A. Staff believes this approach is superior to Ameren Missouri's proposal to
5 pre-collect 15.4% of expected net DSM benefits in customer rates. The regulatory asset
6 approach is consistent with the intent of the MEEIA that demand-side and supply-side options be
7 valued on an equal basis.⁵ An inherent result of effective DSM programs is that they reduce
8 sales (what Ameren Missouri describes as "throughput disincentive"), a phenomenon that
9 negatively impacts a utility's earnings, unless addressed. Hence, this reduction in revenues
10 ("lost revenues") is an economic "cost" to the utilities. Similar to the way construction costs for
11 supply-side projects are capitalized, and later included in rate base and recovered over time from
12 customers, Staff believes it is reasonable to allow a utility's lost margins attributable to DSM
13 programs to be recovered retrospectively from customers through rates. This approach would
14 treat the financial impact of DSM programs in a reasonably equal fashion with how supply-side
15 investment costs are treated for rate purposes, but without requiring infusions of cash from
16 customers prior to, or simultaneous with, when the utility actually experiences reductions in
17 revenues (sales) due to its DSM programs. For comparison purposes, Staff notes that
18 section 393.135 of the Missouri Statutes forbids a utility from charging customers for the costs of
19 supply-side generation assets prior to the assets being fully operational and used for service.

20 Q. Under this alternative approach, is rate recovery of Ameren Missouri's
21 performance mechanism retrospective in nature?

⁵ Section 393.1075 (3) RSMo provides, "It shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs."

1 A. Yes. The performance mechanism regulatory asset amount should not be
2 recovered in rates until the kWh reductions have been experienced by the Company and
3 undergone EM&V. This is required by the Commission’s MEEIA Rules, and Staff opposes
4 recovery of projected shared benefits in rates that have not been evaluated, measured and
5 verified in this manner.

6 Q. In other proceedings, Staff has taken the position that as a policy matter the
7 Commission should not allow lost revenues to be “deferred” (booked as regulatory assets) for
8 subsequent rate recovery. Why is Staff taking a different position here?

9 A. Staff is not opposing the deferral of lost revenues, or throughput disincentive, in
10 this proceeding only because of the MEEIA and the Commission’s MEEIA Rules. In the
11 circumstance of utilities making DSM investments (and only in that circumstance), it is
12 reasonable to provide some regulatory relief for throughput disincentive (lost revenues)
13 attributable to the utility’s DSM efforts.

14 Q. Both in the Ameren MEEIA Report and in Mr. Davis’ Supplemental Direct
15 Testimony, the Company discusses a concern with “regulatory lag” as that concept applies to
16 recovery of throughput disincentive impacts. What is “regulatory lag”?

17 A. “Regulatory lag” is the time between when a utility experiences a change in its
18 financial position and when that change is recognized in the utility’s rates. Under the current
19 regulatory process in Missouri, all financial impacts experienced by utilities (both positive and
20 negative) are subject to regulatory lag, including costs associated with supply-side investments.

21 Q. If employed, would the regulatory asset approach to handling Ameren Missouri’s
22 shared benefit incentive component still expose the Company to regulatory lag in recovering that
23 component?

1 A. Yes. There would necessarily be some delay between the time the Company
2 would record its performance mechanism amount as a regulatory asset and when it would begin
3 to recover that asset amount in rates.

4 Q. Is that regulatory lag acceptable under the MEEIA and the MEEIA Rules?

5 A. Yes. The MEEIA and MEEIA Rules are based upon a policy that supply-side
6 generation investments and DSM investments should be valued on an equal basis. As previously
7 mentioned, there is some delay (regulatory lag) in the recovery in rates of supply-side investment
8 costs by utilities in Missouri. Entirely eliminating regulatory lag, or almost entirely
9 eliminating it, for DSM investments would not provide for equivalent treatment of supply-side
10 and demand-side costs in Missouri; instead, it would provide for a more favorable treatment of
11 DSM costs in rates. This is not a result required by the MEEIA or the MEEIA Rules and is
12 inconsistent with the policy the Commission has established with the MEEIA Rules.

