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Witness: Anne Ross  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**ANNE ROSS**

**UNION ELECTRIC COMPANY d/b/a**

**AMERENUE**

**CASE NO. GR-2007-0003**

**Jefferson City, Missouri  
December 2006**

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

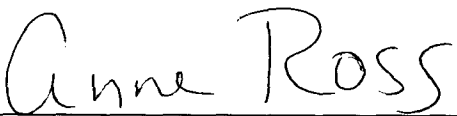
In the Matter of Union Electric Company )  
d/b/a AmerenUE for Authority to File )  
Tariffs Increasing Rates for Natural Gas )  
Service Provided to Customers in the )  
Company's Missouri Service Area. )

Case No. GR-2007-0003

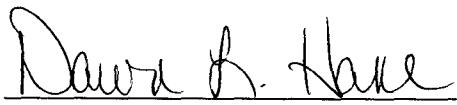
**AFFIDAVIT OF ANNE ROSS**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE     )

Anne Ross, of lawful age, on her oath states: that she has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 20 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.

  
\_\_\_\_\_  
Anne Ross

Subscribed and sworn to before me this 29<sup>th</sup> day of December, 2006.

  
\_\_\_\_\_  
Dawn L. Hake  
Notary Public  
My Commission Expires  
March 16, 2009  
Cole County  
Commission #05407643



My commission expires \_\_\_\_\_

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**OF**

**ANNE ROSS**

**UNION ELECTRIC COMPANY d/b/a  
AMERENUE**

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1 Finally, I discuss the Staff's non-Residential rate design proposal, and indicate Staff's  
2 support for the Company proposal to merge the Rolla and non-Rolla areas' non-gas rates into  
3 a single set of rates.

4 **STAFF CLASS COST-OF-SERVICE INPUTS**

5 Q. What inputs did you provide to Staff Witness Thomas A. Solt for use in the  
6 Staff CCOS study?

7 A. I provided the Transportation and Interruptible class' Ccf volumes and  
8 customer numbers.

9 Q. How did you calculate these volumes and customer numbers?

10 A. As discussed in my direct testimony dated December 15, 2006, I analyzed  
11 individual customer usage records. I used this information to develop the test year usage and  
12 customer numbers that I provided to Mr. Solt.

13 Q. What inputs did you provide to Staff witness Daniel I. Beck for use in his  
14 Capacity Utilization distribution mains allocator?

15 A. I provided an estimate of monthly demands for the Transportation and  
16 Interruptible customer classes by dividing each month's usage by an estimate of the number  
17 of days of operation for these customers. In this case, I used 22 days for this estimate.

18 **RATE DESIGN CLASS REVENUE REQUIREMENT**

19 Q. What are the customer classes that Staff is using in its rate design?

20 A. I designed rates for the following customer classes:

21 Residential

22 General Service

23 Interruptible Service

Transportation Service

Q. What is the source of class revenue requirements used for Staff's rate design?

A. I used the class revenue requirements determined in the CCOS study performed by Mr. Solt.

**STAFF RESIDENTIAL RATE DESIGN PROPOSAL**

**I. AMERENUE'S CURRENT RESIDENTIAL RATE DESIGN**

Q. What is AmerenUE's current Residential class rate design?

A. To recover its non-gas costs of operation, AmerenUE currently has a "traditional" Residential rate design consisting of two components - a fixed monthly customer charge, which does not vary with usage, and a volumetric rate that is collected on a per Ccf basis. The customer charge is designed to approximately recover the direct costs of the equipment required to allow a single, specific customer to take service e.g, their meter, regulator, and service line, as well as cover ongoing expenses related to meter-reading and customer service functions. The remainder of the Residential class' non-gas revenue requirement is collected using a per-unit rate (cents per Ccf of usage). Both the customer charge and commodity rate are calculated on an average-customer basis, and do not vary among Residential customers.

Q. What do you mean when you say "calculated on an average-customer basis?"

A. After the customer charge is determined, the revenues generated by the customer charges are removed from the Residential class' revenue requirement, and the remaining costs are divided by the Residential class Ccf usage (i.e., Residential class' weather-normalized volumes.) This calculation ignores the usage level or pattern of specific customers, and instead results in a rate that, along with the customer charge, will collect the

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1 cost of serving a household that uses exactly the average amount of natural gas used to set the  
2 rate.

