Exhibit No.:	
Issues:	Demand-Side Programs Investment Mechanism
Witness:	John A. Rogers
Sponsoring Party:	MO PSC Staff
Type of Exhibit:	Rebuttal Testimony
File No.:	EO-2012-0142
Date Testimony Prepared:	April 13, 2012

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

JOHN A. ROGERS

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

FILE NO. EO-2012-0142

Jefferson City, Missouri
April 2012

** **Denotes Highly Confidential Information** **

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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 Regulatory Changes Furtherance of Energy Efficiency as allowed by MEEIA	)))))	File No. EO-2012-0142

AFFIDAVIT OF JOHN A. ROGERS

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

John A. Rogers, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 47 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

John A Rogers
John A. Rogers

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

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086

Susan L Sundermeyer
Notary Public

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JOHN A. ROGERS

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

FILE NO. EO-2012-0142

Q. Please state your name and business address.

A. My name is John A. Rogers, and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position at the Missouri Public Service Commission ("Commission")?

A. I am a Utility Regulatory Manager in the Energy Unit of the Regulatory Review Division.

Q. Please state your educational background and experience.

A. These are contained in Schedule JAR-1.

Q. Would you please summarize the purpose of your rebuttal testimony?

A. I identify the Commission's Missouri Energy Efficiency Investment Act of 2009 ("MEEIA") rules[1] which require actions or decisions by the Commission and provide the Commission Staff's ("Staff") recommendations[2] concerning each required action or

[1] The Commission's rules promulgated as a result of the Missouri Energy Efficiency Investment Act of 2009 ("MEEIA") (Section 393.1075, RSMo, Supp. 2011) include Rules 4 CSR 240-3.163, 4 CSR 240-3.164, 4 CSR 240-20.093 and 4 CSR 240-20.094.

[2] Staff witnesses include: 1) Hojong Kang on compliance with Rules 4 CSR 240-3.164 and 4 CSR 240-20.094 concerning energy efficiency and education programs, 2) Randy S. Gross on compliance with 4 CSR 240-3.164 and 4 CSR 240-20.094 concerning demand response programs, 3) Mark L. Oligschlaeger on business risk and accounting issues concerning DSIM, 4) Zephania Marevangepo on business risk and financial analysis concerning DSIM, 5) John A. Rogers on compliance with Rules 4 CSR 240-3.163 and 4 CSR 240-20.093 and Staff's analysis and recommendations concerning Rule 4 CSR 240-20.094(2), 6) Michael S. Scheperle on DSIM rates, and 7) Michelle A. Bocklage on issues concerning tariff sheets.

decision regarding Union Electric Company's d/b/a Ameren Missouri Company's ("Ameren Missouri" or "Company") proposed demand-side management ("DSM") programs and proposed demand-side programs investment mechanism ("DSIM").

I identify the variances – requested and not requested by Ameren Missouri - from the Commission's MEEIA rules required for approval of Ameren Missouri's proposed DSM programs and proposed DSIM, and provide Staff's recommendations concerning each required variance.

Because this is the first time Ameren Missouri is requesting approval of DSM programs and a DSIM under the Commission's MEEIA rules, I discuss the vision of Missouri leaders regarding the MEEIA, why this case is important for the State of Missouri and, specifically, why this case is important for Missouri's regulated electric utilities and their customers.

I provide an overview of Staff's review, analysis and recommendations concerning Ameren Missouri's proposed DSM programs and DSIM. I provide Staff's analyses and recommendations concerning: 1) Ameren Missouri's demand-side program plan, 2) whether Ameren Missouri's demand-side program plan reflects progress toward an expectation that Ameren Missouri's demand-side programs can achieve a goal of all cost-effective demand-side savings, and 3) Ameren Missouri's performance incentive component of its DSIM.

<u>MEEIA rules requiring actions or decisions by the Commission and Staff's recommendations concerning each action or decision</u>

Q. What are the actions or decisions, other than rulings on variances from the Commission's MEEIA rules, required of the Commission for its approval of Ameren Missouri's demand-side programs and/or approval of a DSIM?

A. Rule 4 CSR 240-20.094 *Demand-Side Programs* includes the following subsections with *requirements* for Commission actions or decisions concerning the Company's initial application for approval of its demand-side programs. I provide Staff's recommendation concerning the Commission's actions or decisions required in each rule subsection.

<u>4 CSR 240-20.094(2)(A) and (B):</u>

> (A) The *commission shall* use the greater of the annual realistic achievable energy savings and demand savings as determined through the utility's market potential study or the following incremental annual demand-side savings goals as a guideline to review progress toward an expectation that the electric utility's demand-side programs can achieve a goal of all cost-effective demand-side savings: … .
>
> (B) The *commission shall* also use the greater of the cumulative realistic achievable energy savings and demand savings as determined through the utility's market potential study or the following cumulative demand-side savings goals as a guideline to review progress toward an expectation that the electric utility's demand-side programs can achieve a goal of all cost-effective demand-side savings: … .
>
> (Emphasis added)

Concerning Rule 4 CSR 240-20.094(2)(A) and (B) Staff recommends:

1. The Commission reject Ameren Missouri's demand-side program plan and order Ameren Missouri to file a specific demand-side program plan[3] for its proposed DSM programs that *include estimates of annual energy and demand savings through the use of net-to-gross ("NTG") ratios from evaluation, measurement and*

[3] Rule 4 CSR 240-20.094(1)(K) provides: Demand-side program plan means a particular combination of demand-side programs to be delivered according to a specified implementation schedule and budget.

verification ("EM&V") reports[4] to be delivered according to a specified implementation plan and budget[5] as required by Rule 4 CSR 240-20.094(1)(K) [6];

2. The Commission find that Staff's estimated incremental and cumulative annual energy and demand savings for the first three (3) program years for Ameren Missouri's proposed DSM programs *that include estimates of annual energy and demand savings through the use of NTG ratios from EM&V reports* (contained in Schedule JAR-6) demonstrate progress toward an expectation that Ameren Missouri's demand-side programs can achieve a goal of all cost-effective demand-side savings.

<u>4 CSR 240-20.094(3):</u>

> [T]he *commission shall* approve, approve with modification acceptable to the electric utility, or reject such application for approval of demand-side program plans …
>
> (A) For demand-side programs and program plans that have a total resource cost test ratio greater than one (1), the *commission shall* approve demand-side programs or program plans, and annual demand and energy savings targets for each demand-side program it approves, provided it finds that the utility has met the filing and submission requirements of 4 CSR 240-3.164(2) and the demand-side programs and program plans—
>
> 1. Are consistent with a goal of achieving all cost-effective demand-side savings;
> 2. Have reliable evaluation, measurement, and verification plans; and
> 3. Are included in the electric utility's preferred plan or have been analyzed through the integration process required by 4 CSR 240-22.060 to determine the impact of the demand-side programs and

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[4] *2013 – 2015 Energy Efficiency Plan*, Table 3.9, p.57 contains the NTG values from EM&V for Ameren Missouri's DSM programs. In the past Ameren Missouri has assumed a NTG = 0.80 prior to receiving final EM&V reports.

[5] Ameren Missouri's proposed annual budgets of $35,239,613, $45,965,915 and $64,087,685 can remain as proposed. However, it is expected that the estimated incremental and cumulative annual energy and demand savings will decrease as a result of Ameren Missouri filing a revised demand-side program plan *to include estimates of annual energy and demand savings through the use of NTG ratios from evaluation, measurement and verification ("EM&V") reports* to be delivered according to a specified implementation plan and budget as required by Rule 4 CSR 240-20.094(1)(K).

> program plans on the net present value of revenue requirements of the electric utility;
>
> (Emphasis added)

Concerning this part of Rule 4 CSR 240-20.094(3) Staff recommends:

1. The Commission should find Ameren Missouri's MEEIA filing is inconsistent with the policy of the State of Missouri stated in MEEIA "to value demand-side investments equal to traditional investments in supply and delivery infrastructure… ." To be consistent with this state policy Ameren Missouri should use the Chapter 22 process to re-evaluate demand-response programs, then seek for the Commission to approve those that are cost effective as MEEIA programs.
2. Following Ameren Missouri filing a specific demand-side program plan for its DSM programs *that include estimates of annual energy and demand savings through the use of NTG ratios from EM&V reports*, the Commission approve Ameren Missouri's proposed demand-side programs conditioned upon:
   A. Ameren Missouri filing in this case the total resource cost ("TRC") test for its Residential Refrigerator Recycling and Residential Home Energy Performance programs consistent with the definition in Rule 4 CSR 240-3.164(1)(X); and
   B. Ameren Missouri's commitment to conduct a careful and thorough review and analysis of demand-response programs as part of its next DSM market potential study and subsequent Chapter 22 compliance filings and/or annual update filings.
3. If the specific demand-side program plan Ameren Missouri files includes the annual energy and demand savings for Program Years 1-3, contained in Schedule JAR-6, the Commission approve the annual energy and demand savings for each

DSM program in Schedule JAR-6 as the annual energy and demand savings targets for Ameren Missouri's Commission-approved DSM programs;

4. The Commission find that Ameren Missouri has a reliable EM&V plan;

5. The Commission reject Ameren Missouri's exemplar general Business Energy Efficiency Program and Residential Energy Efficiency Program tariff sheets and order Ameren Missouri to make a tariff compliance filing[7] prior to implementation of its Commission-approved DSM programs, and to include in its tariff compliance filing tariff sheets for each of its Commission-approved DSM programs the following:

    - Additional language relating to Rule 4 CSR 240-20.094(6)(J) and Rule 4 CSR 240-20.094(7); [8]
    - The amount of the incentive and/or rebate associated with each demand-side measure for each DSM program;
    - Information regarding the marketing strategy that identifies the methods Ameren Missouri intends to utilize to market each DSM program to customers;
    - Description of the relationship of each DSM program to other DSM programs, indicating whether or not DSM programs can be combined to maximize the incentives and/or rebates;
    - Annual energy and demand savings targets for each DSM program; and
    - Meet the requirements of 4 CSR 240-14.030.

[7] 4 CSR 240-20.094(3)(D): "Utilities shall file and receive approval of associated tariff sheets prior to implementation of approved demand-side programs."

[8] The tariff needs specific language to comply with 1) Rule 4 CSR 240-20.094(6)(J): "A customer electing not to participate in an electric utility's demand-side programs under this section shall still be allowed to participate in interruptible or curtailable rate schedules or tariffs offered by the electric utility;" and 2) 4 CSR 240-20.094(7), which contains language excluding participation in DSM programs providing monetary incentive by customers that receive tax credits "under sections 135.350 through 135.362, RSMo, or under sections 253.545 through 253.561, RSMo."

6. The Commission require Ameren Missouri to complete a new DSM market potential study[9] and to include in its future MEEIA filings the Company's DSM market potential study's realistic achievable potential ("RAP") portfolio. The RAP portfolio of DSM programs should be either in the preferred resource plan in the Company's next Chapter 22 compliance filing,[10] or annual update filing, or have been analyzed through the integration process required by Rule 4 CSR 240-22.060 to determine the impact of the demand-side programs and program plans on the net present value of revenue requirements; and
7. The Commission not approve Ameren Missouri's Technical Resource Manual ("TRM") until Staff has the opportunity to review the revisions contained in the rebuttal testimony of the Missouri Department of Natural Resources witnesses and provide the Commission Staff's recommendations regarding them.

