

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. ET-2012-0156, Tariff Tracking No. YE-2012-0231
Union Electric Company d/b/a Ameren Missouri

FROM: Hojong Kang, Regulatory Economist III
Michelle Bocklage, Rate & Tariff Examiner

/s/ John Rogers 12/8/2011 /s/ Jennifer Hernandez 12/8/2011
Energy Unit / Date Staff Counsel Department / Date

SUBJECT: Staff Recommendation For **Approval** Of Tariff Sheets To Revise Business
Energy Efficiency Program, Standard Incentive Program, and Custom Incentive
Program

DATE: December 8, 2011

Staff Recommendation Summary

Staff has reviewed the proposed tariff sheets, as filed on November 18, 2011, and, although Staff views the bridge business energy efficiency programs in them as inadequate, because having such programs is better than not having them, Staff recommends that the Commission issue an order that approves the proposed tariff sheets to go into effect on December 18, 2011, the requested effective date, or allow the proposed tariff sheets to go into effect by operation of law on December 18, 2011.

As Staff explains below Union Electric Company's d/b/a Ameren Missouri's ("Ameren Missouri" and "Company") bridge business energy efficiency programs in these tariff sheets are inadequate because:

1. The funding levels for the proposed bridge business energy efficiency programs are significantly reduced from those of the recently expired business energy efficiency programs;
2. There is likely to be a lapse of time between the expiration date of the proposed bridge business energy efficiency programs and a Commission order approving a Missouri Energy Efficiency Investment Act (MEEIA)¹ filing by Ameren Missouri; and
3. The proposed bridge business energy efficiency programs do not include continuation of the recently expired New Construction Incentive Program and Retro-Commissioning Program with favorable Total Resource Cost (TRC) tests.

¹ 4 CSR 240-3.163, 4 CSR 240-3.164, 4 CSR 240-20.093 and 4 CSR 240-20.094

While the Company's proposed programs are inadequate, the public interest is better served by inadequate programs than by no programs at all.

Staff also recommends that the Commission encourage the Company to develop a thorough MEEIA filing and timely file such by January 31, 2012, so that the proposed "bridge" tariff sheets can provide uninterrupted service until the Company receives an order from the Commission in response to its anticipated MEEIA filing.

Overview

On November 18, 2011, Ameren Missouri filed nineteen (19) proposed tariff sheets bearing an effective date of December 18, 2011. The Commission assigned the tariff sheets Tariff Tracking No. YE-2012-0231. With these tariff sheets Ameren Missouri is proposing to revise its expired Business Energy Efficiency Program,² consisting of a Standard Incentive Program³ ("Standard Program"), which is similar to its expired Standard Incentive Program, and a Custom Incentive Program⁴ ("Custom Program"), which is similar to its expired Custom Incentive Program – collectively referred to as "Business Program."

Currently Ameren Missouri has no energy efficiency programs for its business customers. All of its business energy efficiency programs terminated on September 30, 2011.

Prior to making this filing, Ameren Missouri requested and received feedback from Staff on its draft Business Program. Staff appreciates the Company's cooperation and transparency during the review and feedback process.

In Ameren Missouri's *Request for Approval of Business Electric Energy Efficiency Bridge Tariffs*, submitted in File No. ET-2012-0156, Ameren Missouri indicated that the tariff sheets "are designed to bridge the gap between the expiration of the Company's former energy efficiency programs (which expired on September 30, 2011) and when the Commission issues an order on the Company's MEEIA filing." Staff has the following overarching concerns regarding the tariff filing and the proposed Business Program:

Staff Concern 1: Significant reduction in funding levels for the proposed programs

The "annualized" budget for the proposed Business Program is \$5.1 million. The proposed Business Program is also constrained by a goal of achieving 10,000 MWh of energy savings. In comparison, the budget for the expired Business Program was \$42.4 million. Therefore, Staff is concerned that the reduction in funding for the proposed Business Program will result in a level

² MO.P.S.C. Schedule No. 5, 3rd Revised Sheet No. 225, 2nd Revised Sheet No. 226, and 2nd Revised Sheet No. 227. These tariff sheets have provisions that are common to all of the Business Energy Efficiency Programs including the Standard and Custom Programs.

