

Exhibit No.:
Issue: *Performance Incentive*
Witness: *John A. Rogers*
Sponsoring Party: *MO PSC Staff*
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MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

JOHN A. ROGERS

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

CASE NO. EO-2012-0142

Jefferson City, Missouri
October 2016

1 savings net-to-gross (“NTG”) ratios for program year 2014 (“PY 2014”) and
2 for program year 2015 (“PY 2015”);

3 2. Dr. Marke’s assertion that costs for the total resource cost (“TRC”) test should
4 be used when determining the annual net shared benefits for PY 2014 and for
5 PY 2015 instead of the costs for the utility cost test (“UCT”); and

6 3. Dr. Marke’s assertion that the performance incentive amount should be
7 included as a cost when determining annual net shared benefits and that the
8 only reason to not do so in this case is the creation of a “feedback loop” which
9 could be construed to be unreasonable.

10 **Paragraph 12 (a) of Second Stipulation**

11 Q. Please respond to Dr. Marke’s testimony that “[t]he Company’s stipulation
12 ignores the EM&V expert analysis and instead “deemed” the NTG value to 1.0.”²

13 A. While Dr. Marke does acknowledge the existence of paragraph 12(a) of the
14 Second Stipulation,³ he chooses to disregard it or he has not interpreted its meaning correctly.

15 Paragraph 12(a) states in its entirety:

16 (a) In each individual year (PY 2014 and PY 2015), the final evaluator and
17 auditor portfolio-wide energy savings Net-To-Gross ratios (“NTG”) shall be
18 averaged for the respective program year. If the portfolio-wide averaged
19 energy savings NTG is between 0.9 and 1.1, then the agreed to NTG will be
20 deemed to 1.0, and the portfolio-wide program year net annual energy savings
21 and annual net shared benefits will be calculated consistent with a
22 portfolio-wide NTG of 1.0 for the evaluators’ program year final
23 EM&V reports.
24
25

² Marke direct testimony at page 6, lines 15 – 16.

³ Marke direct testimony at page 6, lines 17 – 19.

1 Without exception, the process to determine the annual energy savings and the annual
2 net shared benefits described in paragraph 12(a) of the Second Stipulation applies whenever
3 “the portfolio-wide averaged energy savings NTG is between 0.9 and 1.1.”

4 For PY 2014 and PY 2015, paragraph 12(a) does not allow for exceptions to the
5 process of 1) averaging the portfolio-wide NTG of the Evaluators and of the Auditor,
6 and 2) applying a NTG of 1.0 to the Evaluators’ final EM&V reports if the portfolio-wide
7 averaged energy savings NTG is between 0.9 and 1.1 to determine both annual energy savings
8 and annual net shared benefits for Ameren Missouri’s performance incentive.
9 Paragraph 12(a) does not include a “carve out” provision should the Evaluators and the
10 Auditor agree on the portfolio-wide energy savings NTG (as is the case for PY 2014 and for
11 PY 2015). Dr. Marke’s assertion that “the provisions in the PY2013 Stipulation were put in
12 place to avoid conflict between the parties in the event that the experts were unable to agree
13 on the appropriate NTG ratio”⁴ is simply not true. Paragraph 12(a) applies regardless of
14 whether the Evaluators and the Auditor agree or disagree on the portfolio-wide NTG as long
15 as the portfolio-wide averaged energy savings NTG is between 0.9 and 1.1.


16 Q. Please provide an illustration of a range of hypothetical Evaluators’
17 portfolio-wide energy savings NTG values and Auditor’s portfolio-wide energy savings
18 NTG values which would require that NTG be set equal to 1.0 when determining annual
19 energy savings and annual net shared benefits for PY 2014 or PY 2015 in order to comply with
20 paragraph 12 (a) of the Second Stipulation.

21 A. Figure 1 provides such an illustration:

⁴ Marke direct testimony at page 6, lines 19 -21.