4 CSR 240-20.094(3)(B):

> The *commission shall* approve demand-side programs having a total resource cost test ratio less than one (1) for demand-side programs targeted to low-income customers or general education campaigns, if the commission determines that the utility has met the filing and submission requirements of 4 CSR 240-3.164(2), the program or program plan is in the public interest, and meets the requirements stated in paragraphs (3)(A)2. and 3.
>
> (Emphasis added)

Concerning Rule 4 CSR 240-20.094(3)(B):

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[9] 4 CSR 240-3.164(2)(A) requires "The current market potential study shall be updated with primary data and analysis no less frequently than every four (4) years." Further, in Ameren Missouri's response to Staff Data Request No. 0002 states: A. [The] timeline [for the updated potential study] has not yet been established and will be contingent on the MEEIA filing outcome. B. The total potential study budget is $1,199,990. C. The scope has not yet been defined. D. The overall project cost of item B above was developed using Ameren Missouri's previous experience with potential studies. This overall cost was then split evenly between the 11 programs offered in the MEEIA filing.

[10] Ameren Missouri's next scheduled Chapter 22 compliance filing is scheduled for April 1, 2014.

1. Staff recommends the Commission approve Ameren Missouri's proposed Residential Low-Income program.

<u>4 CSR 240-20.094(3)(E):</u>

> The *commission shall* simultaneously [with its approval of demand-side programs or program plan] approve, approve with modification acceptable to the utility, or reject the utility's DSIM proposed pursuant to 4 CSR 240-20.093.
>
> (Emphasis added)

Concerning Rule 4 CSR 240-20.094(3)(E), Staff's recommendations are included with its recommendations for the subsection identified as Rule 4 CSR 240-20.093(2)(C) in the next paragraph.

Rule 4 CSR 240-20.093 *Demand-Side Programs Investment Mechanism* includes the following subsections with *requirements* for Commission actions or decisions concerning the Company's initial application for approval of a DSIM. I provide Staff's recommendation concerning the Commission's actions or decisions required for each rule subsection.

<u>4 CSR 240-20.093(2)(C)</u>:

> The *commission shall* approve the establishment of a DSIM and associated tariff sheets if it finds the electric utility's approved demand-side programs are expected to result in energy and demand savings and are beneficial to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers and will assist the commission's efforts to implement state policy contained in section 393.1075, RSMo, to—
>
> 1. Provide the electric utility with timely recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs;
> 2. Ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently; and
> 3. Provide timely earnings opportunities associated with cost-effective measurable and/or verifiable energy and demand savings.
>
> (Emphasis added)

Concerning Rule 4 CSR 240-20.093(2)(C) Staff recommends:

1. The Commission approve Ameren Missouri's proposed cost recovery component of its DSIM to include short-term interest applicable to monthly under- or over-recoveries from customers in the same way that under- or over-recoveries of costs are treated in Ameren Missouri's fuel adjustment clause;[11]
2. The Commission reject Ameren Missouri's proposed 15.4% of shared net benefits incentive component of its DSIM and approve a mechanism to allow the Company to book a regulatory asset equal to 15.4% of its net DSM benefits, with the amount of the regulatory asset to be collected in rates subject to true-up based on actual net shared benefits determined through an EM&V process;
3. The Commission approve Ameren Missouri's 4.8% of shared net benefits incentive component of its DSIM; and
4. The Commission order Ameren Missouri to file in this case tariff sheets for its Commission-approved DSIM.

<u>CSR 240-20.093(2)(D)</u>:

> In addition to any other changes in business risk experienced by the electric utility, the *commission shall* consider changes in the utility's business risk resulting from establishment, continuation, or modification of the DSIM in setting the electric utility's allowed return on equity in general rate proceedings.
>
> (Emphasis added)

Concerning Rule 4 CSR 240-20.093(2)(D) Staff makes no recommendation at this time. However, Staff witnesses Mark Oligschlaeger and Zephania Marevangepo provide analyses and discussions in their rebuttal testimony related to business risk and impact on

[11] UNION ELECTRIC COMPANY'S MO.P.S.C SCHEDULE NO. 5, Original SHEET NO. 98.18 "Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company's short-term debt, applied to the month-end balance… .

return on equity resulting from the various components of Ameren Missouri's proposed DSIM.

4 CSR 240-20.093(2)(E):

> In determining to approve a DSIM the *commission shall* consider, but is not limited to only considering, the expected magnitude of the impact of the utility's approved demand-side programs on the utility's costs, revenues, and earnings, the ability of the utility to manage all aspects of the approved demand-side programs, the ability to measure and verify the approved program's impacts, any interaction among the various components of the DSIM that the utility may propose, and the incentives or disincentives provided to the utility as a result of the inclusion or exclusion of cost recovery component, utility lost revenue component, and/or utility incentive component in the DSIM … .
>
> (Emphasis added)

4 CSR 240-20.093(2)(K):

> The *commission shall* apportion the DSIM revenue requirement to each customer class.
>
> (Emphasis added)

Concerning Rule 4 CSR 240-20.093(2)(K), Staff recommends the Commission adopt the methodology used by Ameren Missouri to allocate DSIM revenue requirement[12] between residential and business customer classes.

4 CSR 240-20.093(6):

> Disclosure on Customers' Bills. Regardless of whether or not the utility requests adjustments of its DSIM rates between general rate proceedings, any amounts charged under a DSIM approved by the commission, including any utility incentives allowed by the commission, *shall be separately disclosed on each customer's bill*. Proposed language regarding this disclosure *shall be submitted to and approved by the commission* before it appears on customers' bills.
>
> (Emphasis added)

[12] 4 CSR 240-20.093(2)(K).

Concerning Rule 4 CSR 240-20.093(6), Staff recommends:

1. The Commission reject Ameren Missouri's proposed wording to identify the separate DSIM charge on the customers' bills as "Energy Efficiency Pgm Charge;"
2. The Commission approve the separate line item wording of "Demand Side Inv Recovery on customers' bills;
3. The Commission order Ameren Missouri to submit disclosure language in this case to satisfy the requirements of Rule 4 CSR 240-20.093(6) for the Commission's approval; and
4. The Commission reject Ameren Missouri's methodology for the collection of program cost recovery, performance mechanism recovery, and historical cost recovery per rate class by a summer and winter component.

<u>Variances from the Commission's MEEIA rules required for approval of Ameren Missouri's proposed DSM programs and Ameren Missouri's proposed DSIM, and Staff's recommendation concerning each</u>

Q. What is Staff's recommendation concerning the variances Ameren Missouri has requested?

A. Concerning the variances requested by Ameren Missouri[13], Staff recommends:

1. The Commission reject the *Variances Regarding Retrospective Recovery*[14], because such variances are not necessary under the Staff's recommendation that the Commission reject Ameren Missouri's proposed 15.4% of shared net benefits incentive component of its DSIM and approve a mechanism to allow the Company to book a regulatory asset equal to 15.4% of its shared net benefits, with the

[13] The only detailed description of Ameren Missouri's request for variances is in paragraph 12 of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.
[14] Paragraph 12.A. of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.

amount of the regulatory asset to be collected in rates subject to true-up based on actual net shared benefits determined through an EM&V process;

2. The Commission approve the *Variances Regarding Calculation of Utility Incentive,*[15] but that the Commission condition its approval on using the information in the TRM only to allow the Company to book a regulatory asset equal to 15.4% of its shared net benefits from its DSM programs;

3. The Commission reject the *Variances Regarding "Rate" and "Revenue Requirement" Definitions*,[16] because the Commission does not have the authority to grant a variance from Rule 4 CSR 240-20.093(1)(O), 4 CSR 240-3.163(1)(H), 4 CSR 240-20.093(1)(P) and 4 CSR 240-3.163(1)(I), since these rules are based on Section 393.1075 13, RSMo, Supp. 2011: "Charges attributable to demand-side programs under this section shall be clearly shown as a separate line item on bills to the electric corporation's customers;" and

4. The Commission approve the *Variances Regarding Net Shared Benefits*.[17]

Q. What are Staff's recommendations concerning the variances which are required, but Ameren Missouri did not request?

A. Concerning variances which are required but which were not requested by Ameren Missouri, Staff recommends:

1. The Commission not grant *Variances Regarding "Implementation Flexibility" for the Company's DSM Programs* (Rules 4 CSR-20.094(3)(D),

[15] Paragraph 12. B. of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.
[16] Paragraph 12. C. of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.
[17] Paragraph 12. D. of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.

4 CSR 240-20.094(4), 4 CSR 240-20.094(2)(A) and 4 CSR 240-3.164(4)), because approval of the demand-side programs "implementation flexibility: the Company desires[18] would also require variances from the Commission's Filing and Report Requirements (Rule 4 CSR 240-3.150(2) and from the Commission's Utility Promotional Practices (Rule 4 CSR 240-14.030);

2. The Commission not grant *Variances Regarding the Commissions Annual Energy and Demand Savings Goals* (Rules 4 CSR 240-20.094(2)(A) and (B)), because the Company has provided no showing of good cause to treat the Commission's "soft goals" for 2012 as the "soft goals" for 2013 and to correspondingly push back the "soft goals" for subsequent years; and

3. The Commission grant *Variance Regarding Inclusion of Proposed DSM Programs in the Company's Preferred Resource Plan*, and the Commission should find Ameren Missouri's MEEIA filing is inconsistent with the policy of the State of Missouri stated in MEEIA "to value demand-side investments equal to traditional investments in supply and delivery infrastructure… ." To be consistent with this state policy Ameren Missouri should use the Chapter 22 process to re-evaluate demand-response programs, then seek for the Commission to approve those that are cost effective as MEEIA programs.

<u>Organization of rebuttal testimony</u>

Q. Please describe how the remainder of your rebuttal testimony is organized.

A. My testimony is organized into the following sections:

1. Staff witnesses and areas of responsibility;

[18] *2013 – 2015 Energy Efficiency Plan*, Section 3.5 Implementation Flexibility, pp. 60 - 64.

2. Vision for the MEEIA;
3. Ameren Missouri's MEEIA application;
4. Implications of procedural schedule and technical conferences;
5. Summary of Staff's review and analyses of Ameren Missouri's proposed DSM programs;
6. Expectation of Ameren Missouri's proposed DSM programs achieving a goal of all cost-effective demand-side savings;
7. Ameren Missouri's proposed DSIM;
8. Variances from the Commission's MEEIA rules necessary to approve Ameren Missouri's proposed DSM programs and DSIM; and
9. Proposed modifications to Ameren Missouri's DSIM.

<u>Staff witnesses and areas of responsibility</u>

Q. Please identify all Staff witnesses who filed rebuttal testimony in this case and the issues for which each witness is responsible.