³ MO.P.S.C. Schedule No. 5, 4th Revised Sheet No. 228, 3rd Revised Sheet No. 229, 1st Revised Sheet No. 230, and 4th Revised Sheet No. 231

⁴ MO.P.S.C. Schedule No. 5, 4th Revised Sheet No. 234 and 2nd Revised Sheet No. 234.1

of demand-side resources far lower than the demand by Ameren Missouri's customers for such services.

Staff Concern 2: Lapse of time between the expiration date of the programs and the Commission's order in a MEEIA filing

In the *Notification of Change in Ameren Missouri's Preferred Resource Plan*,⁵ Ameren Missouri indicated its intention to submit a MEEIA filing in the first quarter of 2012; however, Ameren Missouri's proposed expiration date of its proposed Business Program of June 30, 2012, may not provide a sufficient amount of time to prevent a lapse in energy efficiency programs being proposed in this tariff filing.

In addition, in the *Notification of Change in Ameren Missouri's Preferred Resource Plan*,⁶ Ameren Missouri also advised that "[b]ecause approval of Ameren Missouri's MEEIA filing is not assured, the Company must retain the ability to alter its plans should its request be denied. As a consequence, the 2012 energy efficiency tariffs filed for approval by the Commission will include an expiration date of June 30, 2012. Should the Company's MEEIA filing be approved, Ameren Missouri would seek extension of these tariffs through December 31, 2012."

However, for Ameren Missouri to receive Commission approval of a MEEIA filing prior to the programs' expiration date of June 30, 2012, Ameren Missouri would have to make its MEEIA filing no later than Friday, March 1, 2012, and not just "in the first quarter of 2012." Although a MEEIA filing by March 1, 2012, is expected to result in a Commission order by June 30, 2012, such an order date would provide no time for the Company's filing of, for the Staff's review of and for the Commission's approval of proposed tariff sheets to extend the term of the Business Program prior the current proposed tariff sheets' expiration date of June 30, 2012. Should the Company file a request for extension of the proposed tariff sheets to December 31, 2012, and include in its request expedited approval within ten (10) days, then a minimum of ten (10) days would have to be added to the schedule and the Company's MEEIA filing would have to be no later than February 20, 2012, and not just "in the first quarter of 2012." To allow some "float" time in the schedule, Staff suggests that Ameren Missouri should plan to make its MEEIA filing by the end of January 2012 and not just "in the first quarter of 2012." Attachment 1 to this Staff Memorandum is Staff's analysis of June 30, 2012 termination date for the proposed Business Program and alternative dates for the Company's MEEIA filing.

Staff Concern 3: Elimination of two additional energy efficiency programs with favorable Total Resource Cost (TRC) results

Ameren Missouri has also reduced the number of programs available to customers in the proposed Business Program. The expired Business Program included the Standard Incentive Program, Custom Incentive Program, New Construction Incentive Program⁷, and Retro-

⁵ Page 1 of Notification of Change in Ameren Missouri's Preferred Resource Plan filed on October 25, 2011 in File No. EO-2012-0127

⁶ Page 1 of Notification of Change in Ameren Missouri's Preferred Resource Plan filed on October 25, 2011, in File No. EO-2012-0127

⁷ MO.P.S.C. Schedule No. 5, 1st Revised Sheet No. 235.1, 1st Revised Sheet No. 235.2, 2nd Revised Sheet No. 235.3,

Commissioning Program⁸. However, Ameren Missouri eliminated the New Construction Program and Retro-Commissioning Program from the proposed Business Program.