3 Q. Is AmerenUE's cost to provide service to a Residential customer who uses gas  
4 for cooking, space- and water-heating greater than the cost incurred to serve a Residential  
5 customer who uses natural gas only for cooking?

6 A. No.

7 Q. Does a household that uses less than average pay enough to cover the utility's  
8 cost to serve it?

9 A. No. Because a significant portion of the non-gas costs is collected through the  
10 volumetric rate and the household's usage is less than the average that was used to calculate  
11 that rate, the household will pay less to AmerenUE than the cost required to serve it. In this  
12 testimony, I refer to a household using less than the residential average as a low-use  
13 household.

14 Q. Does a household that uses more than average pay more than the calculated  
15 cost to serve it?

16 A. Yes. For the same reason that a low-use household does not pay all of the cost  
17 to serve it, under the current rate design, a high-use household pays more than the cost  
18 required to serve it. . In this testimony, I use the term high-use to refer to a household using  
19 more than the residential average usage.

## 20 **II. STAFF RESIDENTIAL RATE DESIGN PROPOSAL**

21 Q. What is Staff's proposal for the Residential class' non-gas rate design?

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1           A.     For the Residential customers, Staff recommends recovering the entire amount  
2 of the non-gas, or margin, costs in a single fixed monthly charge, which is called a “Delivery  
3 Charge” in my testimony.

4           Q.     How did Staff calculate the Residential Delivery Charge?

5           A.     The recommended monthly Delivery Charge was determined by dividing the  
6 Residential class’ revenue requirement by the annual number of bills. As I will discuss later  
7 in my testimony, I propose that the fixed monthly charge be set in the range of \$27.19-  
8 \$29.77.

9           Q.     Why is Staff recommending that AmerenUE collect all margin costs in a  
10 single monthly charge?

11          A.     Staff believes that this rate structure will address two significant issues  
12 affecting the natural gas distribution market. Specifically, it will:

- 13               • More closely align AmerenUE’s interests with those of its customers by  
14 removing the existing disincentive for AmerenUE to encourage and assist  
15 customers in making conservation and efficiency investments.
- 16               • Reduce the effect of weather on utility revenues and customer bills. This  
17 will provide AmerenUE the opportunity to collect its cost to serve a  
18 Residential customer, and will insure that a Residential household will pay  
19 AmerenUE the price of providing its service – no more and no less.

20   **III. VALUE OF CONSERVATION**

21          Q.     What have been some of the factors affecting the wholesale price of natural  
22 gas?



1           A.     The deregulation of the wholesale natural gas market has resulted in a price  
2     for natural gas that is set by market forces, rather than a regulatory body. The supply of  
3     natural gas depends on the amount of production and availability of storage, and, as seen in  
4     2005, is vulnerable to unpredictable events, such as hurricanes. Domestic production is now  
5     less than domestic consumption, and storage capacity is inadequate<sup>1</sup>; as a result, not only are  
6     natural gas prices more volatile than in the past, they show little sign of returning to the low  
7     prices seen in the 1990's and before.

8           Nationwide, the Industrial sector's demand for natural gas has increased as a result of  
9     economic growth. In addition, electric utilities have come to rely more heavily on gas for  
10    their summer peaking generation. These two factors have not only led to an overall increase  
11    in demand for natural gas, but they have fundamentally changed the seasonal pattern of  
12    demand for natural gas. Unlike residential and other small customers, industrial and electric  
13    utility customers use a significant amount of gas in the summer months. In the past, the  
14    demand for natural gas was much lower in the summer than in the winter; as a result, prices  
15    would drop below prices seen in the winter months. Local Distribution Companies (LDC)  
16    were able to use the "cheaper" summer gas to replenish gas in storage for use in the winter.  
17    The utility's customers benefited when these lower prices were passed on to them in the  
18    winter months. That strategy is becoming increasingly difficult to carry out, and consumers  
19    are seeing the effect of this in the commodity cost of the gas they consume.