A. The following are the names of Staff witnesses and the issues each is responsible for:

- Doctor Hojong Kang – compliance with Rules 4 CSR 240-3.164 and 4 CSR 240-20.094 pertaining to energy efficiency and education programs;
- Randy S. Gross – compliance with Rules 4 CSR 240-3.164 and 4 CSR 240-20.094 pertaining to demand-response programs;
- Mark L. Oligschlaeger – business risk and accounting issues concerning the DSIM;
- Zephania Marevangepo – business risk and financial analysis concerning the DSIM;
- John A. Rogers – compliance with Rules 4 CSR 240-3.163 and 4 CSR 240-20.093; and Staff's review and analysis of whether GMO's proposed DSM programs can be expected to achieve a goal of all cost-effective demand-side savings when using the guidelines in Rule 4 CSR 240-20.094(2);
- Michael S. Scheperle – DSIM rates; and
- Michelle A. Bocklage – DSM programs tariff sheets and DSIM tariff sheets.

Vision for the MEEIA

Q. What is your understanding of the vision of Missouri's leaders for the MEEIA?

A. My understanding of the vision of Missouri's leaders for the MEEIA is best summed up in the following quotations from Missouri Governor Jay Nixon's news release of July 13, 2009:

- Governor Jay Nixon: *"Energy efficiency saves customers money, creates jobs and is good for our economy. Missourians spend approximately $20 billion each year on all of our energy needs and import nearly 95 percent of the primary energy sources we use. By becoming more energy efficient and reducing our expenditures on energy, we keep more of these energy dollars in Missouri's economy and in Missourians' pockets."*

- State Senator Brad Lager: *"Missouri currently stands at the crossroads of how to best meet our energy needs. In order to help keep energy costs from continuing to rise dramatically, it is critical that we must become more efficient and effective with our current consumption. With the passage of this bill and the adoption of energy efficient practices, Missourians can dramatically reduce their energy consumption and benefit immediately from the savings. Now, energy companies can partner with their customers to better utilize the energy they currently consume. Energy efficiency programs are the cleanest, easiest and quickest ways to protect our precious resources and energy efficiency programs are a vital component of any successful comprehensive energy policy. Senate Bill 376 finally adds this tool to the toolbox."*

- Kansas City Power & Light Company President Bill Downey: *"On behalf of the more than 100 member of the statewide coalition that sponsored and supported Senate Bill 376, I would like to thank Governor Nixon for his leadership in signing this important piece of legislation into law. With this legislation, KCP&L has more tools to meet the challenge of managing our region's increasing demand for electricity, keeping costs for that power among the lowest in the nation and protecting our environment now and for future generations."*

- Kansas City Power & Light Company Chairman and Chief Executive Officer Michael Chesser: *"This legislation will allow us to expand our energy efficiency efforts and invest more money locally in our customers. By investing money in our region with companies and institutions that are our partners in efficiency programs, we are investing in Missouri, creating jobs and helping Missouri companies become more competitive. It is a winning combination for our region, for our customers and for our company."*

Also in the Governor's July 13, 2009, news release, Senior Advocate with the National Resources Defense Council, Rebecca Stanfield, accurately summed up what is at stake: *"Encouraging investment in energy efficiency is one of those rare public policy initiatives where everyone wins. Customers win with less expensive energy, utilities are able to invest in a solid business proposition, and communities win as we move towards a cleaner environment and more sustainable economy."*

Q. What process did the Commission use for promulgating its MEEIA rules?

A. The MEEIA became law in the State of Missouri on August 28, 2009, when Governor Jay Nixon signed Senate Bill 376 into law. At the Commission's direction Staff held a series of public workshops (with facilitation support from The Regulatory Assistance Project and technical support from the American Council for an Energy-Efficient Economy) from April through June 2010 to use a stakeholder process[19] to develop proposed MEEIA rules which the Staff provided to the Commission on June 29, 2010[20]. Following receipt of written public comments, the Commission held a public hearing to receive comments on January 6, 2011. The Commission issued its final order of rulemaking on March 14, 2011, and the Commission's MEEIA rules were published in the Missouri Code of State Regulation on April 30, 2011 and became effective on May 30, 2011.

Q. What is your understanding of the purpose of the MEEIA?

A. With passage of the MEEIA in 2009 by the Missouri Legislature, and the subsequent signing by Governor Nixon to become law, the State of Missouri has declared and directed in the MEEIA the following purposes:

> 3. It shall be the policy of the state to value demand-side investments equal to traditional investments in supply and delivery infrastructure and allow

[19] File No. EW-2010-0265
[20] The rulemaking case for the Commission's MEEIA rules is File No. EX-2010-0368.

> recovery of all reasonable and prudent costs of delivering cost-effective demand-side programs. In support of this policy, the commission shall:
> (1) Provide timely cost recovery for utilities;
> (2) Ensure that utility financial incentive are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently; and
> (3) Provide timely earning opportunities associated with cost-effective measurable and verifiable efficiency savings.
> 4. 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. Recovery for such programs shall not be permitted unless the programs are approved by the commission, result in energy or demand savings and are beneficial to all customers in the customer class in which the programs are proposed, regardless of whether the programs are utilized by all customers.

Q. What are Staff's responsibilities in MEEIA cases?

A. Staff is responsible for reviewing the utility's application for proposed DSM programs and proposed DSIM, and for analyzing whether the application complies with the MEEIA and with the Commission's MEEIA rules. When performing its review and analysis, Staff has a responsibility to *consider and value equally* the risk and financial interest of customers with the risk and financial interest of the Company resulting from the utility's proposed DSM programs and proposed DSIM. Staff is responsible for providing discussion of its review and analysis, and for making recommendations to help assure that the vision for the MEEIA is achieved, and that the policy of the State and the mission of the Commission are carried out.

<u>Ameren Missouri's MEEIA application</u>

Q. Is Ameren Missouri the only electric utility with a MEEIA application pending before the Commission?

A. No. KCL&L Greater Missouri Operations Company, Ameren Missouri and The Empire District Electric Company each have MEEIA applications pending before the

Commission.[21] These MEEIA applications present the first opportunities to significantly change the regulatory framework in Missouri as a result of the MEEIA and to help Missouri begin to achieve the Legislature's vision stated in the MEEIA.

Q. As background, would you please summarize Ameren Missouri's experience with DSM programs and the current regulatory treatment for Ameren Missouri's DSM program costs?

A. Yes. Schedule JAR-2[22] provides summary information on Ameren Missouri's DSM programs, stakeholder group, success stories, and challenges. Each of Ameren Missouri's 2009 - 2011 DSM programs has an EM&V report[23] for evaluation of each DSM program's process, and measurement and verification of each DSM program's impacts (i. e., energy (kWh) savings and/or demand (kW) savings) estimated by an independent third-party evaluator hired by the Company. Currently, Ameren Missouri's DSM programs' costs are placed in a regulatory asset account which earns interest at its AFUDC (Allowance for Funds Used During Construction) rate. If in the Company's subsequent general rate case, the programs' costs are found to be prudent, these costs will be included in rate base, earn a return, and be amortized.[24]

Q. Would you please briefly describe Ameren Missouri's MEEIA application?

[21] KCP&L Greater Missouri Operations Company's MEEIA application filing was made in File No. EO-2012-0009 on December 22, 2012. Ameren Missouri's MEEIA application filing was made in File No. EO-2012-0142 on January 20, 2012. The Empire District Electric Company's MEEIA application filing was made in File No. EO-2012-0206 on February 28, 2012.
[22] Schedule JAR-2 is created from the parts of the *Status Report* filed in File No. AO-2011-0035 on January 4, 2012.
[23] See *2012 – 2015 Energy Efficiency Report,* p. 107, lines 23 – 28.
[24] Prudent programs' costs incurred since the last two rate cases are included in rate base, earn a return and are amortized over six (6) years. Prudent programs' costs prior to the Company's last two general rate cases (File Nos. ER-2010-0036 and ER-2011-0028) are included in rate base, earn a return and are amortized over ten (10) years.

A. Yes. Ameren Missouri's MEEIA application was filed on January 20, 2012. This is Ameren Missouri's first application under the Commission's MEEIA rules and the MEEIA. It includes requests for approval of eleven (11) DSM programs (seven (7) residential and four (4) business programs, among which eight (8) are current programs and three (3) are new programs[25]), approval of a TRM and approval of a DSIM. The DSIM includes the following features and components: 1) DSIM rates for all customer classes except LTS and Lighting, 2) a cost recovery component, 3) a 15.4% of shared net benefits component (designed to overcome the throughput disincentive), 4) a performance incentive component equal to 4.8% of shared net benefits, and 5) an opt-out provision. In its application, Ameren Missouri requests variances from the Commission's MEEIA Rules related to: retrospective recovery, calculation of utility incentives, definition of "Rate" and "Revenue Requirement," and net shared benefits.[26]

Ameren Missouri's preparation for its MEEIA application represents a significant undertaking by the Company. Staff recognizes and appreciates the initiative and the extra effort by the Company for its first MEEIA filing.

<u>Implications of procedural schedule and technical conferences</u>

Q. Would you briefly review the technical conferences Ameren Missouri and the parties to this case have undertaken together, and their impacts on Staff's processing of this case?

A. Yes. Ameren Missouri and the parties participated in five (5) technical conferences during the months of February and March, 2012. During the technical

[25] New programs are Residential Energy Efficiency Products program, Residential ENERGY STAR® New Homes, and Residential Home Energy Performance program.

[26] The only detailed description of the Ameren Missouri's request for variances is in paragraph 12 of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012, in File No. EO-2012-0142.

conferences the Company and parties worked together to gain a common understanding of the Company's proposed DSM programs and proposed DSIM, and to conduct additional analyses primarily related to modifications of Ameren Missouri's proposed DSIM and TRM. Because this is Ameren Missouri's first MEEIA filing, and because there are several variances requested - and still others not requested - by the Company, the technical conference process has proven very valuable overall to help accelerate the learning process. Staff appreciates the cooperation of Ameren Missouri and the parties during the technical conferences.

<u>Summary of Staff's review and analyses of Ameren Missouri's proposed DSM programs</u>

Q. Would you provide an overview of the Company's proposed DSM programs?

A. In its application, Ameren Missouri requests approval of eleven (11) DSM programs[27] to be implemented following Commission approval in this case. Eight (8) programs are current DSM programs[28] with each having at least one EM&V report.[29] If approved, Ameren Missouri plans to transition from its current "bridge" DSM programs to its Commission-approved DSM programs in early 2013. Schedule JAR-3 lists all of Ameren Missouri's proposed DSM programs (current and new) and provides the estimated cumulative annual energy and demand savings for each proposed program for the period 2013 through 2019. Note that Schedule JAR-3 includes Company's proposed DSM programs' incremental and cumulative annual energy (kWh) and demand (kW) savings as "gross" savings. Following Commission-approval and implementation of its proposed DSM programs,

[27] See Table 3.4 of the *2013 – 2015 Energy Efficiency Report* for a summary description of each program.
[28] Ameren Missouri's current DSM programs are all "bridge" programs with much lower levels of spending and lower levels of energy and demand savings than the levels achieved by the Company's DSM programs in previous programs years. Residential "bridge" programs have an effective date of November 24, 2011 and a termination date of June 30, 2012. Business "bridge" programs have an effective date of December 18, 2011 and have a termination date of June 30, 2012.
[29] *2013 – 2015 Energy Efficiency Report*, p. 107, lines 23 – 28. "[A]ll Ameren Missouri energy efficiency programs [] have been evaluated at least once, with the three largest programs, Business Custom, Business Standard, and Residential Lighting & Appliance, being evaluated three times."