The *Ameren Missouri Demand-Side Resources Performance Summary Report*, provided during the November 3, 2011 Ameren Missouri DSM Stakeholder Quarterly Meeting, reflected a Total Resource Cost Test (TRC) of 1.44 for the New Construction Program. This score indicated that the New Construction Program was a cost effective program. Similarly, the Retro-Commissioning Program was a very cost effective program based on its TRC of 3.17. While Staff does not rely entirely on the TRC to determine cost-effectiveness of energy efficiency programs, the TRC's of these programs indicate that they were cost-effective.

Supporting Information

The proposed Business Program is a promotional practice that falls under the Commission's promotional practices rule 4 CSR 240-3.150, because the Program will be offered to Program Participants in order to assist with the cost of purchase and installation of approved energy efficient measures. To comply with 4 CSR 240-3.150, *Filing Requirements for Electric Utility Promotional Practices*, Ameren Missouri provided supporting information regarding the advertising or publicity, evaluation of the cost-effectiveness of potential demand side resources, and documentation of the criteria used and analysis performed to determine the cost effectiveness of demand-side resources.

Business Program

Purpose & Availability

The purpose of the proposed Business Program is to reduce consumer consumption of electricity in a cost-effective manner. The programs offered are available to current business customers that are receiving service under Ameren Missouri's Small General Service Rate 2(M), Large General Service Rate 3(M), Small Primary Service Rate 4(M), Large Primary Service Rate 11(M), or Large Transmission Service Rate 12(M). However, there may be additional restrictions specific to the individual programs. In addition, business customers that elect to opt-out of participating in energy efficiency funding will not be permitted to participate in various programs offered under the Business Program. The proposed Business Program filed on November 18, 2011, includes an energy demand reduction goal of 10,000 MWh of energy usage.

Description

The programs that make up the proposed Business Program are the Standard Program and the Custom Program. The Business Energy Efficiency Program which expired on September 30, 2011, included the Standard Incentive Program, Custom Incentive Program, New Construction Incentive Program, and Retro-Commissioning Program; therefore, Ameren Missouri is proposing a reduced set of "bridge" programs at this time.

^{1st} Revised Sheet No. 235.4, Original Sheet No. 235.5 and ^{1st} Revised Sheet No. 235.6

⁸ MO.P.S.C. Schedule No. 5, Original Sheet No. 235.7, Original Sheet No. 235.8 and Original Sheet No. 235.9

Definitions

Applicant: A customer who has submitted a program application or has had a program application submitted on their behalf by an agent or Trade Ally.

Evaluation, Measurement, & Verification (EM&V) Contractor: The Company will contract with ADM Associates, Inc. (ADM) to provide impact and process evaluations and measurement and verification of the individual programs provided under this tariff based on calculated and measured data.

Incentive: Any consideration provided by the Company, through the Program Administrator, which encourages the adoption of energy efficient equipment, systems, or practices. Measures and incentives are specified in the tariff sheets of specific programs.

Incentive Factor: A factor used to reduce free ridership. The Incentive Factor equals the estimated or actual incentive amount divided by the estimated or actual energy efficiency project cost. Calculations of Incentive Factor during project proposal will use estimated values. Calculations of Incentive Factor after project installation will use actual values. In order to ensure an accurate Incentive Factor for a project, customers must certify that the project submitted represents the entirety of the project scope.

Measure: An end-use measure, as defined in 4 CSR 240-22.020(18), (20), and (21).

Participants: End-use customers and/or manufacturers, installers, and retailers proving qualifying products or services to end-use customers.

Program Administrator: The Company has contracted with Lockheed-Martin to provide program design, promotion, administration, implementation, and delivery of services.

Program Period: Program Period shall mean the period January 3, 2012 through June 30, 2012.

Project: One or more Measured proposed by an Applicant in a single application.