20          Q.     What can consumers and regulators do to influence the wholesale price of  
21    natural gas?

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<sup>1</sup> "Commission finalizes rules on market-based rates for interstate natural gas storage facilities," FERC Press Release dated June 15, 2006.

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1           A.     There is little that consumers can do to affect the wholesale price of natural  
2 gas. State regulators can encourage LDCs to make strong efforts to procure their gas supply  
3 at the best possible price by conducting prudency reviews of the LDCs' purchasing and  
4 hedging actions; outside of this, there are few actions that can be taken.

5           Q.     Is there anything else that consumers and regulators can do?

6           A.     Yes. While the supply of natural gas is outside the control of these entities,  
7 there *are* actions that can be taken to reduce demand – namely weatherization and other  
8 energy efficiency investments.

9           Q.     How do conservation measures affect natural gas prices?

10          A.     Conservation affects gas prices on both a micro and macro level. On the  
11 micro level, while conservation does not lower the per-unit price that one household is paying  
12 vis-à-vis another household, the household that has implemented conservation measures pays  
13 less in total to meet its requirements. On the macro level, a decrease in natural gas usage will  
14 exert downward pressure on the wholesale price of natural gas. In November, 2005, the  
15 National Association of Regulatory Utility Commissioners (NARUC) adopted a *Resolution*  
16 *on Energy Efficiency and Innovative Rate Design*, which noted that “Energy conservation and  
17 energy efficiency are, in the short term, the actions most likely to reduce upward pressure on  
18 natural gas prices and to assist in bringing energy prices down to the benefit of all natural gas  
19 consumers.”<sup>2</sup>

20          Q.     Do LDCs such as AmerenUE benefit when the wholesale price of gas is  
21 higher?

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<sup>2</sup> “Resolution on Energy Efficiency and Innovative Rate Design,” National Association of Regulatory Utility Commissioners, 2005 Summer meeting.

1           A.     No. The price of gas is directly passed through to the utilities' customers  
2 using the Purchased Gas Adjustment (PGA) mechanism, so the utilities' earnings do not  
3 increase in response to natural gas prices increases.

4           Q.     If the price of gas is directly passed through, why do utilities have a  
5 disincentive to encourage customers to lower their natural gas usage?

6           A.     While utilities do not earn a profit on the actual cost of the gas they procure  
7 for their customers, a rate design that includes recovering some of the costs of serving  
8 customers on a volumetric basis has the effect of directly tying LDC profits to the amount of  
9 gas that the LDCs *deliver* to their customers. However, the utility's cost to serve its  
10 customers is fixed and does not fluctuate with the amount of gas its customers use. Once the  
11 fixed costs are recovered, each additional unit of gas delivered increases the profit to the  
12 utility. The result is that the LDC is rewarded for delivering as much natural gas as possible.  
13 Thus, the gas utility is acting contrary to its shareholders' interests if it encourages its  
14 customers to use less gas.

15          Q.     How does a fixed Delivery Charge rate design affect that disincentive?

16          A.     By breaking the link between sales and profits, the utility does not increase  
17 profit when its customers use more gas, nor does it lose revenue when customers use less.  
18 This is often called revenue *decoupling*.

#### 19   **IV. EFFECT OF WEATHER ON UTILITY REVENUES AND CUSTOMER BILLS**

20          Q.     Under traditional rate design, how does weather affect customer bills and  
21 utility profits?

22          A.     The current rate structure means that in every year in which the weather is not  
23 statistically normal, there is a "winner" and a "loser." In winters that are warmer than

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1 normal, i.e., contain less Heating Degree Days than the weather used to set rates, the  
2 customer “wins” by paying less than the utility’s Commission-approved cost of serving them.  
3 Under this weather scenario, the utility “loses” by under-collecting its cost of service.

4 In a winter that is colder than normal, the household “loses” because it pays an  
5 excessive amount for the service it is receiving from the utility. This can be a financial  
6 burden to many customers. In this instance, in a cold winter, the company likely over-  
7 collects its Commission-approved cost of service.