Ameren Missouri intends to have an independent EM&V performed on each of its DSM programs at least once every other year.

Q. Does Staff find that Ameren Missouri has a reliable EM&V process?

A. Yes. Dr. Kang includes in his rebuttal testimony that based upon his review of Ameren Missouri's EM&V reports, which were provided by the Company during its quarterly DSM stakeholder meetings, the EM&V process used by the Company's EM&V contractors to evaluate, measure and verify the process and impact of the Company's past DSM programs is consistent with industry practices. Therefore, Dr. Kang concludes that the Company has a reliable EM&V process.

Q. Does Staff find the Company's estimates of "gross" annual energy and demand savings for its proposed DSM programs to be reasonable estimates, given the programs' designs and spending levels?

A. Yes. That is the conclusion of Staff witness Doctor Hojong Kang, following his review and analysis of the Company's inputs to and outputs from its DSMore™ model analysis for each proposed DSM program.

Q. Does Staff agree that the estimated annual energy and demand savings for the Company's proposed DSM programs should be "gross" savings?

A. No. Dr. Kang provides testimony on this issue and recommends the Commission order Ameren Missouri to verify gross savings and net savings through the EM&V process, and to not assume that net savings are equal to gross savings.

Q. Did Staff review Ameren Missouri's request for approval of a TRM?

A. Yes. The Company's proposed TRM is contained in Appendix A of the *2013 – 2015 Energy Efficiency Plan*. Dr. Kang provides testimony on his review of the TRM. Dr.

Kang expresses his concerns and concludes that it is not proper to use the Company's TRM to calculate the DSM programs' performance incentives without retrospective EM&V to estimate the net energy and demand savings from the programs.

Q. What recommendation does Staff make concerning Ameren Missouri's proposal for a TRM?

A. Staff recommends that the Commission not approve Ameren Missouri's TRM before Staff has the opportunity to review the revisions it anticipates the Missouri Department of Natural Resources[30] will present in rebuttal testimony of its witnesses and present its recommendations on them to the Commission.

Q. Does Staff agree with the absence of demand-response programs in the Company's demand-side program plan?

A. No. Mr. Gross discusses his concerns regarding Ameren Missouri's exclusion of demand-response programs from its MEEIA filing. Mr. Gross concludes that the Company is deficient in its evaluation of demand-response programs.

Q. What recommendation does Mr. Gross have for correcting this deficiency?

A. The Commission should find Ameren Missouri's MEEIA filing is inconsistent with the policy of the State of Missouri stated in MEEIA "to value demand-side investments equal to traditional investments in supply and delivery infrastructure… ." To be consistent with this state policy Ameren Missouri should use the Chapter 22 process to re-evaluate demand-response programs, then seek for the Commission to approve those that are cost effective as MEEIA programs.

[30] In the technical workshops, Missouri Department of Natural Resources (MDNR) consultants GDS pointed out inconsistencies and errors in Ameren Missouri's TRM that GDS had documented in a report that is expected to be in MDNR's rebuttal testimony.

Q. Would you please summarize Staff's review of, and recommendations concerning, Ameren Missouri's proposed tariff sheets for its DSM programs?

A. Through the rebuttal testimony of Staff witness Michelle A. Bocklage, Staff identifies and discusses its concerns regarding the Company's filed DSM programs' tariff sheets[31] and the absence of important content in them. As presented in Ms. Bocklage's rebuttal testimony, Staff recommends the Commission reject the tariff sheets and order Ameren Missouri to make a tariff compliance filing[32] following the conclusion of this case and prior to implementation of its Commission-approved DSM programs and Commission-approved DSIM. Ms. Bocklage's rebuttal testimony includes the recommendation that any filed DSM programs' tariff sheets include additional information required by the Commission's MEEIA rules,[33] the Commission's promotional practices rule,[34] and information that is necessary for general ease of use and clarification.[35]

<u>Expectation of Ameren Missouri's proposed DSM programs achieving a goal of all cost-effective demand-side savings</u>

Q. Is it important for an electric utility to propose DSM programs and a program plan which can be expected to achieve a goal of all cost-effective demand-side savings?

[31] Ameren Missouri filed tariff sheets for only its general Business Energy Efficiency Program and its general Residential Energy Efficiency Program.
[32] Should each of Ameren Missouri's eleven (11) proposed DSM programs be approved by the Commission, each DSM program must have its own tariff sheets in order to comply with 4 CSR 240-20.094(3)(D): "Utilities shall file and receive approval of associated tariff sheets prior to implementation of approved demand-side programs."
[33] Specific language is needed to comply with 1) Rule 4 CSR 240-20.094(6)(J): "A customer electing not to participate in an electric utility's demand-side programs under this section shall still be allowed to participate in interruptible or curtailable rate schedules or tariffs offered by the electric utility;" and 2) Rule 4 CSR 240-20.094(7) which contains language excluding participation in DSM programs providing monetary incentive by customers that receive tax credits "under Sections 135.350 through 135.362, RSMo, or under Sections 253.545 through 253.561, RSMo."
[34] 4 CSR 240-14.030.
[35] Staff recommends that the DSM programs' tariff sheets include: measure incentive and/or rebate amounts whenever appropriate, information regarding each programs marketing strategy, relationship of a DSM program to any other DSM program to determine whether or not programs can be combined to maximize the incentives and/or rebates associated with each program, and annual energy and demand savings goals for each DSM programs.

A. Yes. Section 393.1075 4 directs 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*." (Emphasis added).

Q. Does the Commission have guidelines to review progress toward an expectation that the electric utility's demand-side programs can achieve a goal of all cost-effective demand-side savings?

A. Yes. The Commission's guidelines are contained in Rule 4 CSR 240-20.094(2)(A) for consideration of estimated incremental annual energy and demand savings from the utility's DSM programs and in Rule 4 CSR 240-20.094(2)(B) for consideration of estimated cumulative annual energy and demand savings from the utility's DSM programs.

Rule 4 CSR 240-20.094(2)(A) provides:

> (A) The commission shall use the greater of the annual realistic achievable energy savings and demand savings as determined through the utility's market potential study or the following incremental annual demand-side savings goals as a guideline to review progress toward an expectation that the electric utility's demand-side programs can achieve a goal of all cost-effective demand-side savings:
>
> 1. For 2012: three-tenths percent (0.3%) of total annual energy and one percent (1.0%) of annual peak demand;
> 2. For 2013: five-tenths percent (0.5%) of total annual energy and one percent (1.0%) of annual peak demand;
> 3. For 2014: seven-tenths percent (0.7%) of total annual energy and one percent (1.0%) of annual peak demand;
> 4. For 2015: nine-tenths percent (0.9%) of total annual energy and one percent (1.0%) of annual peak demand;
> 5. For 2016: one-and-one-tenth percent (1.1%) of total annual energy and one percent (1.0%) of annual peak demand;
> 6. For 2017: one-and-three-tenths percent (1.3%) of total annual energy and one percent (1.0%) of annual peak demand;
> 7. For 2018: one-and-five-tenths percent (1.5%) of total annual energy and one percent (1.0%) of annual peak demand;

> 8. For 2019: one-and-seven-tenths percent (1.7%) of total annual energy and one percent (1.0%) of annual peak demand; and
>
> 9. For 2020 and for subsequent years, unless additional energy savings and demand savings goals are established by the commission: one-and-nine-tenths percent (1.9%) of total annual energy and one percent (1.0%) of annual peak demand each year:

Rule 4 CSR 240-20.094(2)(B) provides:

> (B) The commission shall also use the greater of the cumulative realistic achievable energy savings and demand savings as determined through the utility's market potential study or the following cumulative demand-side savings goals as a guideline to review progress toward an expectation that the electric utility's demand-side programs can achieve a goal of all cost-effective demand-side savings:
>
> 1. For 2012: three-tenths percent (0.3%) of total annual energy and one percent (1.0%) of annual peak demand;
>
> 2. For 2013: eight-tenths percent (0.8%) of total annual energy and two percent (2.0%) of annual peak demand;
>
> 3. For 2014: one-and-five-tenths percent (1.5%) of total annual energy and three percent (3.0%) of annual peak demand;
>
> 4. For 2015: two-and-four-tenths percent (2.4%) of total annual energy and four percent (4.0%) of annual peak demand;
>
> 5. For 2016: three-and-five-tenths percent (3.5%) of total annual energy and five percent (5.0%) of annual peak demand;
>
> 6. For 2017: four-and-eight-tenths percent (4.8%) of total annual energy and six percent (6.0%) of annual peak demand;
>
> 7. For 2018: six-and-three-tenths percent (6.3%) of total annual energy and seven percent (7.0%) of annual peak demand;
>
> 8. For 2019: eight percent (8.0%) of total annual energy and eight percent (8.0%) of annual peak demand; and
>
> 9. For 2020 and for subsequent years, unless additional energy savings and demand savings goals are established by the commission: nine-and-nine-tenths percent (9.9%) of total annual energy and nine percent (9.0%) of annual peak demand for 2020, and then increasing by one-and-nine-tenths percent (1.9%) of total annual energy and by one percent (1.0%) of annual peak demand each year after 2020.

Q. Does Ameren Missouri's application contain a DSM market potential study?

A. Yes. Ameren Missouri's current DSM Market Potential Study was published in January 2010 and is included in the *2013 – 2015 Energy Efficiency Plan* as Appendix C. Pages 65 – 68 of the *2013 – 2015 Energy Efficiency Plan* includes a summary of the objectives for, stakeholder process during, and key findings of the market potential study.

Q. Does Ameren Missouri's DSM market potential study contain estimates of realistic achievable potential ("RAP") and maximum achievable potential ("MAP") cumulative annual energy savings and demand savings?

A. Yes. Pages ES-3 through ES-7 in Volume 1 Executive Summary of the DSM Market Potential Study contain a summary discussion and key results of the study. Table 1 *Summary of Energy Efficiency Potential*, Table 2 *Summary of Peak Demand Savings from Energy Efficiency Programs*, Table 3 *Summary of Demand Response Potential*, and Table 4 *Summary of Peak Demand Savings from EE and DR* located on pages ES-3, ES-5, ES-5 and ES-7, respectively, are very informative in understanding the results of the potential study.

Q. Are the annual energy and demand savings for RAP[36] and MAP[37] in the Ameren Missouri DSM Market Potential Study gross savings or net savings?

A. Gross savings.

Q. Does Staff agree that the RAP and MAP annual energy and demand savings should be gross savings in Ameren Missouri's DSM market potential study?