Total Resource Cost Test (TRC): A test of the cost-effectiveness of demand-side programs that compares the sum of avoided utility costs plus avoided probable environmental costs to the sum of all incremental costs of end-use measures that are implemented due to the program (including both utility and participant contributions), plus utility costs to administer, deliver and evaluate each demand-side program to quantify the net savings obtained by substituting the demand-side program for supply resources.

Program Evaluation

Ameren Missouri has selected ADM Associates, Inc. (ADM) for the EM&V Contractor. ADM will provide a report with all impact and process evaluation, measurement and verification

findings for the individual programs under the tariff, as well as an impact and process evaluation for the Business Program in its entirety.

Standard Program

Purpose & Availability

The Standard Program is intended to provide pre-set Incentives for energy-efficient products that are readily available in the marketplace. The Incentives provided in the Standard Program will be a fixed amount per Eligible Energy Efficiency Measure purchased and installed.

Definitions

Eligible Energy Efficiency Measure: An energy efficiency Measure listed in this tariff.

Program Provisions

The Standard Program provides incentives for Eligible Energy Efficiency Measures to qualifying customers that submit a completed Standard Program application as indicated below:

- Applicants must complete an incentive application form found on the Company's website at ActOnEnergy.com or by calling 1-866-941-7299;
- Applicant must provide proof of equipment purchase and installation;
- Measures must be purchased and installed after the effective date of the Standard Program tariff sheets;
- Measures that receive an Incentive under the Custom Program are not eligible to receive an Incentive under the Standard Program;
- Applicants must submit an incentive application within 120 days of the purchase date of the equipment, but no later than May 31, 2012, in order to receive an Incentive unless the Applicant has received written approval from the Program Administrator;
- Eligible Energy Efficiency Measures must be a part of a Project with an installed TRC greater than 1.0;
- Customers must install equipment achieving a minimum total Incentive per approved Standard Program Eligible Energy Efficiency Measure of \$150;
- Measures must be part of a Project with an overall Incentive Factor value that is equal to or greater than 7%, but not to exceed 50%. The Incentive Factor applies to Projects receiving Incentives over \$2,500 and the Applicant must certify that the Project submitted represents the entirety of the Project scope;

Eligible Energy Efficiency Measures and Incentives

Standard Incentives will be provided to Participants, within the requirements of the Standard Program, if the following equipment types are installed:

- HVAC (Heating, Ventilation, and Air Conditioning)
- Lighting
- Refrigeration

The Incentives allowed under the Standard Program are limited to a combined total of \$15,000 per site for both the Standard and Custom Programs.

Term

The proposed Standard Program is scheduled to end on June 30, 2012. Incentives will not be provided on Standard Incentive applications and supporting documentation that is postmarked, emailed, or faxed after May 31, 2012.

Custom Program

Purpose & Availability

The Custom Program will provide financial assistance to Participants to support implementation of energy efficiency improvement opportunities which are available at the time of new equipment purchases, facility modernization, and industrial process improvement. The Custom Program is available to Applicants who qualify under the Business Program and also meet the provisions of the Custom Program.

Definitions

Custom Incentive: A direct payment to a Participant for pre-approved Measure(s).

Program Provisions

Applicants may apply for a Custom Incentive under the following provisions:

- Reduce energy consumption compared to systems that are currently installed or, in the case of a new system, the standard efficiency system currently available;
- Have not been installed or for which a commitment has not yet been made;
- Have not received a Standard Incentive under the Standard Program;
- Are not listed as a Standard Program Measure;
- Are part of a Project with an overall Incentive Factor value of equal to or greater than 7% but not more than 50%. The Incentive Factor applies to Standard Incentive Projects and Participants certify that the Project submitted represents the entirety of the Project scope;
- Have a simple payback of greater than 18 months (prior to the installation of Measures and excluding the Custom Incentive);
- Pass a screening test in accordance with 4 CSR 240-22.050(3);
- Measures are being installed in an existing facility.

