BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a	)	
Ameren Missouri's 2nd Filing to Implement	)	**File No. EO-2015-0055**
Regulatory Changes in Furtherance of Energy	)	
Efficiency as Allowed by MEEIA	)	

SIERRA CLUB'S STATEMENT OF POSITION

Pursuant to the Missouri Public Service Commission's ("Commission") April 8, 2015 Order Granting Revised Motion to Modify Procedural Schedule, Sierra Club, by and through undersigned counsel, hereby submits its Statement of Position in the above-captioned case. The issues addressed herein are numbered according to the *List of Issues*[1] Commission Staff filed on May 4, 2015. Sierra Club reserves the right to modify the positions provided herein and to take additional positions as the case proceeds.

A. Joint Issues

1. Should the Commission approve, reject or modify Ameren Missouri's MEEIA Cycle 2 Plan (hereafter the "Plan")?

The Commission should approve Ameren's MEEIA Cycle 2 Plan ("Plan")[2] only on the condition that Ameren plans to achieve significantly greater efficiency savings during the 2016-2018 period than what the Company currently proposes. Specifically, the Commission should modify the Plan so that the annual savings targets reflect the guideline savings goals provided in the demand side program rule implementing MEEIA, 4 CSR 240-20.094(2)(A). This modification would increase Ameren's planned energy savings from a flat rate of 0.4%

[1] *See* Dkt. Item No. 83, List of Issues, Order of Opening Statements, Order of Witnesses, and Order of Cross-Examination.
[2] This response reflects Sierra Club's position with respect to Ameren's proposed three-year demand-side program portfolio only.

per year (Ameren's proposal) to an increasing rate of 1.1-1.5% per year during the three-year period.

As Sierra Club witness Tim Woolf explains in rebuttal testimony, there are several steps that Ameren could take to achieve the modified savings level Sierra Club recommends. For example, Ameren could increase its savings by modifying existing program designs and expanding program budgets to increase customer participation rates. Ameren should also correct critical flaws in its Potential Study and Integrated Resource Plan ("IRP") that constrain efficiency resources and underestimate the amount of achievable efficiency savings, such as its greenhouse gas regulation analysis.

While positions may differ across non-utility parties as to whether the Commission should reject the Plan or approve it with modifications, most of the parties that have presented testimony in this case – including Commission Staff, the Office of Public Counsel ("OPC"), Sierra Club, and Natural Resources Defense Council – generally agree that Ameren's proposed Plan includes savings levels that are too low, does not represent progress towards achieving all cost-effective energy efficiency savings, and should not be approved as filed. Further, as OPC witness Geoff Marke observes in surrebuttal testimony, no party provided testimony supporting Ameren Missouri's proposed saving targets.

In sum, Ameren's Plan, as proposed, represents a significant step backward on energy efficiency, particularly in light of the progress Ameren has made to date. To remedy this major deficiency, the Commission should only approve the Plan on the condition that it be modified to achieve significantly greater efficiency savings during the 2016-2018 period, consistent with the MEEIA rule's savings guidelines.

Finally, although the Plan must be substantially improved, the Commission should decline to reject the Plan based on the rate impact analysis Staff witness John Rogers presents in rebuttal testimony. A rate impact screen is not an accurate way to assess the benefits that demand-side programs provide to non-participating customers because it does not capture the system-wide benefits that efficiency provides to all customers, such as risk mitigation. As Sierra Club witness Woolf explains in surrebuttal, requiring programs to pass a rate impact screen would harm consumers by taking millions of dollars of benefits off of the table. Moreover, screening efficiency programs based on a rate impact analysis is inconsistent with cost-effectiveness testing under MEEIA. Eliminating programs based on a rate impact screen would render the total resource cost ("TRC") test and utility cost test ("UCT") essentially meaningless and would prevent the pursuit of all cost-effective efficiency, contrary to MEEIA. As such, the Commission should reject the use of a rate impact screen. Concerns about rate impacts on non-participants should be balanced against the benefits of reducing electricity costs, and addressed through program design and implementation practices that will increase efficiency program participation.