13 Q. On pages 4-7 of his supplemental direct testimony, Mr. Davis states that Ameren
14 Missouri customers will be adversely affected by having to pay \$36 million in financing charges
15 if rate recovery of throughput disincentive is delayed three years in comparison to the
16 Company's proposal to collect these financial impacts from customers prospectively. Is payment
17 of financing charges of this nature by utility customers unusual in this jurisdiction?

18 A. No. Utility customers in Missouri already pay "financing charges" as part of
19 utility rates. Applying a rate of return to a utility's rate base is essentially levying a financing
20 charge on customers relating to the portion of the company's investment in utility assets that
21 have yet to be recovered from customers. Supply-side generation assets are typically a major
22 component of electric utility rate base.

1 Q. Is Mr. Davis' implication valid that all or most of Ameren Missouri's customers
2 would prefer to reimburse the Company for throughput disincentive in rates upfront, instead of
3 reimbursing the Company on a delayed basis with financing charges added on?

4 A. Staff believes not. Compared to the alternative of paying Ameren Missouri in
5 advance for throughput disincentive impacts that are based entirely on projections, it is
6 reasonable to assume that many customers would prefer to pay for known and measurable
7 throughput disincentive impacts retrospectively, with a reasonable amount of financing charges
8 added on.

9 Q. How did Mr. Davis quantify his estimate of an additional \$36 million in
10 finance charges levied on customers if rate recovery of throughput disincentive is delayed for
11 three years?

12 A. Mr. Davis assumed that a carrying charge equal to Ameren Missouri's AFUDC
13 rate would be applied to throughput disincentive estimates until such time that these impacts
14 were included in the Company's rate base in a general rate proceeding. Then, Mr. Davis
15 assumed that this amount would be charged to expense as an amortization over a three-year
16 period, with the unamortized balance included in Ameren Missouri's rate base to earn its overall
17 rate of return.

18 Q. Does Staff agree with Mr. Davis' quantification as described above?

19 A. No, Mr. Davis' estimate is overstated for at least two reasons.

20 First, Ameren Missouri's assumed return on equity (ROE) value incorporated into its
21 overall rate of return assumption is 10.7%. The Company's current authorized ROE is 10.2%,
22 ordered by the Commission in Case No. ER-2011-0028. It is not clear why Ameren Missouri
23 believes its current authorized ROE is not appropriate to use in this analysis. Second, as

1 | previously mentioned, Ameren Missouri is assuming that a carrying charge equal to its AFUDC
2 | rate should be applied to its throughput disincentive impacts prior to rate base inclusion.
3 | By proposing this carrying charge accrual, Ameren Missouri is in effect arguing that it is not
4 | sufficient to provide the Company with earnings protection for throughput disincentive impacts
5 | in the period prior to rate base inclusion (as would be accomplished through Staff's proposed use
6 | of regulatory asset accounting), it must also be made whole for the time value of money for the
7 | period between when the regulatory asset would be booked and when the regulatory asset would
8 | be recovered in rates. The only reason why this additional measure would be advocated, in
9 | Staff's opinion, is to seek to protect Ameren Missouri from the effects of any regulatory lag on
10 | throughput disincentive impacts from the time the first dollar of financial impact is experienced
11 | by the Company to the time the last of dollar of throughput disincentive is recovered by Ameren
12 | Missouri in customer rates. As previously discussed, 100% protection against regulatory lag
13 | associated with throughput disincentive impacts is not mandated by the MEEIA or the MEEIA
14 | Rules, nor is it consistent with Commission rate treatment of supply-side generation alternatives.

15 | By Staff's quantification, eliminating the carrying charge accrual from Mr. Davis'
16 | analysis for the period between incurrence of the impacts to their reflection in the Company's
17 | rate base, as well as incorporating Ameren Missouri's current authorized ROE into the rate of
18 | return applied to the DSM regulatory asset, would reduce Mr. Davis's amount of estimated
19 | financing charges by approximately \$14 million in total.

20 | Q. You earlier mentioned that from Ameren Missouri's perspective there is a cash
21 | flow concern related to retrospective recovery of its net shared benefits performance mechanism.
22 | Would you elaborate on that concern?