A. Yes. The NTG ratios for Ameren Missouri's DSM programs were not available at the time[38] the Ameren Missouri DSM market potential study was being performed. It is also Staff's understanding that estimating gross savings in DSM market

[36] 4 CSR 240-3.164(1)(T): Realistic achievable potential means energy savings and demand savings relative to a utility's baseline energy forecast and baseline demand forecast, respectively, resulting from expected program participation and realistic implementation conditions. Realistic achievable potential establishes a realistic target for demand-side savings that a utility can expect to achieve through its demand-side programs and involves incentives that represent a moderate portion of total program costs and longer customer payback periods when compared to those associated with maximum achievable potential;

[37] 4 CSR 240-3.164(1)(N): Maximum achievable potential means energy savings and demand savings relative to a utility's baseline energy forecast and baseline demand forecast, respectively, resulting from expected program participation and ideal implementation conditions. Maximum achievable potential establishes a maximum target for demand-side savings that a utility can expect to achieve through its demand-side programs and involves incentives that represent a very high portion of total programs costs and very short customer payback periods. Maximum achievable potential is considered the hypothetical upper-boundary of achievable demand-side savings potential, because it presumes conditions that are ideal and not typically observed;

[38] Ameren Missouri's DSM Market Potential Study was published in January 2010. The Ameren Missouri DSM programs were only starting up in 2009 when the potential study was being performed.

potential studies is customary in the industry, whenever NTG ratios from EM&V reports are not available for the utility's DSM programs.

Q. Has Staff completed a review and analysis of the estimated incremental and cumulative annual energy and demand savings for Ameren Missouri's DSM programs to recommend whether the programs have an expectation of achieving a goal of all cost-effective demand-side savings?

A. Yes. Schedule JAR-3, Schedule JAR-4 and Schedule JAR-5 summarize Staff's analysis of the estimated incremental and cumulative annual energy and demand savings for Ameren Missouri's DSM programs and compare these estimated savings to the incremental and cumulative annual energy and demand savings goals in Rule 4 CSR 240-20.094(2)(A) and (B) and to the RAP incremental and cumulative annual energy and demand savings potentials in the Ameren Missouri DSM Market Potential Study.

Q. Please explain how the information in Schedule JAR-3, Schedule JAR-4 and Schedule JAR-5 differs from schedule to schedule.

A. Schedule JAR-3 is based on the Company's proposal to use a NTG ratio of one (1.00) for each of its DSM programs when estimating annual energy and demand savings.[39] Schedule JAR-4 uses the NTG ratio from the Company's EM&V reports whenever available[40] and an assumed NTG = 0.80 for new programs when estimating annual energy and demand savings.[41] Finally, Schedule JAR-5 is the same as Schedule JAR-4, except for the information concerning DSM Market Potential Study's incremental and cumulative annual demand savings. While Schedule JAR-4 includes incremental and cumulative annual demand

[39] *2013 – 2015 Energy Efficiency Plan*, p. 8, l. 15 through p. 9, l. 12.
[40] *2013 – 2015 Energy Efficiency Plan*, Table 3.9, p.57 contains the NTG ratio values from EM&V for Ameren Missouri's DSM programs.
[41] In the past Ameren Missouri has assumed a NTG = 0.80 prior to receiving final EM&V reports.

savings for both energy efficiency programs and demand-response programs, Schedule JAR-5 includes incremental and cumulative annual demand savings for only energy efficiency programs.

Q. Which of these three schedules does Staff recommend be used *in this case* to determine whether there is an expectation of Ameren Missouri's proposed DSM programs achieving a goal of all cost-effective demand-side savings?

A. Schedule JAR-5.

Q. Why?

A. All three schedules are informative. However, Schedule JAR-5 includes the annual "net" energy and demand savings consistent with Staff recommendation that the demand-side program plan[42] for Ameren Missouri's proposed DSM programs *include estimates of annual energy and demand savings through the use of NTG ratios from EM&V reports*[43]and includes in the DSM Market Potential Study RAP annual energy and demand savings only the annual energy and demand savings from energy efficiency programs. Because Ameren Missouri has chosen to not include any demand-response programs in its demand-side program plan, Schedule JAR-5 provides information for review and analysis on an "apples-to-apples" basis. This Staff recommendation should not be construed to mean Staff supports the Company's decision to exclude demand response programs from its demand-side program plan.

Q. Does Staff have any observations about Schedule JAR-5?

A. From its review and analysis of Schedule JAR-5 Staff observes that:

[42] Rule 4 CSR 240-20.094(1)(K) provides: Demand-side program plan means a particular combination of demand-side programs to be delivered according to a specified implementation schedule and budget.

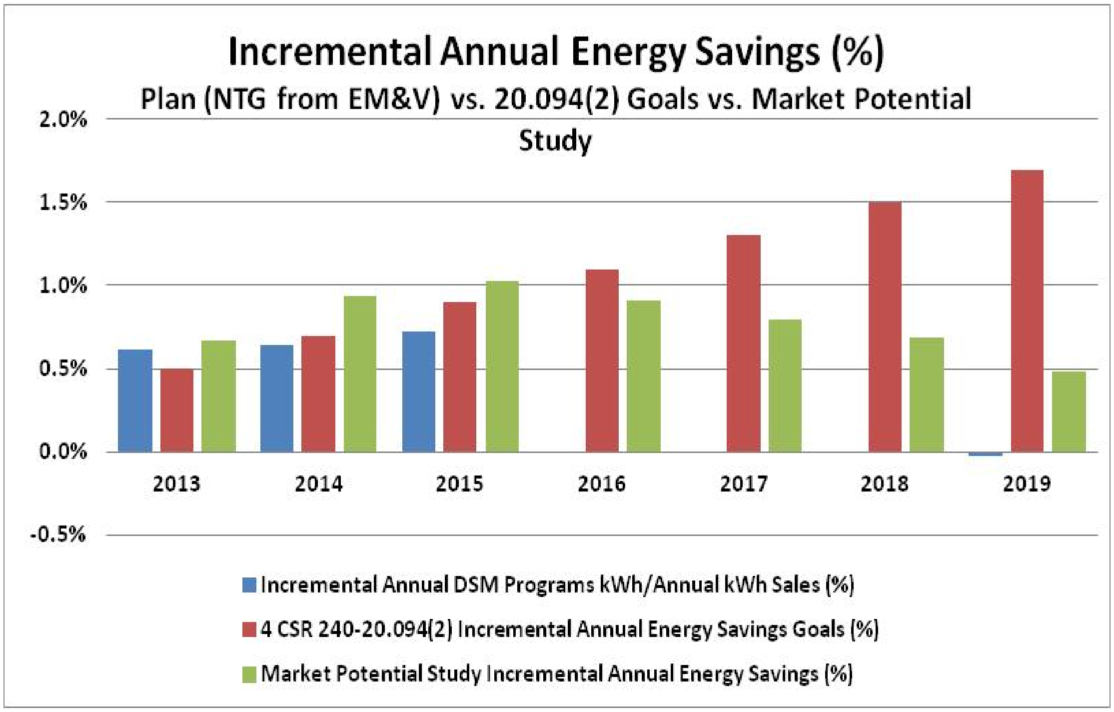
[43] *2013 – 2015 Energy Efficiency Plan*, Table 3.9, p.57 contains the NTG values from EM&V for Ameren Missouri's DSM programs. In the past Ameren Missouri has assumed a NTG = 0.80 prior to receiving final EM&V reports.

1. The proposed program plan is a 3-year plan and includes incremental increases in annual energy and demand savings for only years 2013 through 2015. By 2015 of the proposed program plan, Residential DSM programs produce 65% of the estimated energy savings, while Business DSM programs produce only 35% of estimated energy savings.

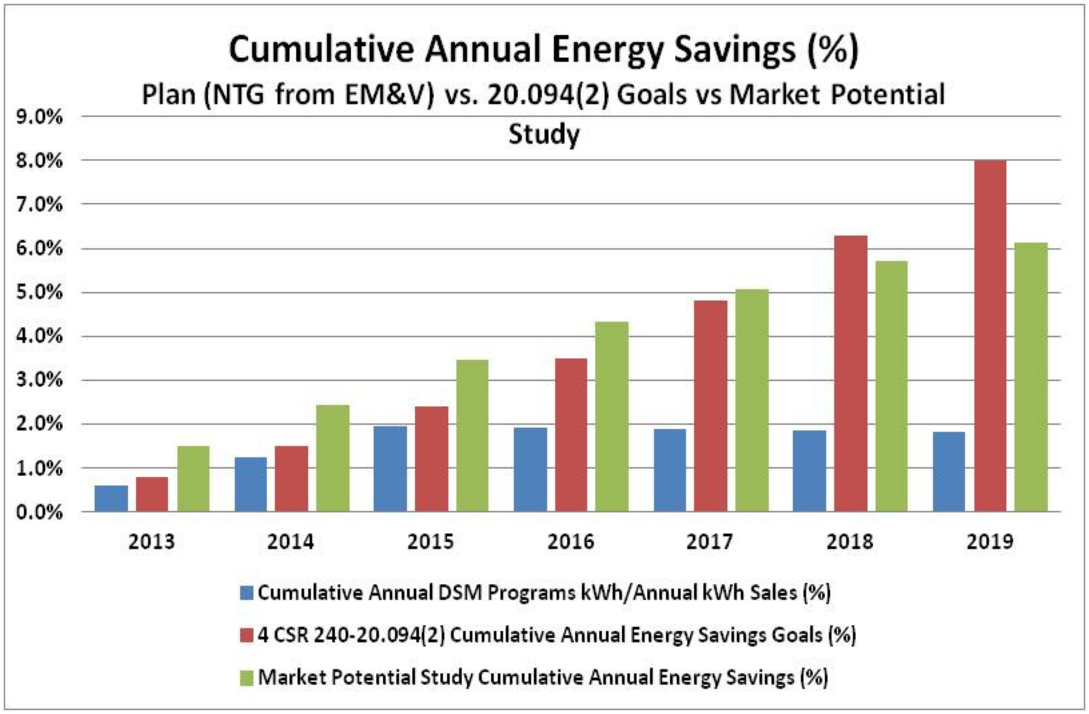
Estimated Annual Energy Savings *(GWh)*

	2013	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
Residential EE Programs	*163*	*325*	*484*	*484*	*484*	*483*	*474*
C&I EE Programs	*69*	*149*	*264*	*260*	*256*	*254*	*251*
Total DSM Programs	*232*	*474*	*749*	*744*	*740*	*737*	*725*
Annual Energy Sales (GWh)	*37,477*	*37,844*	*38,146*	*38,562*	*38,982*	*39,407*	*39,837*
Cumulative % DSM Energy Savings	*0.6%*	*1.3%*	*2.0%*	*1.9%*	*1.9%*	*1.9%*	*1.8%*
Incremental % DSM Energy Savings	*0.6%*	*0.6%*	*0.7%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
% from Residential Programs	**70%**	**69%**	**65%**	**65%**	**65%**	**66%**	**65%**
% from C&I Programs	**30%**	**31%**	**35%**	**35%**	**35%**	**34%**	**35%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

2. While the proposed program plan's incremental annual net energy savings for 2013 exceed the annual energy savings goals in 4 CSR 240-20.094(2) and approximate the 2013 RAP annual energy savings in the DSM market potential study, the proposed program plan's incremental annual net energy savings for 2014 and 2015 "lag behind" the annual energy savings goals in 4 CSR 240-20.094(2) and the RAP annual energy savings in the DSM market potential study for 2014 and 2015 as illustrated below:



3. The proposed program plan's cumulative annual net energy savings for 2013, 2014 and 2015 "lag behind" the cumulative annual energy savings goals in 4 CSR 240-20.094(2) and in the RAP annual energy savings in the DSM market potential study. The proposed program plans cumulative annual net energy savings for 2013, 2014 and 2015 closely approximate the cumulative annual energy savings goals in 4 CSR 240-20.094(2) for each of these years as illustrated below:



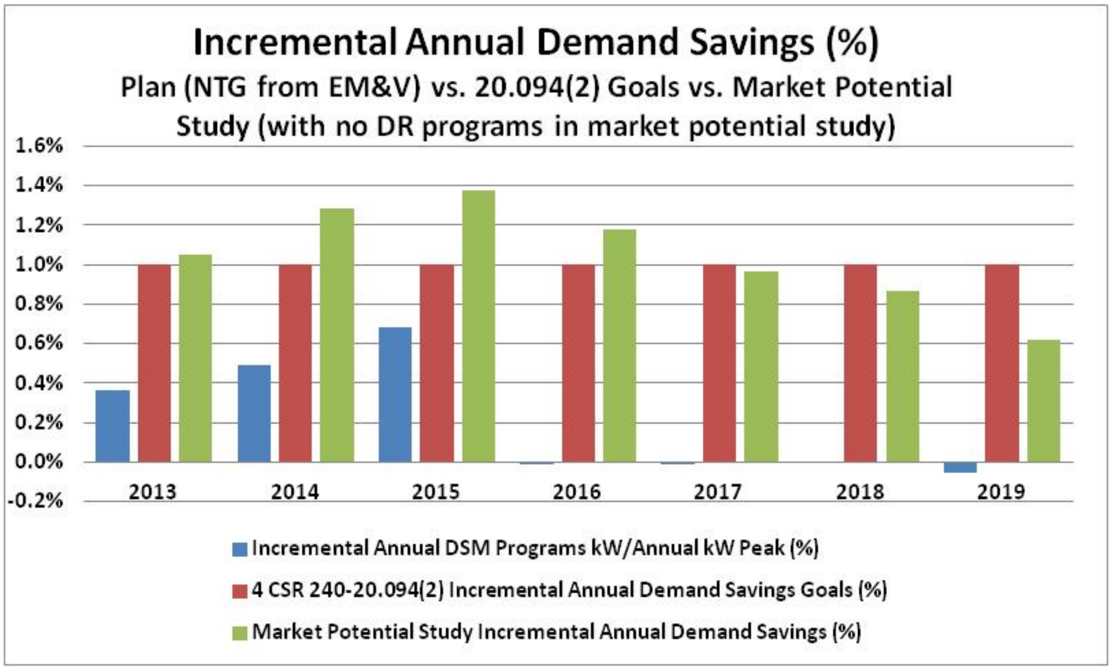
4. The proposed program plan's estimated annual demand savings are from energy efficiency programs only, since Ameren Missouri includes no demand-response programs in its proposed program plan. By 2015 of the proposed program plan, Residential DSM programs produce 65% of the estimated demand savings, while Business DSM programs produce only 35% of estimated demand savings.

Estimated Annual Demand Savings *(MW)*

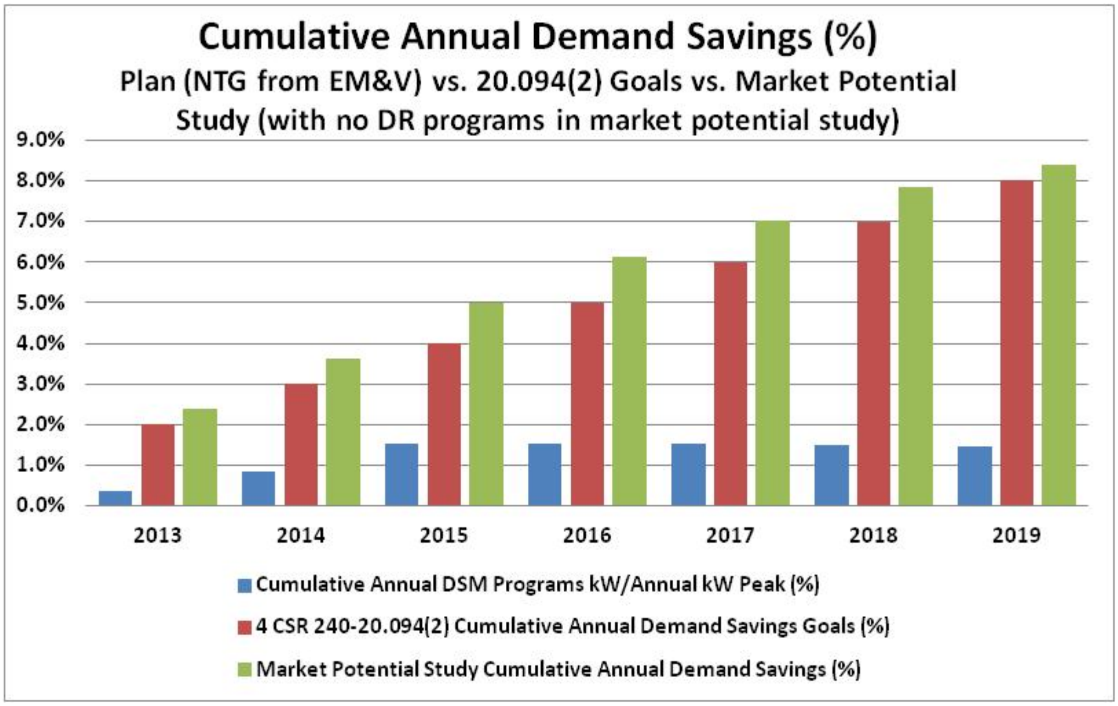
	2013	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
Demand Response Programs	*0*	*0*	*0*	*0*	*0*	*0*	*0*
C&I EE Programs	*11*	*23*	*41*	*40*	*40*	*40*	*39*
Residential EE Programs	*16*	*41*	*76*	*76*	*76*	*75*	*71*
Total DSM Programs	*27*	*65*	*117*	*116*	*115*	*115*	*110*
Annual Peak Demand (MW)	*7,533*	*7,591*	*7,640*	*7,710*	*7,780*	*7,850*	*7,922*
Cumulative % DSM Demand Savings	*0.4%*	*0.9%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.4%*
Incremental % DSM Demand Savings	**0.4%**	**0.5%**	**0.7%**	**0.0%**	**0.0%**	**0.0%**	**-0.1%**
% from Demand Response Programs	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
% from C&I Programs	**40%**	**36%**	**35%**	**35%**	**35%**	**34%**	**35%**
% from Residential Programs	**60%**	**64%**	**65%**	**65%**	**65%**	**66%**	**65%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

5. The proposed program plan's incremental annual net demand savings for 2013, 2014 and 2015 significantly "lag behind" the incremental annual demand savings

goals in 4 CSR 240-20.094(2) and in the RAP incremental annual demand savings from only energy efficiency programs (and excluding all incremental annual demand savings from demand-response programs) in the DSM market potential study as illustrated below:



6. The proposed program plan's cumulative annual net demand savings for 2013, 2014 and 2015 significantly "lag behind" the cumulative annual demand savings goals in 4 CSR 240-20.094(2) and in the RAP cumulative annual demand savings from only energy efficiency programs (and excluding cumulative annual demand savings from demand-response programs) in the DSM market potential study as illustrated below:



Q. Does Staff recommend that the Commission find that Ameren Missouri's DSM programs can make reasonable progress toward an expectation that the programs can achieve a goal of all cost-effective demand-side savings?

A. Yes. However, Staff answers this question with reservations as a result of the following concerns:

1. Ameren Missouri has not presented a long range plan for its DSM programs to achieve all cost-effective demand-side savings. Staff can only evaluate the information provided for delivery of program services for three (3) years.
2. Ameren Missouri includes no demand-response programs in its proposed 3-year program plan. This is a very serious concern as discussed in the rebuttal testimony of Staff witness Randy Gross.

However, Staff is encouraged by the proposed program plan's spending levels which increase significantly each year ($35.24 million in 2013, $45.97 million in 2014, and $64.09

million in 2015[44]). The proposed program plan's spending levels continue an upward trend of DSM programs spending started in 2009 and is interrupted in only 2012 as a result of the limited spending for the Company's "bridge" programs.[45] Staff concludes that despite its concerns, it is in the best interest of the Company and its customers that Ameren Missouri's demand-side program plan – when modified to reflect annual net energy and demand savings - be approved by the Commission.

Staff recommends the Commission require Ameren Missouri to complete a new DSM market potential study and to include in its future MEEIA filings the Company's new DSM market potential study's RAP portfolio. The RAP portfolio of DSM programs should be either in the preferred resource plan in the Company's next Chapter 22 compliance filing, or annual update filing, or have been analyzed through the integration process required by Rule 4 CSR 240-22.060 to determine the impact of the demand-side programs and program plans on the net present value of revenue requirements.

Q. Does Staff recommend that the incremental and cumulative annual net energy and demand savings in Schedule JAR-5 be approved by the Commission as the annual energy and demand savings targets[46] for Ameren Missouri's Commission-approved DSM programs?

A. Yes. For convenience, Schedule JAR-6 provides only Staff's recommended annual energy and demand savings targets for each of the Company's Commission-approved DSM programs.

[44] *2013 – 2015 Energy Efficiency Plan*, Table 2.1, page 23.
[45] *2013 – 2015 Energy Efficiency Plan*, Table 1.1, page 4.
[46] 4 CSR 240-20.094(3)(A).

Ameren Missouri's proposed DSIM

Q. What are the features and components of Ameren Missouri's proposed DSIM?

A. Should the Commission approve Ameren Missouri's proposed DSM programs, Ameren Missouri requests approval of a DSIM Tracker which includes the following features and components:

1. A separate **DSIM rate**[47] to recover the proposed modifications to the current recovery mechanism and the costs resulting from the proposed DSIM Tracker;[48]
2. A **cost recovery component** to recover the annualized direct and indirect DSM program costs for the first three (3) program years of $48,430,000 per year[49] in base rates. The Company would monitor its spending and compare it to the amount collected from customers during those three years. If the Company spends less that the amount in rates, the difference would be refunded in a future rate case. Conversely, any under-collection of actual expenditures would be reimbursed to the Company in a future rate case. The tracking would be done using a regulatory asset or liability and differences would accrue carrying charges at the Company's allowance for funds used during construction ("AFUDC") rate.[50]
3. A **15.4% shared net benefit component** performance tracker to remove the throughput disincentive would initially be set equal to the 15.4% of the annualized expected shared net benefits for the first three (3) program years which is equal to

[47] Both summer and winter rates are proposed for the residential, SGS, LGS, SPS and LPS rate classes. The Company's does not propose DSIM rates for the LTS rate class, since the only customer in this rate class (Noranda Aluminum) has opted-out of participation in the DSM programs. Likewise, the Company does not propose DSIM rates for the Lighting rate class, since there are no proposed DSM programs for this rate class.
[48] *2013 – 2015 Energy Efficiency Plan*, Table 2.9, page 34 includes the proposed summer and winter DSIM rates.
[49] *2013 – 2015 Energy Efficiency Plan*, Table 2.1, page 23.
[50] *2013 – 2015 Energy Efficiency Plan*, p. 23, lines 3 – 13.