8 **V. EFFECT OF DECREASED RESIDENTIAL CUSTOMER USAGE ON UTILITY**  
9 **INVESTMENT AND EXPENSE LEVELS**

10  
11 Q. If its customers use less natural gas, either in response to a warm winter, or  
12 because of the customers’ conservation efforts, won’t the utility be able to lower its  
13 investment in plant and equipment?

14 A. Not in the short-run. As plant and equipment is replaced, it is conceivable that  
15 the utility could downsize its investment – for example, put in a distribution main with a  
16 smaller diameter. There are obstacles to this process, though.

17 First, a vast majority of the utility’s investment in plant used to serve its customers  
18 consists of assets which are expected to be used and useful for many years. According to  
19 Staff witness Jolie L. Mathis, the Staff depreciation witness in this case, the Distribution  
20 assets have an average service life of 40-50 years<sup>3</sup>; therefore, replacement of a piece of plant  
21 or equipment might not be necessary for a number of years; in the meantime, the original  
22 equipment is in rate base and its cost included in customer rates. It should be pointed out that  
23 for many plant investments, a difference in the size installed would not produce a

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<sup>3</sup> Mathis, Direct, Schedule JLM - 2

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1 corresponding difference in costs, as a significant component of the cost is related to the  
2 installation.

3         Second, there is a lower limit on how small and how specifically this equipment can  
4 be sized. A household using natural gas only for cooking will require the same meter as one  
5 that is using natural gas as its primary heating fuel, because both are served with the smallest  
6 meter. As long as a Residential customer uses gas for any purpose, the Company must invest  
7 in customer-specific equipment such as meters, regulators and service lines, as well as in  
8 shared infrastructure, to serve that customer. While the direct link between the existence of a  
9 customer and the need for a meter is very straightforward, the utility must also make  
10 investments to other components of its system. The utility will still need mains, measuring  
11 and regulating equipment, rights of way, etc., to serve its customers.

12         Q.     In what way will the household's expected end-use be taken into account  
13 when making these investment decisions?

14         A.     The specific households' end-use at the point in time that the decision is made  
15 will have no bearing on the amount of utility's investment to serve that customer. A  
16 Residential customer may be using gas only for cooking today, but in the future this  
17 household could decide to replace its furnace with a natural gas furnace. It would be  
18 impractical (and costly) if the utility made its investment decisions based on a customer's  
19 specific end-use at the point in time when the decision is being made, so it is my  
20 understanding that utilities make a standard investment for any particular Residential  
21 customer that reflects the end-use decisions that the customer *might* make in the future.

22         Q.     Will the utility's non-gas expenses decrease if its customers' gas usage  
23 decreases?

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1           A.     No. While it is true that a utility's costs associated with customer billing,  
2 customer assistance, and meter-reading will decrease when the *number of customers*  
3 decrease, that is not true if customers' *usage* decreases. Regardless of the amount of gas used  
4 by individual Residential customers, the same number of bills must be mailed, meters read,  
5 and customers assisted. Many of the utility's other expense items, such as Operation and  
6 Maintenance expense, are tied to the plant investment, so these expenses will suffer from the  
7 same delayed reaction to usage reductions as the plant discussed above.

8           Q.     Let's look at two hypothetical customers – both Residential customers with  
9 the same size dwelling, who are located side by side. Customer A is using natural gas only  
10 for cooking, while Customer B is using natural gas for cooking, space-heating and water-  
11 heating. Will the cost of delivering the natural gas to these two customers be the same?

12          A.     Yes.

13          Q.     Under a traditional rate design, with non-gas revenues being collected through  
14 a customer charge and volumetric rate, will the revenues received from the two customers be  
15 the same?

16          A.     No. The revenue received from Customer A will be lower than the revenue  
17 received from Customer B.

18          Q.     Is it conceivable that the revenue received from Customer A will be less than  
19 the utility's cost to serve that customer, and the revenue received from Customer B greater  
20 than the utility's cost to serve that customer?

21          A.     It is not only conceivable, but certain, and is happening with AmerenUE's  
22 current rate structure to real, not hypothetical, Residential customers. As I pointed out  
23 earlier, rates are set based on an average customer's normalized usage, so a customer that

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1 uses less than this level will pay less than the cost required to serve it, and a customer using  
2 more will pay more than the cost required to serve it. This intra-class cost-shifting has been  
3 occurring for as long as the current rate structure has been used, and will continue until the  
4 utility's approved non-gas costs are recovered with a more equitable cost recovery  
5 mechanism, such as the Staff's proposed Delivery Charge.