1 A. Yes. When a utility loses sales from implementation of DSM programs, this
2 results in a reduction in the utility's cash receipts. Unless its cash outlays decrease
3 proportionately, this reduction in cash flow could (assuming constant financial risk), if severe
4 enough, result in the credit of the affected utility being derated by rating agencies. Credit
5 deratings, if they occur, are likely to cause the company to pay higher interest rates on its debt
6 issuances, and ultimately result in increases to customer rates, assuming there are not offsetting
7 cost reductions.

8 Q. Can supply-side investments also cause cash flow concerns for utilities?

9 A. Yes. The fact that utilities must expend cash for construction activities while
10 foregoing a cash return from customers until the point in time where the projects are in-service
11 can cause reduced cash flows in the short-term (Section 393.135, RSMo.).

12 Q. Are utility rate levels set in this jurisdiction to provide a certain level of cash flow
13 to utilities?

14 A. No, they are set to allow utilities an opportunity to achieve a reasonable earnings
15 level. Unless a utility can demonstrate that it will experience significant cash flow difficulties
16 under traditional regulation, cash flow considerations are not directly taken into account in
17 setting rates in general or in the specific context of supply-side generation investments.

18 Q. When utilities experience lower or negative cash flow due specifically to supply-
19 side investments, have special regulatory initiatives ever been used to address this problem?

20 A. Yes. Two Missouri electric utilities (Kansas City Power & Light Company and
21 The Empire District Electric Company) in recent years have been allowed to use "regulatory plan
22 amortizations" to address cash flow-related concerns associated with large supply-side
23 investment programs. In rate cases, the utilities' credit rating metrics were periodically

1 examined and, to the extent the cash flow situation for those utilities indicated a possible threat
2 of a credit derating, additional monies were obtained from customers in those rate cases through
3 regulatory plan amortization mechanisms to allow the utilities the opportunity to maintain their
4 current credit ratings. The monies collected through the regulatory plan amortizations by those
5 companies was treated as additional capital investment contributed by customers, and were used
6 to reduce rate base.

7 It should be noted that the regulatory plan amortization mechanisms approved in the past
8 for Missouri electric utilities only went into effect when the utility could demonstrate that its
9 overall cash flows might not achieve predetermined credit ratio benchmarks appropriate for their
10 credit ratings; the cash flow relief provided to utilities was limited to the revenue requirement
11 amount necessary to allow the utility an opportunity to achieve the predetermined benchmarks;
12 and the regulatory plan amortization mechanism provided a customer benefit by reducing rate
13 base in future rate proceedings. To the extent that the design of Ameren Missouri's proposed
14 DSIM mechanism is motivated in part by cash flow concerns associated with DSM investments,
15 its proposal to pre-collect amounts in rates from customers to mitigate those concerns does not
16 include any of those customer protections.

17 Q. Has Ameren Missouri shown in this proceeding that it will likely face significant
18 cash flow pressure due to it proposed DSM investments?

19 A. No. Pages 30-31 of the Ameren MEEIA Report contain an analysis of the
20 Company's credit rating metrics, with and without upfront recovery of its DSIM net shared
21 benefits performance mechanism. This analysis shows that Ameren Missouri's current credit
22 metrics appear to be at a reasonable level prior to implementing the DSM program portfolio
23 discussed in the Company's Application. Further, this analysis shows that the impact of not

1 recovering projected throughput disincentive impacts upfront in rates is not projected to have a
2 major or prolonged impact on UE's credit rating metrics, compared to the scenario in which
3 Ameren Missouri's proposed upfront recovery of the net shared benefits performance
4 mechanism is allowed. Therefore, it does not appear that any special rate mechanisms, such as
5 Ameren Missouri's proposed pre-collection of cash from customers, have been adequately
6 justified by the Company on a cash flow basis. Further discussion of Ameren Missouri's credit
7 rating metrics can be found in the rebuttal testimony of Staff witness Zephaniah Maravangepo.