2. Do the programs in the Plan, and associated incremental energy and demand savings, demonstrate progress toward achieving all cost-effective demand-side savings consistent with state policy (as established by MEEIA)?

No. The programs and associated savings in Ameren's proposed Plan do not demonstrate progress toward achieving all cost-effective demand-side savings consistent with MEEIA. As Sierra Club witness Woolf explains in rebuttal, Ameren's 2016-2018 Plan dramatically understates the amount of cost-effective energy efficiency that is realistically achievable and, as a result, includes energy savings levels and budgets that are too low. It is therefore unsurprising that no party provided rebuttal testimony demonstrating the Plan's progress toward achieving a goal of all cost-effective demand-side savings, as Staff witness Rogers observes in surrebuttal.

MEEIA is designed to encourage Missouri utilities to implement demand-side programs "with a goal of achieving all cost-effective demand-side savings." 393.1075(4), RSMo. The Commission's rule governing demand-side programs, 4 CSR 240-20.094, provides detailed guidance that the Commission must follow in reviewing progress toward an expectation that the electric utility's demand-side programs can achieve a goal of all cost-effective demand side savings. Specifically, the Commission must use, as a guideline, the greater of (i) the annual realistic achievable energy savings and demand savings as determined through the utility's market potential study, or (ii) incremental annual demand-side savings goals outlined in the rule, which include energy savings in the amount of 1.1%-1.5% per year from 2016-2018 and 1% per year of annual peak demand.[3] 4 CSR 240-20.094(2)(A).

The savings goals outlined in 4 CSR 240-20.094 are greater than the realistic achievable savings levels derived from Ameren's potential study. Thus, the Commission must use the savings guideline provided in the rule to review Ameren's progress toward an expectation that its programs can achieve a goal of all cost-effective demand side savings. Ameren's Plan clearly falls short. Ameren proposes flat energy savings that equal roughly 0.4% of retail sales per year during the three-year period. This represents roughly one-third of the savings goals provided in the rule. Moreover, as Mr. Woolf and other witnesses explain in testimony, the Company's proposal reflects a significant drop in savings as compared to Ameren's MEEIA Cycle 1, both as planned and in practice. Ameren proposes energy savings levels that are roughly half of the amount of the savings in its 2013-2015 Plan, and less than half of the

[3] The rule also provides similar guidelines with respect to cumulative savings – the Commission must use the greater of (i) the cumulative realistic achievable savings as determined through the utility's market potential study or (ii) cumulative demand-side savings goals outlined in the rule. 4 CSR 240-20.094(2)(B).

reported savings for the last two program years, 2013 and 2014. This does not reflect progress toward achieving all cost-effective demand-side savings. Rather, Ameren Missouri's proposal represents a step backward in achieving the goals of MEEIA.

Ameren's justifications for why its proposed savings levels are substantially lower than its MEEIA Cycle 1 Plan are unconvincing. As Sierra Club witness Woolf explains in rebuttal, a large number of cost-effective efficiency opportunities remain despite the enactment of federal energy efficiency standards; 2013 evaluation, measurement and verification ("EM&V") estimates have little effect on the total amount of available cost-effective efficiency savings; and many of the Company's programs remain highly cost-effective despite lower avoided costs. The Plan's lower savings are largely driven by Ameren's flawed Potential Study and IRP analyses.

3. If the Commission approves a Plan, what are the components of the demand-side programs investment mechanism and how will each of the components be administered?

Sierra Club did not address this issue in testimony and reserves the right to present a position as the case proceeds.

4. If the Commission approves a Plan, what variances from Commission rules based on a showing of good cause are necessary?

If the Commission approves a Plan, the Commission should reject Ameren's request for a variance from the annual demand and energy savings target requirements in 4 CSR 240-20.094(1)(A), 20.094(3)(A), and 20.094(4)(A). Ameren has not shown good cause for this variance, which would allow Ameren to modify its energy savings targets without sufficient oversight by the Commission or input from stakeholders, and would create a high degree of uncertainty with regard to the level of efficiency savings over time and the performance incentive.