$32,500,000 per year[51] in rates based on the Company's estimates of avoided energy costs and avoided demand costs. A true-up of the 15.4% shared net benefit revenue requirement would occur at the culmination of the three-year program plan to account for actual results specified in Table 2.12, including only changes in number of measures installed, program administration costs, program measures costs and opt-out customers.[52]

4. A **performance incentive component** to reward the Company based on 4.8% of shared net benefits as measured and verified through EM&V with the award amount determined through application of Figure 2.5 and Figure 2.6 in the *2013 – 2015 Energy Efficiency Plan* which includes $0, $10 million and $16 million awards at 70%, 100% and 130%, respectively, of actual performance vs. Commission-approved annual energy savings target; and

5. An **opt-out provision** which specifies that customers who qualify and are approved to opt-out under the provisions of Rule 4 CSR 240-20.094(6) would not be billed the DSIM rate.[53]

Variances from the Commission's MEEIA rules required for Ameren Missouri's proposed DSIM

Q. What variances from Commission rules does Ameren Missouri request for its proposed DSIM?

A. Ameren Missouri requests the following four categories of variances[54] from the Commission's MEEIA rules for its proposed DSIM:

[51] *2013 – 2015 Energy Efficiency Plan*, p. 13, l. 13.
[52] *2013 – 2015 Energy Efficiency Plan*, p. 38, l. 2 through p. 39, l. 19 provides the details on how the DSIM will be implemented and trued-up at the end of the three year implementation period.
[53] *2013 – 2015 Energy Efficiency Plan,* p. 37, lines 11 – 18.

1. *Variances Regarding Retrospective Recovery* – The Company is requesting the Commission provide partial variances of the following rules to the extent that the rules, as written, would allow only retrospective recovery of the portion of net shared benefits that under the Company's MEEIA filing and the proposed DSIM are to be reflected in the DSIM through the rates that will be set in the Company's next rate case (File No. ER-2012-0166): 4 CSR 240-20.093(2)(H), 4 CSR 240-20.093(2)(H)3, 4 CSR 240-20.093(1)(EE), 4 CSR 240-20.094(1)(Z), 4 CSR 240-3.163(1)(A), 4 CSR 240-20.093(1)(C), 4 CSR 240-20.094(1)(C), 4 CSR 240-3.163(1)(F)5., 4 CSR 240-20.093(1)(M)5., and 4 CSR 240-20.094(1)(J)5;
2. *Variances Regarding Calculation of Utility Incentive* – The Company requests a partial variance from the following rule so that it may use the information of the TRM to calculate the utility incentive component of the DSIM: 4 CSR 240-20.093(2)(H);
3. *Variances Regarding "Rate" and "Revenue Requirement" Definitions* – The Company requests variances from the following rules to the extent necessary to allow the Company to include in the separate line item the costs associated with current and historical energy efficiency cost recovery (i. e., the regulatory asset that under prior rate case orders is currently being amortized over 6 years) in addition to the costs reflected in the DSIM: 4 CSR 240-20.093(1)(O), 4 CSR 240-3.163(1)(H), 4 CSR 240-20.093(1)(P), and 4 CSR 240-3.163(1)(I).

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[54] The only detailed description of Ameren Missouri's request for variances is in paragraph 12 of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.

4. *Variances Regarding Net Shared Benefits* – The Company requests partial variances from the following rules to the extent that the Company's proposed DSIM does not reflect a sharing of "annual" net shared benefits: 4 CSR 240-3.163(1)(A), 4 CSR 240-20.093(1)(A), 4 CSR 240-20.094(1)(C), 4 CSR 240-20.093(1)(Q), 4 CSR 240-20.093(2)(M), 4 CSR 240-3.163(1)(J), 4 CSR 240-20.093(2)(H), 4 CSR 240-20.093(1)(EE), and 4 CSR 240-20.094(1)(Z).

Q. Does Staff support any of Ameren Missouri's variance requests?

A. Staff supports the variances requested by Ameren Missouri regarding *Net Shared Benefits.*[55] Staff agrees with Ameren Missouri that good cause exists for Commission approval of these variances.

Q. Why does Staff not support approval at this time of Ameren Missouri's other variance requests?

A. Concerning *Variances Regarding Retrospective Recovery*, such variances are not necessary under the Staff's recommendation that the Commission reject Ameren Missouri's proposed 15.4% of shared net benefits incentive component of its DSIM and approve a mechanism to allow the Company to book a regulatory asset equal to 15.4% of its shared net benefits, with the amount of the regulatory asset to be collected in rates subject to true-up based on actual net shared benefits determined through an EM&V process.

Concerning *Variances Regarding "Rate" and "Revenue Requirement" Definitions*,[56] the Commission should reject this variance request, because the Commission does not have the authority to grant a variance from Rules 4 CSR 240-20.093(1)(O), 4 CSR

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[55] See paragraph 12. D. of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.

[56] See paragraph 12. C. of the Company's *Application to Approve DSIM Filing, Request for Variances and Motion to Adopt Procedural Schedule* filed on January 20, 2012 in File No. EO-2012-0142.

240-3.163(1)(H), 4 CSR 240-20.093(1)(P) and 4 CSR 240-3.163(1)(I), since these rules are based on Section 393.1075 13, RSMo, Supp. 2011; "Charges attributable to demand-side programs under this section shall be clearly shown as a separate line item on bills to the electric corporation's customers."

Q. What additional variances should Ameren Missouri have requested for its proposed DSM programs or DSIM, but did not?

A. Based on Staff's review, Ameren Missouri has not requested:

1. *Variances Regarding "Implementation Flexibility" for its DSM Programs* – Ameren Missouri has not requested variances from Rules 4 CSR-20.094(3)(D), 4 CSR 240-20.094(4), 4 CSR 240-20.094(2)(A) and 4 CSR 240-3.164(4) required to give the Company the demand-side programs "implementation flexibility" that it desires;[57]

2. *Variances Regarding the Commissions Annual Energy and Demand Savings Goals* – Although the Company acknowledges in its *2013 – 2015 Energy Efficiency Plan* the Commission's non-mandatory annual energy savings and annual demand savings goals that start with 2012,[58] the Company has not requested a variance from the rule where those goals are established – Rules 4 CSR 240-20.094(2)(A) and (B); and

3. *Variance Regarding Inclusion of Proposed DSM Programs in the Company's Preferred Resource Plan* - The Company has not requested a partial variance from Rule 4 CSR 240-20.094(3)(A)(3) which requires that the proposed DSM programs are included in the electric utility's preferred resource plan or have been analyzed through the integration

[57] *2013 – 2015 Energy Efficiency Plan*, Section 3.5 Implementation Flexibility, pp. 60 -64.

[58] *2013 – 2015 Energy Efficiency Plan*, Table 3.2, p. 41. "Note: Ameren Missouri considers 2012 as a MEEIA first docket filing year. Consequently, for purposes of comparing its proposed annual RAP load reduction estimates for 2013-2015 to MEEIA rulemaking annual goals, Ameren Missouri considers the MEEIA 2012 goal of 0.3% of total annual energy and 1.0% of annual peak demand to actually begin in 2013. Subsequent MEEIA annual load reduction goals would also be pushed back one year."

process required by Rule 4 CSR 240-22.060 to determine the impact of the demand-side programs and program plans on the net present value of revenue requirements of the electric utility.

Q. If Ameren Missouri were to request *Variances Regarding "Implementation Flexibility" for its DSM Programs, Variances Regarding the Commissions Annual Energy and Demand Savings Goals* Concerning *Variances Regarding,* and *Variance Regarding Inclusion of Proposed DSM Programs in the Company's Preferred Resource Plan,* would Staff support them?

A. Staff would support approval of a *Variance Regarding Inclusion of Proposed DSM Programs in the Company's Preferred Resource Plan,* should Ameren Missouri agree to re-evaluate demand-response programs as required by Chapter 22 and file for the cost-effective demand-response programs to be approved as MEEIA programs.

Concerning *Variances Regarding "Implementation Flexibility" for its DSM Programs,* Staff would not support approval of these variances, because approval of the demand-side programs "implementation flexibility: the Company desires[59] would also require variances from the Commission's Filing and Report Requirements (Rule 4 CSR 240-3.150(2) and from the Commission's Utility Promotional Practices (Rule 4 CSR 240-14.030);

Concerning *Variances Regarding Variances Regarding the Commissions Annual Energy and Demand Savings Goals,* Staff would not support approval of these variances, because the Company has provided no showing of good cause to treat the Commission "soft goals" for 2012 as the "soft goals" for 2013 and to correspondingly push back the "soft goals" for subsequent years.

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[59] *2013 – 2015 Energy Efficiency Plan*, Section 3.5 Implementation Flexibility, pp. 60 - 64.

Proposed modifications to Ameren Missouri's DSIM

Q. Would you please summarize Staff's review and recommendations concerning Ameren Missouri's proposed cost recovery component of its proposed DSIM?

A. Dr. Kang and Mr. Gross find that the direct and indirect program costs for each of Ameren Missouri's proposed DSM programs are reasonable for the program designs and the annual "gross" energy and demand savings levels estimated by the Company.

Staff witness Mark L. Oligschlaeger concludes his review of Ameren Missouri's proposed DSIM cost recovery component with a recommendation that the proposed cost recovery component be approved with one modification. Since Ameren Missouri's proposal is projected to result in differences in the annual amount of program costs collected in rates and the annual amount of program costs the Company actually incurs, it is appropriate for interest to be applied to any difference between them. This under- or over-recovery of DSM program costs from customers should be measured monthly and treated in the same manner, i.e., interest provided at a short-term interest rate, as the under- or over-recoveries of costs from customers are treated in Ameren Missouri's fuel adjustment clause.[60]

Q. Would you please summarize Staff's review and recommendations concerning Ameren Missouri's proposed 15.4% shared net benefit component performance tracker to remove what Ameren Missouri calls the "throughput disincentive"?

A. Mr. Oligschlaeger is Staff's primary witness concerning Ameren Missouri's proposed 15.4% shared net benefits component of its DSIM. Mr. Oligschlaeger notes that Ameren Missouri's uses the term "throughput disincentive" for the reduction in its revenues associated with its customers using DSM programs, net of five percent (5%) of variable

[60] UNION ELECTRIC COMPANY'S MO.P.S.C SCHEDULE NO. 5, Original SHEET NO. 98.18 "Interest shall be calculated monthly at a rate equal to the weighted average interest paid on the Company's short-term debt, applied to the month-end balance… ."

fuel/purchased power expenses not expended and net of off-system sales revenues due to reduction in customer loads.[61] Mr. Oligschlaeger also notes that Ameren Missouri's definition of the term "throughput disincentive" is different than the definition of "lost revenues" in the MEEIA Rules. The difference is that any reduction in its revenues from its customers due to DSM programs are included in the Company's definition of "throughput disincentive," while only the portion of throughput disincentive due to DSM programs that cause the level of Ameren Missouri's retail energy sales to fall below the level used to set rates for the Company in its last rate filing is included in the term "lost revenues" in the MEEIA Rules. Ameren Missouri asserts that experiencing an amount of throughput disincentive that is not large enough to meet the MEEIA rules definition of "lost revenues" still disincents it to offer DSM programs.