Figure 1
Average of Evaluators' Portfolio-wide Energy Savings NTG
and Auditor's Portfolio-wide Energy Savings NTG

Auditor's NTG	1.50	1.00	1.05	1.10								
	1.40	0.95	1.00	1.05	1.10							
	1.30	0.90	0.95	1.00	1.05	1.10						
	1.20		0.90	0.95	1.00	1.05	1.10					
	1.10			0.90	0.95	1.00	1.05	1.10				
	1.00				0.90	0.95	1.00	1.05	1.10			
	0.90					0.90	0.95	1.00	1.05	1.10		
	0.80						0.90	0.95	1.00	1.05	1.10	
	0.70							0.90	0.95	1.00	1.05	1.10
	0.60								0.90	0.95	1.00	1.05
	0.50									0.90	0.95	1.00
	0.50	0.60	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40	1.50	
	Evaluators' NTG											

 **Combinations of Evaluators' portfolio-wide energy savings NTG and Auditor's portfolio-wide energy savings NTG for which the portfolio-side averaged energy savings NTG is between 0.9 and 1.1.**

1
2 Q. Please discuss the significance of Figure 1.

3 A. The Figure 1 includes many, but not all, of the combinations of Evaluators'
4 and Auditor's portfolio-wide energy savings NTG values which result in portfolio-wide
5 averaged energy savings NTG which are between 0.9 and 1.1. Under the agreement in
6 paragraph 12(a) of the Second Stipulation, whenever the averaged energy savings NTG is
7 between 0.9 and 1.1, the agreed to NTG will be deemed to 1.0, and the portfolio-wide
8 program year net annual energy savings and annual net shared benefits will be calculated
9 consistent with a portfolio-wide NTG of 1.0 for the evaluators' program year final
10 EM&V reports. There are no exceptions. Thus, because the portfolio-wide averaged energy
11 savings NTG are 0.9577 and 0.9996 for PY 2014 and PY 2015, respectively, the NTG for

1 each year is set equal to $NTG = 1.0$ in the Evaluators' EM&V reports when determining
2 annual energy savings and the annual net shared benefits for PY 2014 and PY 2015.

3 Q. Did Dr. Marke participate in the confidential settlement discussions which
4 resulted in the Second Stipulation?

5 A. Yes.

6 Q. Please provide the terms and conditions in paragraph 19 of the Second
7 Stipulation.

8 A. Paragraph 19 in the General Provisions section of the Second Stipulation states
9 in its entirety:

10 19. If the Commission unconditionally accepts the specific terms of this
11 Stipulation without modification, the Signatories waive, with respect to the
12 issues resolved herein: their respective rights (1) to call, examine and
13 cross-examine witnesses pursuant to Section 536.070(2), RSMo 2000; (2) their
14 respective rights to present oral argument and/or written briefs pursuant to
15 Section 536.080.1, RSMo 2000; (3) their respective rights to seek rehearing
16 pursuant to Section 386.500, RSMo 2000 and (4) their respective rights to
17 judicial review pursuant to Section 386.510, RSMo Supp. 2011. These waivers
18 apply only to a Commission order respecting this Stipulation issued in this
19 above-captioned proceeding, and do not apply to any matters raised in any
20 prior or subsequent Commission proceeding, or any matters not explicitly
21 addressed by this Stipulation.

22
23 Q. As a result of the terms and conditions contained in paragraph 19 of the
24 Second Stipulation, does OPC have the right to object to the use of a portfolio-wide energy
25 savings $NTG = 1.0$ for the calculations of annual energy savings and annual net shared
26 benefits contained in Appendix A⁵ of the *Non-Unanimous Stipulation and Agreement*

⁵ 10. Performance Incentive Award and Its Inputs. The calculation of the Performance Incentive Award and the calculation and establishment of its inputs, including the portfolio-wide NTG, three-year total evaluated kWh savings, and utility cost net benefits, are in compliance with Paragraph 5.b.ii. of the 2012 Stipulation and Paragraph 12(a) of the Second Stipulation. The calculations pursuant to Paragraph 12(a) of the Second Stipulation are included in Appendix A.