With respect to the other requested variances, Sierra Club reserves the right to present a position as the case proceeds.

B. Office of the Public Counsel's Issues

1. If the Commission approves a plan, should the total resource cost test be applied uniformly when calculating net shared benefits?

Sierra Club did not address this issue in testimony and reserves the right to present a position as the case proceeds.

2. If the Commission approves a demand-side programs investment mechanism that includes a performance incentive, should the performance incentive be included as a cost when calculating the net shared benefits?

Sierra Club did not address this issue in testimony and reserves the right to present a position as the case proceeds.

C. Sierra Club's Issue

In assessing the cost-effectiveness of demand-side programs, should Ameren Missouri consider the results of the utility cost test?

Yes. The UCT provides valuable information concerning the cost-effectiveness of energy efficiency measures and programs, and the impact of such resources on customers' electric bills. Indeed, of all of the standard cost-effectiveness tests, the UCT provides the best indication of the extent to which energy efficiency can reduce electricity costs and, therefore, lower customer bills on average. Yet, Ameren Missouri did not report the results of the UCT in its Potential Study. By excluding measures and programs that pass the UCT but not the TRC, Ameren understates available efficiency opportunities.

Missouri law and Commission regulations recognize the role that the UCT should play in assessing the cost-effectiveness of demand-side resources. Specifically, MEEIA provides that:

> The commission shall permit electric corporations to implement commission-approved demand-side programs proposed pursuant to this section with a goal of achieving all cost-effective demand-side savings. … The commission shall consider the total resource cost test a preferred cost-effectiveness test. Programs targeted to low-income customers or general education campaigns do not need to meet a cost-effectiveness test, so long as the commission determines that the program or campaign is in the public interest. *Nothing herein shall preclude the approval of demand-side programs that do not meet the test if the costs of the program above the level determined to be cost-effective are funded by the customers participating in the program* or through tax or other governmental credits or incentives specifically designed for that purpose.

393.1075(4), RSMo (emphasis added). The Commission's rule on demand-side programs similarly provides that "[t]he Commission shall approve demand-side programs which have a total resource cost test ratio less than one (1), if the commission finds ... the costs of such programs above the level determined to be cost-effective are funded by the customers participating in the programs." 4 CSR 240-20.094(3)(C).

As Sierra Club witness Tim Woolf explains in rebuttal testimony, the primary difference between TRC and UCT is that the TRC test includes participant costs whereas the UCT does not. As a result, programs that pass the UCT but not the TRC test generally are programs with costs that are "above the level determined to be cost-effective" under the TRC test and are "funded by the customers participating in the program." 393.1075(4), RSMo; 4 CSR 240-20.094(3)(C). Thus, the UCT should be considered in assessing the cost-effectiveness of demand-side programs.

D. Missouri Division of Energy's Issue

> If the Commission modifies Ameren Missouri's MEEIA Cycle 2 Plan what modifications should the Commission adopt?

Sierra Club respectfully refers to its response to Joint Issue No. 1 above. Sierra Club also refers to Mr. Woolf's rebuttal testimony for additional examples of the ways in which Ameren could increase its planned savings.

Dated this 11th day of May, 2015.

Respectfully submitted,

/s/ Henry B. Robertson
Henry B. Robertson (Mo. Bar No. 29502)
Great Rivers Environmental Law Center
319 N. Fourth Street, Suite 800
St. Louis, Missouri 63102
Tel. (314) 231-4181
Fax (314) 231-4184
hrobertson@greatriverslaw.org

/s/ Jill Tauber
Jill Tauber
Chinyere Osuala
Admitted Pro Hac Vice
Earthjustice
1625 Massachusetts Ave., NW, Suite 702
Washington, D.C. 20036
Tel. (202) 667-4500
Fax (202) 667-2356
jtauber@earthjustice.org
cosuala@earthjustice.org

Attorneys for Sierra Club

CERTIFICATE OF SERVICE

I hereby certify that a true and correct PDF version of the foregoing was filed on EFIS and electronically mailed to all counsel of record on this 11th day of May, 2015.

/s/ Jill Tauber
Jill Tauber