Mr. Oligschlaeger concludes his discussion of Ameren Missouri's 15.4% of shared net benefits component by stating that alternative measures can be employed to help maintain a utility's pre-DSM programs' earnings levels after DSM programs are implemented to comply with the MEEIA rules and do not require upfront infusions of cash from customers based upon projections of lost margins. It is Staff's recommendation that the Commission reject Ameren Missouri's proposed 15.4% of shared net benefits incentive component of its DSIM and approve a mechanism to allow the Company to book a regulatory asset equal to 15.4% of its net DSM benefits, with the amount of the regulatory asset to be collected in rates subject to true-up based on actual net shared benefits determined through an EM&V process. With this alternative approach Ameren Missouri would be authorized to book a regulatory asset equal to 15.4% of the expected shared net benefits resulting from the Company's DSM programs. A

[61] Under UE's approved FAC, UE'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 UE's DSM programs.

regulatory asset is a cost a utility may include on its balance sheet on the basis that the utility believes the Commission is likely to allow recovery of the cost in rates later in time. If the utility did not have this expectation, it must charge this cost immediately as an expense on its income statement. If Ameren Missouri were to account for the 15.4% of shared net benefits performance mechanism as a regulatory asset, the reduction in revenues from DSM throughput disincentive would be offset by inclusion of an identical amount on the utility's balance sheet as an asset, and not a charge against earnings, thus leaving the Company's earnings unaffected during the period of revenue decline.

Q. Other than Mr. Oligschlaeger, is there any other staff witness who provides testimony concerning Ameren Missouri's proposed 15.4% of shared net benefit component of its proposed DSIM?

A. Mr. Marevangepo provides testimony on the impact of Ameren Missouri's 15.4% of shared net benefits component upon the Company's credit metrics and concludes that Ameren Missouri's 6-year projected credit metrics are at adequate levels, and that recovery of shared net benefits, delayed or contemporaneous, will not be significant enough to cause a change to either Ameren Missouri's or Ameren's S&P corporate credit ratings.

Q. Would you please summarize Staff's review of Ameren Missouri's performance incentive component of its proposed DSIM?

A. The Company's proposed performance incentive mechanism of its DSIM is represented in Figure 2.5 of the *2013 – 2015 Energy Efficiency Plan*. This mechanism results in Ameren Missouri receiving an annual award equal to $10 million should the Company's energy efficiency programs achieve 100% of the Commission-approved energy savings target for its Commission-approved DSM programs. Figure 2.5 provides for a continuum of award levels for achievement levels starting at just over $0 for 70% of Commission-approved energy savings target for its Commission-approved DSM programs and "capping" at 130% of Commission-approved energy savings target for its Commission-approved DSM programs. The maximum annual award for 130% performance is $16 million.

Q. How did the Company arrive at the $10 million award level for 100% performance vs. energy savings target?

A. The *2013 – 2015 Energy Efficiency Plan* contains the following explanation:

> Sharing a portion of net benefits to cover the aforementioned decline in net income only removes the disincentive associated with energy efficiency. But without some way to match the earnings potential of supply-side projects, the utility will continue to favor investments in energy infrastructure projects. In Ameren Missouri's 2011 IRP the preferred resource plan called for the construction of a combined cycle plant to be completed in 2029. Therefore, if Ameren Missouri engaged in energy efficiency it would forfeit the potential equity earnings associated with that construction investment. In order for energy efficiency to be on an equivalent economic footing, the earnings opportunities must be equivalent. Ameren Missouri estimates that a long-term annual incentive of $10 million would provide a present value of earnings equal to that of constructing a combined cycle plant in 2029.

Q. Does Staff agree with the Company's rationale for its proposed $10 million award level?

A. No. The combined cycle plant is not expected to go into service until 2029. It does not make sense for ratepayers to have to pay for the Company's foregone "potential equity earnings" opportunity should DSM programs be implemented beginning in 2013 when there would not be any actual equity earnings from the combined cycle plant until 2029. Further, the Company is asking for approval of its DSM programs for implementation in 2013 – 2015 and has not provided a demand-side programs plan for its DSM programs beyond

2015. Correspondingly, Ameren Missouri has provided no engineering analyses[62] of how long the 2029 combined cycle plant would be delayed due to implementation of the Company's 3-year demand-side programs plan. However, Staff's review of the Company's workpapers supporting the $10 million award level for its foregone "potential equity earnings" opportunity shows that Ameren Missouri assumes that the combined cycle plant construction is postponed at least 30 years. This is irrational, and such an analysis should not be used to rationalize the $10 million award level.

Q. Do either the MEEIA or the MEEIA rules require that the utility incentive component of a DSIM be based on a utility's foregone "potential equity earnings" opportunity?

A. No. The MEEIA states that the Commission shall "provide timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings."[63] The MEEIA rules require that "[e]ach utility incentive component of a DSIM shall define the relationship between the utility's portion of annual net shared benefits achieved and documented through EM&V reports, annual energy savings achieved and documented through EM&V reports as a percentage of annual energy savings targets, and annual demand savings achieved and documented through EM&V reports as a percentage of annual demand savings targets."[64]

Q. Has Staff analyzed the expected impact on Ameren Missouri's return on equity as a result of a $10 million annual performance award and a $16 million annual performance award?

[62] Normally, this type of analysis would be performed as part of the Company's Chapter 22 Electric Utility Resource Planning process.
[63] Section 393.1075 3 (3).
[64] 4 CSR 240-20.093(2)(H).

A. Yes. Mr. Marevangepo performed such an analysis. He concluded that an annual performance award of $10 million equates to an increase of 0.18% in the Company's return on equity, and an annual performance award of $16 million equates to an increase of 0.28% in the Company's return on equity.

Q. Does Staff find these award levels to be reasonable for Ameren Missouri?

A. Yes. These are appropriate award levels to "provide timely earnings opportunities associated with cost-effective measurable and verifiable efficiency savings" as required by the MEEIA and by the Commission's MEEIA rules.

Q. What is Staff's recommendation concerning the 4.8% of shared net benefits performance incentive mechanism proposed by Ameren Missouri?

A. Staff recommends the Commission approve Ameren Missouri's 4.8% of shared net benefits performance incentive mechanism.

Q. Would you please summarize Staff's review of and recommendations concerning Ameren Missouri's DSIM rates?

A. In the rebuttal testimony of Staff witness Michael S. Scheperle, Staff disagrees with the methodology used by Ameren Missouri to calculate the DSIM rates. Ameren Missouri's existing approved tariffs already feature a separate line item wording of "Energy Efficiency Pgm Charge" that included energy efficiency program costs prior to Ameren Missouri's MEEIA filing on January 20, 2012. Under Section 393.1075.13 RSMo., utilities must include a separate line item on customers' bills for the charges attributable to demand-side programs approved under MEEIA. Ameren Missouri currently has a separate line item on customer bills; however, as proposed the "Energy Efficiency Pgm Charge" would now include the charges attributable to demand-side programs approved under MEEIA as well as historical DSM program costs. Staff recommends that in order to comply with the statute, Ameren Missouri should have a line item on customer bills that would include the charges attributable to demand-side programs approved under the MEEIA statute in isolation and recommends that this line item on customers' bills be identified as "Demand-Side Inv Recovery." This new line item should be separate from the existing "Energy Efficiency Pgm Charge" which includes historical energy efficiency program costs. Further, Staff recommends the Commission order Ameren Missouri to submit disclosure language in this case to satisfy the requirements of Rule 4 CSR 240-20.093(6) for the Commission's approval.

Lastly, Mr. Scheperle recommends the Commission adopt the methodology used by Ameren Missouri to allocate DSIM revenue requirement[65] between residential and business customer classes.

Q. Do you have any further rebuttal testimony?

A. No.

[65] 4 CSR 240-20.093(2)(K).

John A. Rogers

Educational Background and Work Experience

I have a Master of Business Administration degree from the University of San Diego and a Bachelor of Science degree in Engineering Science from the University of Notre Dame. My work experience includes 34 years in energy utility engineering, system operations, strategic planning, regulatory affairs and management consulting. From 1974 to 1985, I was employed by San Diego Gas & Electric with responsibilities in gas engineering, gas system planning and gas system operations. From 1985 to 2000, I was employed by Citizens Utilities in leadership roles for gas operations in Arizona, Colorado and Louisiana. From 2000 to 2003, I was an executive consultant for Convergent Group (a division of Schlumberger) providing management consulting services to energy companies. From 2004 to 2008, I was employed by Arkansas Western Gas and was responsible for strategic planning and resource planning. I have provided expert testimony before the California Public Utilities Commission, Arizona Corporation Commission, Arkansas Public Service Commission and Missouri Public Service Commission in general rate cases, applications for special projects, gas resource plan cases and electric resource plan cases. I have been employed by the Missouri Public Service Commission since December 2008 and am responsible for Staff's review of electric utility resource planning compliance filings, demand-side management programs and fuel adjustment clauses.

Testimony, Reports and Rulemakings

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

File Number	Company/Organization	Issues
ER-2010-0036	Ameren Missouri	Fuel Adjustment Clause Demand-Side Programs DSM Cost Recovery
EX-2010-0368 EW-2010-0254	Missouri Public Service Commission	Missouri Energy Efficiency Investment Act Rulemaking
EX-2010-0254 EW-2009-0412	Missouri Public Service Commission	Electric Utility Resource Planning Rulemaking
EO-2009-0237	KCP&L Greater Missouri Operations Company	Electric Utility Resource Planning Compliance Filing
ER-2009-0090	KCP&L Greater Missouri Operations Company	Fuel Adjustment Clause
ER-2010-0355	Kansas City Power and Light	DSM Cost Recovery Fuel Switching
ER-2010-0356	KCP&L Greater Missouri Operations Company	Fuel Adjustment Clause DSM Cost Recovery Fuel Switching
EO-2011-0066	Empire District Electric Company	Electric Utility Resource Planning Compliance Filing
ER-2011-0028	Ameren Missouri	DSM Cost Recovery
EO-2011-0271	Ameren Missouri	Electric Utility Resource Planning Compliance Filing
EO-2012-0009	KCP&L Greater Missouri Operations Company	Demand-Side Programs Investment Mechanism

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

Docket Number	Company	Issue
07-079-TF Program	Arkansas Western Gas	Arkansas Weatherization
07-078-TF Programs	Arkansas Western Gas	Initial Energy Efficiency
07-041-P	Arkansas Western Gas	Special Contract
06-028-R	Arkansas Western Gas	Resource Planning Guidelines for Electric Utilities
05-111-P	Arkansas Western Gas	Gas Conservation Home Weatherization Program

Schedule JAR-2

Through

Schedule JAR-6

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