1 *Addressing Ameren Missouri's Performance Incentive Award* (“Performance Incentive
2 Stipulation”)?

3 A. On the advice of Staff Counsel, no.

4 **TRC costs**

5 Q. Please respond to Dr. Marke’s testimony that “the TRC should be used when
6 determining the net shared benefits for the performance incentive.”⁶

7 A. Dr. Marke presents numerous arguments for why the TRC [costs] should be
8 used when determining the net share benefits for the performance incentive. However, none
9 of Dr. Marke’s numerous arguments on the virtues of the TRC costs have any bearing in this
10 case. Each and every argument he presents completely disregards the 2012 Stipulation which
11 was approved by the Commission and clearly specifies that the UCT annual net shared
12 benefits were used to design Ameren Missouri’s Cycle 1 performance incentive mechanism⁷
13 and that the UCT annual net share benefits are to be used for the determination of Ameren
14 Missouri’s Cycle 1 performance incentive amount.⁸

15 Dr. Marke was not a member of OPC when the *Unanimous Stipulation and Agreement*
16 *Resolving Ameren Missouri’s MEEIA Filing* (“2012 Stipulation”) was filed on July 5, 2012,
17 and was approved by the Commission on August 1, 2012, in its *Order Approving Unanimous*
18 *Stipulation and Agreement Resolving Ameren Missouri’s MEEIA Filing and Approving*
19 *Stipulation and Agreement Between Ameren Missouri and Laclede Gas Company*. However,
20 OPC is a signatory to the 2012 Stipulation. The 2012 Stipulation includes the following as a
21 part of its GENERAL PROVISIONS:

⁶ Marke direct testimony at page 7, lines 5 – 6.

⁷ Ameren Missouri’s *2013 – 2015 Energy Efficiency Plan* filed on January 20, 2012, in File No. EO-2012-0142 at page 25, lines 6 – 13.

⁸ 2012 Stipulation, Appendix B, Example 1 – Performance Incentive Calculation.

1 27. If the Commission unconditionally accepts the specific terms of this
2 Stipulation without modification, the Signatories waive, with respect to the
3 issues resolved herein: their respective rights (1) to call, examine and cross-
4 examine witnesses pursuant to Section 536.070(2), RSMo 2000; (2) their
5 respective rights to present oral argument and/or written briefs pursuant to
6 Section 536.080.1, RSMo 2000; (3) their respective rights to seek rehearing
7 pursuant to Section 386.500, RSMo 2000 and (4) their respective rights to
8 judicial review pursuant to Section 386.510, RSMo Supp. 2011. These waivers
9 apply only to a Commission order respecting this Stipulation issued in this
10 above-captioned proceeding, and do not apply to any matters raised in any
11 prior or subsequent Commission proceeding, or any matters not explicitly
12 addressed by this Stipulation.

13
14 Q. As a result of the terms and conditions in paragraph 27 of the 2012 Stipulation,
15 does OPC have the right to object to the use of UCT costs for the calculation of PY 2014 and
16 PY 215 annual energy savings and annual net shared benefits amounts used for the calculation
17 of Ameren Missouri's Cycle 1 performance incentive amount?

18 A. On the advice of Staff Counsel, no.

19 **Performance incentive amount as a cost**

20 Q. Please respond to Dr. Marke's direct testimony that" "[a]n incentive
21 [in Commission Rules 4 CSR 240-3.1[6]3(1)(A) and 4 CSR 240-20.093(1)(C)] means the
22 utility performance incentive."⁹

23 A. The incentives in 4 CSR 240-3.163(1)(A) and 4 CSR 240-20.093(1)(C)] are
24 customer incentives (also called customer rebates) which are paid by the utility to customers
25 to promote and encourage the installation of more energy efficient measures. A performance
26 incentive amount is a utility earnings opportunity and not a customer incentive.

27 Q. Do you have any further rebuttal testimony?

28 A. No.

⁹ Marke direct testimony at page 13 lines 20 – 21.