8 Q. Would you describe Ameren Missouri's proposed rate treatment of DSM program
9 costs in its DSIM?

10 A. Per page 23 of the Ameren MEEIA Report, Ameren Missouri estimates that it will
11 incur \$35.24 million, \$45.97 million and \$64.09 million, respectively, in DSM program costs in
12 each of the three (3) years of its initial DSIM period. In the cost recovery component of its
13 DSIM proposal, Ameren Missouri is seeking to collect \$48.43 million annually from customers
14 in Case No. ER-2012-0166, equal to a three-year average of these projected costs.

15 Q. What is Staff's position on this proposal?

16 A. Given the fact that Ameren Missouri is proposing to reconcile rate recovery of
17 DSM program costs from customers against the Company's actual cost levels, Staff is willing to
18 accept this proposed DSIM structure for program costs, with one modification.

19 Q. What is the one modification?

20 A. Since Ameren Missouri's proposal is projected to result in differences in the
21 annual amount of program costs collected in rates and the annual amount of program costs the
22 Company actually incurs, it is appropriate for interest to be applied to any difference between
23 them. This under- or over-recovery of DSM program costs from customers should be measured

1 monthly and treated in the same manner, i.e., interest provided at a short-term interest rate, as
2 under- or over-recoveries from customers are treated in Ameren Missouri's FAC.

3 Q. Would adoption of Staff's recommendations concerning the components of
4 Ameren Missouri's proposed DSIM addressed in your testimony meet the goals stated in the
5 MEEIA that that DSM investments be provided timely cost recovery, that utility financial
6 incentives are aligned with more efficient use of energy by customers, and that utilities offering
7 such programs be provided timely earnings opportunities on their DSM investments?

8 A. In my opinion, it would.

9 Q. Does this conclude your rebuttal testimony?

10 A. Yes, it does.

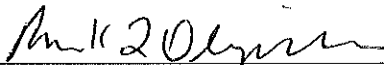
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF MARK L. OLIGSCHLAEGER

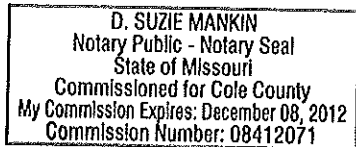
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

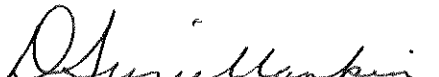
Mark L. Oligschlaeger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 18 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Mark L. Oligschlaeger

Subscribed and sworn to before me this 13th day of April, 2012.





Notary Public

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Western Resources	GR-90-40 and GR-91-149	Take-Or-Pay Costs
Missouri-American Water Company	WR-91-211	True-up; Known and Measurable
Missouri Public Service	EO-91-358 and EO-91-360	Accounting Authority Order
Generic Telephone	TO-92-306	Revenue Neutrality; Accounting Classification
Generic Electric	EO-93-218	Preapproval
Western Resources & Southern Union Company	GM-94-40	Regulatory Asset Transfer
St. Louis County Water	WR-95-145	Policy
Union Electric Company	EM-96-149	Merger Savings; Transmission Policy
St. Louis County Water	WR-96-263	Future Plant
Missouri Gas Energy	GR-96-285	Riders; Savings Sharing
The Empire District Electric Company	ER-97-82	Policy
Missouri Public Service	ER-97-394	Stranded/Transition Costs; Regulatory Asset Amortization; Performance Based Regulation
Western Resources & Kansas City Power & Light	EM-97-515	Regulatory Plan; Ratemaking Recommendations; Stranded Costs
United Water Missouri	WA-98-187	FAS 106 Deferrals
Laclede Gas Company	GR-99-315 (remand)	Depreciation and Cost of Removal
Missouri-American Water	WM-2000-222	Conditions
UtiliCorp United & St. Joseph Light & Power	EM-2000-292	Staff Overall Recommendations
UtiliCorp United & The Empire District Electric Company	EM-2000-369	Overall Recommendations
Green Hills Telephone	TT-2001-115	Policy
IAMO Telephone Company	TT-2001-116	Policy
Ozark Telephone Company	TT-2001-117	Policy