Ameren Missouri also reserves the right to discontinue Projects that are not making sufficient progress according to guidelines on the tariff sheet and as outlined below. Once the Program Administrator has received an Applicant's signed offer form indicating the Applicant's commitment to complete a Project, Ameren Missouri will reserve Incentive funds for the Project. The Applicant then has either 30 days or until May 31, 2012, from the date of commitment to either order the equipment or to have a contract in place for installation services. The Applicant has 60 days or until May 31, 2012, whichever is first, from the commitment date to demonstrate physical progress in the installation of the Project Measures. The Applicant then has either 90 days or until May 31, 2012, whichever is first, from the commitment date to complete installation of Measures and provide all required completion paperwork.

Prior to purchasing and installing Measure(s), the Applicant must submit a Custom Incentive application form providing data about the applicable facility and potential Measure(s). The Company or Program Administrator will perform a desk review of the Custom Incentive application to determine eligibility, cost-effectiveness, estimated energy savings and Custom Incentive level for each Measure. The cost-effectiveness of each Measure shall be calculated in accordance with 4 CSR 240-22.050(3). The Program Administrator may perform a site visit to verify baseline conditions. If approved, the Program Administrator will reserve the Custom Incentive amount and notify the Participant of the Measure(s) approval. Following installation of approved Custom Measures, the Participant will submit a Completion Certificate to the Program Administrator. The Completion Certificate will require documentation of final Custom Measure costs, a completion date for each Custom Measure, and invoices for all Measures. If necessary, the Custom Incentive amount will be recalculated; however, it will not be adjusted to greater than the Custom Incentive amount previously reserved. Every Custom Incentive application for a Custom Incentive requires pre-approval by the Program Administrator and may be subject to on-site verification by the Program Administrator prior to payment.

Incentives

Custom Incentives are payable, one time, at \$0.05 per calculated kWh saved during the first year of operation. Custom Incentives provided under the Custom Program are limited to a combined total for both Standard and Custom Programs of \$15,000 per site.

Term

The proposed Custom Program will be in effect through June 30, 2012; however, all completion certificate forms and supporting documentation must be postmarked, emailed, or faxed by May 31, 2012.

Staff Recommendation

4 CSR 240-22.080(18) requires:

In all future cases before the commission which involve a requested action that is affected by electric utility resources, preferred resource plan, or resource

acquisition strategy, the utility must certify that the requested action is substantially consistent with the preferred resource plan specified in the most recent triennial compliance filing or annual update report. If the requested action is not substantially consistent with the preferred resource plan, the utility shall provide a detailed explanation.

Ameren Missouri did not provide such certification or detailed explanation. This program is consistent with reduced demand-side programs in the preferred plan described in the *Notice of Change Preferred Plan* filed by Ameren Missouri in File No. EO- 2012-0127. Since this is a recent addition to filing requirements, Staff does not recommend that this tariff filing be rejected because Ameren Missouri did not meet this requirement. However, Staff does want to remind Ameren Missouri of the requirement for future filings.

The Staff has reviewed the proposed tariff sheets, as filed on November 18, 2011, and recommends that the Commission issue an order that either approves the following proposed tariff sheets or allows them to go into effect by operation of law on December 18, 2011, the requested effective date:

MO.P.S.C. SCHEDULE NO. 5

3 rd Revised Sheet No. 225	Cancelling 2 nd Revised Sheet No. 225
2 nd Revised Sheet No. 226	Cancelling 1 st Revised Sheet No. 226
2 nd Revised Sheet No. 227	Cancelling 1 st Revised Sheet No. 227
4 th Revised Sheet No. 228	Cancelling 3 rd Revised Sheet No. 228
3 rd Revised Sheet No. 229	Cancelling 2 nd Revised Sheet No. 229
1 st Revised Sheet No. 230	Cancelling Original Sheet No. 230
4 th Revised Sheet No. 231	Cancelling 3 rd Revised Sheet No. 231
4 th Revised Sheet No. 234	Cancelling 3 rd Revised Sheet No. 234
2 nd Revised Sheet No. 234.1	Cancelling 1 st Revised Sheet No. 234.1
1 st Revised Sheet No. 235	Cancelling Original Sheet No. 235
2 nd Revised Sheet No. 235.1	Cancelling 1 st Revised Sheet No. 235.1
2 nd Revised Sheet No. 235.2	Cancelling 1 st Revised Sheet No. 235.2
3 rd Revised Sheet No. 235.3	Cancelling 2 nd Revised Sheet No. 235.3
2 nd Revised Sheet No. 235.4	Cancelling 1 st Revised Sheet No. 235.4
2 nd Revised Sheet No. 235.5	Cancelling 1 st Revised Sheet No. 235.5
3 rd Revised Sheet No. 235.6	Cancelling 2 nd Revised Sheet No. 235.6
1 st Revised Sheet No. 235.7	Cancelling Original Sheet No. 235.7
1 st Revised Sheet No. 235.8	Cancelling Original Sheet No. 235.8
1 st Revised Sheet No. 235.9	Cancelling Original Sheet No. 235.9

Staff also recommends that the Commission encourage the Company develop a thorough MEEIA filing and timely file such by January 31, 2012, so that the proposed “bridge” tariffs can provide uninterrupted service until the Company’s receives an order from the Commission in response to its anticipated MEEIA filing.

The Staff has verified that Ameren Missouri has filed its 2010 annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

Attachment 1

Analysis of "Bridge" DSM Programs Termination Date and Alternative Dates for MEEIA Filing

		2012																																								
		January			February			March			April			May			June			July			August			September			October			November			December							
Monday		2	9	16	23	30	6	13	20	27	5	12	19	26	2	9	16	23	30	7	14	21	28	4	11	18	25	2	9	16	23	30	6	13	20	27	3	10	17	24	31	
ET-2012-0011 and ET-2012-0156																																										
Case 1	MEEIA Filing By End of First Quarter																																									
Case 2	MEEIA Filing On March 1, 2012																																									
Case 3	MEEIA Filing On February 20, 2012																																									
	File June 19, 2012 Request For Expedited Approval To Extend "Bridge" DSM Programs																																									
Case 4	MEEIA Filing On January 31, 2012																																									
	Time To Evaluate Order And Prepare Filing To Extend "Bridge" DSM Programs																																									
	File June 19, 2012 Request For Expedited Approval To Extend "Bridge" DSM Programs																																									

Case 1: "Bridge" DSM programs terminate 27 days before an expected order in MEEIA case.

Case 2: "Bridge" DSM programs terminate on date of expected order in MEEIA case. No time allowed for Company's request for expedited approval to extend "Bridge" DSM programs.

Case 3: No time allowed for Company to evaluate an expected order in MEEIA case prior to filing its request for expedited approval to extend "Bridge" DSM programs.

Case 4: MEEIA filing by end of January 2012 to provide Company time to evaluate an order in MEEIA case and to file a request for expedited approval to extend "Bridge" DSM programs.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric)
Company d/b/a Ameren Missouri's)
Tariff Filing to Implement)
Changes to its Business Electric)
Energy Efficiency Programs)

Case No. ET-2012-0156
File No. YE-2012-0231

AFFIDAVIT OF MICHELLE BOCKLAGE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michelle Bocklage, of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of her knowledge and belief.


Michelle Bocklage

Subscribed and sworn to before me this 8th day of December, 2011.




Notary Public

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

In the Matter of Union Electric)
Company d/b/a Ameren Missouri's)
Tariff Filing to Implement)
Changes to its Business Electric)
Energy Efficiency Programs)

Case No. ET-2012-0156
File No. YE-2012-0231

AFFIDAVIT OF HOJONG KANG

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Hojong Kang, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Hojong Kang

Subscribed and sworn to before me this 8th day of December, 2011.

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



Notary Public