6 Q. What is the average weather-normalized annual usage for AmerenUE's  
7 Residential customer?

8 A. Based on the Staff's normalized billing units developed for this case, the  
9 average Residential usage level is 672 Ccfs per year.

10 Q. What is the annual average or typical usage associated with various  
11 Residential end uses?

12 A. The table below shows the annual average or typical Ccfs associated with  
13 various Residential end-uses:

<u>END USE</u>	<u>CCF (ANNUAL CONSUMPTION)</u>
Space-heating (Primary fuel) <sup>4</sup>	640 Ccf
Water-Heating (4 persons) <sup>5</sup>	288 Ccf
Gas Fireplace <sup>6</sup>	84 Ccf
Stove (Cooking – 4 people) <sup>7</sup>	24 Ccf

19 Note that these are estimated figures, and will be affected by usage, efficiency, age of  
20 equipment, weather, and other factors.

21 Q. How did you calculate the Delivery Charge range that you are recommending?

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<sup>4</sup> Table CE2-10c. Space-Heating Energy Consumption in U.S. Households by Midwest Census Region, 2001 – West North Central region

<sup>5</sup> Fuel Comparisons, South Jersey Gas, [www.sjindustries.com](http://www.sjindustries.com)

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

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1           A.     Based on the following, I am recommending a range of Delivery Charges, all  
2 of which I consider to be reasonable. All of these calculations include the Staff's  
3 recommended revenue requirement increase:

- 4           • Using the results of the study performed by Staff witness Tom Solt, I  
5           calculated the monthly Delivery Charge that would recover AmerenUE's  
6           Residential customers' CCOS. This Delivery Charge is \$29.77.
- 7           • Using the results of the Staff study, and the restriction that no class receives a  
8           decrease in revenue requirement as long as any class is receiving an increase, I  
9           calculated a Delivery Charge of \$27.96.
- 10          • Using each class' current revenues, and factoring each one up by the  
11          percentage increase to Company revenues proposed by Staff, I calculated a  
12          Delivery Charge of \$27.19.

13           I believe that any of these charges would be reasonable, and recommend that the  
14 Commission adopt a Delivery Charge that is within the range of \$27.19 - \$29.77.

15           For purposes of comparison, the Residential Delivery Charge that would collect the  
16 Staff's normalized current Residential class revenues is \$26.06

17           Q.     Assuming a change from the current rate structure to the proposed rate  
18 structure, with no increase in the revenue requirement, what will be the effect on low-usage  
19 Residential customers if the Staff's rate design proposal is adopted by the Commission?

20           A.     Low-use customers will pay more on an annual basis than they would under  
21 the current rate design, but it is Staff's position that elimination of the existing intra-class  
22 Residential cost-shifting is fair and reasonable. It is impossible to formulate a rate design



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1 change that will make all customers happy; therefore, I believe that the standard that the Staff  
2 and Commission should and do aim for in Missouri is to treat all Residential customers fairly.

3 Q. How will implementation of this rate design proposal affect the bill patterns of  
4 Residential customers?

5 A. Yes. Since most customers have only a small amount of usage outside the  
6 heating season, it is likely that a majority of customers will see higher bills in the non-winter  
7 season.

8 Q. Will there be any off-setting effects for Residential customers?

9 A. Yes, any household using more than the average amount of gas – normally a  
10 customer who is using natural gas for space-heating - will see a decrease in its bills during the  
11 winter months when usage and bills are highest, and the net effect will be an overall decrease  
12 on an annual basis.

13 Q. Do you have any suggestions for actions that can be taken to possibly  
14 minimize customer objections to this change in rate design?