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
Peace Valley Telephone	TT-2001-118	Policy
Holway Telephone Company	TT-2001-119	Policy
KLM Telephone Company	TT-2001-120	Policy
Missouri Gas Energy	GR-2001-292	SLRP Deferrals; Y2K Deferrals; Deferred Taxes; SLRP and Y2K CSE/GSIP
The Empire District Electric Company	ER-2001-299	Prudence/State Line Construction/Capital Costs
Ozark Telephone Company	TC-2001-402	Interim Rate Refund
Gateway Pipeline Company	GM-2001-585	Financial Statements
Missouri Public Service	ER-2001-672	Purchased Power Agreement; Merger Savings/Acquisition Adjustment
Union Electric Company	EC-2002-1	Merger Savings; Criticisms of Staff's Case; Injuries and Damages; Uncollectibles
Laclede Gas Company	GA-2002-429	Accounting Authority Order Request
Aquila, Inc., d/b/a Aquila Networks-MPS-Electric and Aquila Networks-L&P-Electric and Steam	ER-2004-0034 and HR-2004-0024 (Consolidated)	Aries Purchased Power Agreement; Merger Savings
Missouri Gas Energy	GR-2004-0209	Revenue Requirement Differences; Corporate Cost Allocation Study; Policy; Load Attrition; Capital Structure
Empire District Electric	ER-2006-0315	Fuel/Purchased Power; Regulatory Plan Amortizations; Return on Equity; True-Up
Missouri Gas Energy	GR-2006-0422	Unrecovered Cost of Service Adjustment; Policy
Laclede Gas Company	GR-2007-0208	Case Overview; Depreciation Expense/Depreciation Reserve; Affiliated Transactions; Regulatory Compact
Missouri Gas Utility	GR-2008-0060	Report on Cost of Service; Overview of Staff's Filing

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Company Name	Case Number	Issues
The Empire District Electric Company	ER-2008-0093	Case Overview; Regulatory Plan Amortizations; Asbury SCR; Commission Rules Tracker; Fuel Adjustment Clause; ROE and Risk; Depreciation; True-up; Gas Contract Unwinding
KCP&L Greater Missouri Operations Company	EO-2008-0216	Rebuttal: Accounting Authority Order Request
Missouri Gas Energy, a Division of Southern Union	GR-2009-0355	Staff Report Cost of Service: Direct Report on Cost of Service; Overview of the Staff's Filing; Rebuttal: Kansas Property Taxes/AAO; Bad Debts/Tracker; FAS 106/OPEBs; Policy; Surrebuttal: Environmental Expense, FAS 106/OPEBs
The Empire District Electric Company, The-Investor (Electric)	ER-2010-0130	Staff Report Cost of Service: Direct Report on Cost of Service; Overview of the Staff's Filing; Regulatory Plan Amortizations; Surrebuttal: Regulatory Plan Amortizations
The Empire District Electric Company	ER-2011-0004	Staff Report on Cost of Service: Direct Report on Cost of Service; Overview of the Staff's Filing
Missouri-American Water Company	WR-2011-0337	Surrebuttal: Pension Tracker
Missouri Gas Energy, A Division of Southern Union	GU-2011-0392	Rebuttal: Lost Revenues Cross-Surrebuttal: Lost Revenues
KCP&L Greater Missouri Operations Company	EO-2012-0009	Rebuttal: DSIM
Union Electric Company d/b/a Ameren Missouri	EU-2012-0027	Rebuttal: Accounting Authority Order Cross-Surrebuttal: Accounting Authority Order

**CASE PARTICIPATION OF
MARK L. OLIGSCHLAEGER**

Cases prior to 1990 include:

<u>COMPANY NAME</u>	<u>CASE NUMBER</u>
Kansas City Power and Light Company	ER-82-66
Kansas City Power and Light Company	HR-82-67
Southwestern Bell Telephone Company	TR-82-199
Missouri Public Service Company	ER-83-40
Kansas City Power and Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power and Light Company	EO-84-4
Kansas City Power and Light Company	ER-85-128 & EO-85-185
KPL Gas Service Company	GR-86-76
Kansas City Power and Light Company	HO-86-139
Southwestern Bell Telephone Company	TC-89-14