15 A. Intensive consumer education will need to be conducted to explain the role of  
16 the LDC and the nature of distribution costs. Currently I believe that most residential  
17 customers do not understand that they are paying the LDC for the *delivery service* it provides,  
18 rather than the gas that the customer is consuming, and the practice of collecting margin rates  
19 in a volumetric charge does nothing to reduce that confusion. Customers may, therefore,  
20 believe that it is unfair that part of their bill does not decrease when their usage decreases,  
21 whether it's due to conservation or warm weather. Staff notes that customers are used to this  
22 type of payment structure for other goods and services. Basic cable television, local phone  
23 service, and trash pickup have a similar type of charge, and many consumers accept this.

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1 In fact, one advantage of this form of rate is that it is easy to explain to customers, as  
2 it provides the correct price signal. Unlike most other revenue decoupling rate designs, the  
3 rate being charged to customers will not change on a monthly basis, nor will the consumer  
4 see his rate increase due to conservation steps he has taken.

5 Q. Won't paying a fixed charge remove the customer incentive for conservation?

6 A. No. The actual cost of the natural gas is a high percentage of a customer's bill  
7 that customers will still see a significant decrease in gas bills if household usage is lowered  
8 through conservation or efficiency measures.

9 Q. Do you have any comments on actions that could be taken to assist customers'  
10 conservation efforts?

11 A. Yes, I do. Along with education, the utility, Commission, Office of Public  
12 Counsel (OPC), and Department of Natural Resources (DNR) should actively promote and  
13 support customer conservation efforts – with access to funds, information, and advocacy.

14 Q. What types of programs would help low-income households implement  
15 conservation measures?

16 A. Low-income households, which often live in inefficient or substandard  
17 housing, would benefit from assistance in making energy conservation investments, such as  
18 window or furnace replacement.

19 Q. Is there an existing program of this type for low-income Missouri households?

20 A. Yes. Households with income at 150% or less of the Federal Policy Guideline  
21 are eligible for the Low Income Weatherization Assistance Program, which is administered  
22 by the DNR using federal and state funding, and performed by weatherization personnel at  
23 each of Missouri's Community Action Agencies. In addition, most of the natural gas utilities

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1 in Missouri provide funds for this purpose. AmerenUE's gas division currently contributes  
2 \$155,000 annually to be used in this manner.

3 Q. In terms of self-funded energy conservation investments, what do you see as  
4 major obstacles for both low and moderate income households making these investments?

5 A. I believe that there are two major stumbling blocks for these groups – lack of  
6 practical information regarding efficiency investments, and restricted access to the up-front  
7 funds needed to make these investments.

8 Q. Why do you believe that consumers lack the practical information that would  
9 assist them in making efficiency investments?

10 A. There is a great deal of information available on this topic, but sorting through  
11 it and applying it to a particular household's situation can be formidable. I can provide a  
12 personal example. For several years, I was aware of the existence of programmable  
13 thermostats and had heard about their effect on gas usage, but I *assumed* that the technology  
14 employed would make these thermometers relatively expensive. It was only after I  
15 participated in some collaborative meetings related to the AmerenUE natural gas equipment  
16 rebate program that I realized that one could buy a decent programmable thermostat for  
17 around \$30. Given today's natural gas prices, a simple investment like that would pay for  
18 itself after saving a household approximately 25-35 Ccfs. Later in this testimony, I will  
19 propose a Residential audit program that will assist Residential customers in collecting this  
20 type of information.

21 Q. Are there other barriers to low- and moderate-income consumers making  
22 investments that would lead to lower usage?

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1           A.     The cost of energy audits performed to help determine the investment(s) that  
2     will provide the greatest return per dollar invested may be prohibitive. These up-front costs  
3     depend on the type of audit performed, which can range from a questionnaire or quick walk-  
4     through to a thorough analysis using a blower-door test and computer analysis. I am a  
5     member of Missouri's Weatherization Advisory Policy Committee, and have learned that  
6     these inspections can cost from \$50 - \$200 dollars per household, depending on the type of  
7     audit performed. A household with little disposable income will find it difficult, if not  
8     impossible, to pay this amount, and the savings from lowered bills will be realized only after  
9     the audit is performed and its recommendations adopted. In addition finding a reputable  
10    company to perform the audits can be difficult.

11           Another problem is that the investment itself, as well as any additional expenses  
12    incurred to install it, must be paid for. This money will often need to be borrowed. Low and  
13    moderate income households might have limited access to borrowing due to their level of  
14    household income.

15           The end result? These households find themselves stuck between a rock and a hard  
16    place. They are unable to take an action that will result in a higher level of disposable  
17    income because they have little disposable income.

18           Q.     Are you proposing a program that will help low- and moderate-income  
19    consumers with the energy audits?

20           A.     Yes. I propose that AmerenUE institute a program that provides an income-  
21    based credit to assist households with the cost of comprehensive household energy audits.

22           Q.     How will this be funded?

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1           A.     I propose that the unused funds collected for the Scott/Stoddard county  
2 program be used for this purpose. The program was experimental and provided that unused  
3 program funds could be used for low-income weatherization.

4           Q.     Do you have an alternate proposal for the use of the remaining funds?

5           A.     Yes. I estimate that there is around \$200,000 remaining. I propose that the  
6 program be officially terminated, and that these funds be used for income-based credits for  
7 Residential customer on-site energy audits.

8           Q.     Do you suggest that landlords be allowed to participate in this program?

9           A.     Yes, I do. I believe that allowing landlords to participate in an energy audit  
10 program could be beneficial to tenants.

11          Q.     Do you have any final comments regarding the Staff's proposed Residential  
12 Delivery Charge rate design?

13          A.     Yes. It is a fair and reasonable approach that removes barriers to LDCs  
14 promoting conservation. Once the utility's concern regarding revenue loss due to lowered  
15 sales has been addressed, the utility should be a creative, active and knowledgeable leader in  
16 this effort. AmerenUE is in a unique position to identify customers who could benefit from  
17 conservation efforts, for example, households with higher than normal usage that are having  
18 trouble paying their utility bills, as the Company has access to its customers' billing and  
19 usage records. By assisting and educating these customers, the utility will likely benefit its  
20 entire customer base.

21          Q.     Are you proposing a specific amount for AmerenUE to use for energy  
22 efficiency programs, as well as a cost-recovery mechanism for these costs?

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1           A.     As stated in Staff witness Lena M. Mantle's direct testimony in this case, Staff  
2 supports allowing AmerenUE to place costs related to analysis and implementation of these  
3 programs in a regulatory asset account, which would be examined in the next rate case. Ms.  
4 Mantle also recommends that these costs be authorized by the Commission to be amortized  
5 over a 10-year period.

6           **NON-RESIDENTIAL CLASSES RATE DESIGN RECOMMENDATIONS**

7           Q.     What are your recommendations for the non-Residential customer classes?

8           A.     The calculations leading to the range of Residential Delivery Charges that I  
9 proposed earlier in my testimony contained assumptions regarding the increase or decrease  
10 that would go to the other classes.

11           For example, if the Commission determines that it is appropriate to set rates that  
12 collect each class' share of costs as determined in the Staff CCOS, then the revenues for the  
13 General Service, Transportation, and Interruptible classes would be decreased to the level of  
14 the zero-revenue increase shown in the Staff CCOS before any revenue requirement increase  
15 or decrease would be applied to the classes' on an equal percentage.

16           If the Commission believes that it would be inappropriate to lower any classes'  
17 revenues while increasing any other classes' revenues, then the revenues for the General  
18 Service, Interruptible and Transportation customers would be held constant and any revenue  
19 increase would be applied to the Residential class only, up to the level of the Staff's zero-  
20 revenue increase CCOS results for this class. Any remaining revenue requirement increase  
21 would be collected on an equal percentage basis from all of the Company's rate classes.

22           Finally, if the Commission determines that an equal percentage increase to class  
23 revenues is the appropriate way in which to collect any revenue requirement increase, the

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1 classes' revenue requirements would be factored up using the percentage of the overall  
2 revenue increase.

3 In all three cases, I propose that any change in General Service, Interruptible or  
4 Transportation class revenues be applied on an equal percentage increase or decrease to all  
5 non-gas rate components.

6 Q. Do you support the Company's proposal to merge the base rates of the Rolla  
7 system with those of the remainder of the AmerenUE system?

8 A. Yes.

9 Q. Does this conclude your direct testimony on rate design?

10 A. Yes.