

FILED

OCT 13 2011

**Missouri Public
Service Commission**

Exhibit No.: *Ameren Missouri 1*

Issues: Energy Efficiency

Witness: Gregory W. Lovett

Sponsoring Party: Union Electric Company

Type of Exhibit: Direct Testimony

File No.: GT-2011-0410

Date Testimony Prepared: August 10, 2011

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. GT-2011-0410

DIRECT TESTIMONY

OF

GREGORY W. LOVETT

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

St. Louis, Missouri
August, 2011

Ameren Exhibit No. 1
Date 10/10/11 Reporter JL
File No. GT-2011-0410

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DIRECT TESTIMONY
OF
GREGORY W. LOVETT

FILE NO. GT-2011-0410

I. INTRODUCTION

Q. Please state your name and business address.

A. Gregory W. Lovett, Union Electric Company d/b/a Ameren Missouri
("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue,
St. Louis, Missouri 63103.

Q. What is your position with Ameren Missouri?

A. I am a Managing Supervisor in the Energy Efficiency and Demand
Response Department.

**Q. Please describe your educational background and employment
experience.**

A. I joined Central Illinois Public Service Company ("CIPS") as a
Distribution Engineer in Quincy, IL in 1981 and held several positions in Springfield
prior to the merger of CIPS and Union Electric Company ("UE") in 1998 when I was
Business Improvement Consultant. After the merger, I then became Senior Engineer of
Metering for AmerenUE. After holding several positions in St. Louis, I was promoted
to my current position with Ameren Missouri. I have a Bachelor of Science Degree in
Electrical Engineering from the University of Illinois and a Master of Business
Administration from Webster University. As a Managing Supervisor in the Energy

1 Efficiency and Demand Response Department, I oversee the operations of the Ameren
2 Missouri Natural Gas Energy Efficient Equipment Rebate Program. In addition, I am
3 the lead Ameren Missouri representative on the Energy Efficiency Advisory Group
4 (“EEAG”).

5 **Q. What is the purpose of your testimony in this proceeding?**

6 **A.** The purpose of my testimony is to explain why Ameren Missouri filed the
7 revised tariff sheets associated with its Natural Gas Energy Efficient Equipment Rebate
8 Programs, which is to remove measures which are not cost effective.

9 **II. BASIS FOR REMOVAL OF CERTAIN ENERGY EFFICIENCY**
10 **MEASURES**

11
12 **Q. Since the Company’s energy efficiency programs were put into place**
13 **as a result of its last natural gas rate case, why did Ameren Missouri feel it needed**
14 **to analyze the cost effectiveness of these programs and, ultimately, to file to modify**
15 **its natural gas energy efficiency programs?**

16 **A.** Ameren Missouri’s decision to analyze the cost effectiveness of its current
17 natural gas energy efficiency programs was driven by the terms of the Unanimous
18 Stipulation and Agreement in Case No. GR-2010-0363 (Stipulation). First, paragraph 6B
19 of the Stipulation requires the Company to limit its energy efficiency funding to
20 “expenditures prudently-incurred on cost effective programs.” Additionally, paragraph
21 6D of the Stipulation explicitly makes Ameren Missouri “responsible for all final
22 decisions” regarding its natural gas energy efficiency programs and created the EEAG,
23 which is advisory in nature. This is a change from how the Company’s natural gas
24 energy efficiency programs had previously been administered. Prior to the Stipulation,
25 decisions had been made by mutual agreement of a Collaborative. Paragraph 6D also

1 reserves the right of these parties "...right to question the prudence of the planning and or
2 implementation of [Ameren Missouri's] energy efficiency programs in future cases."

3 Accordingly, after the Missouri Public Service Commission ("Commission")
4 approved the Stipulation, the Company became solely responsible for the natural gas
5 energy efficiency programs offered to its customers. Ameren Missouri agrees this
6 responsibility is appropriate. The Company should prudently use customer funds and
7 that it should not invest in measures that are not cost effective.

8 **Q. What happened after Ameren Missouri analyzed the cost effectiveness**
9 **of these energy efficiency measures?**

10 A. Utilizing updated information, new Total Resource Cost ("TRC") analyses
11 were completed by Ameren Missouri witness Kyle Shoff. As a result of this work,
12 several measures were identified as non- cost effective. The Company discussed these
13 findings multiple times in April and May with the EEAG. On April 19, 2011, Ameren
14 Missouri sent the EEAG a red-lined draft of the revised tariff, the TRCs, and the TRC
15 work papers. The referenced email is attached as Schedule 1.¹ On April 25th, the EEAG
16 had a meeting to discuss these documents. During the meeting, the Company agreed to
17 provide certain supplemental information, which was supplied to the EEAG on May 13th.
18 Along with that supplemental information, the Company sent out another set of revised
19 tariff sheets and asked for comments. Ameren Missouri also offered to work with any
20 party who had questions about how the TRCs were calculated. The referenced email is
21 attached as Schedule 2. Staff requested that follow up and a webinar was held with Staff
22 on May 24th. The referenced email is attached as Schedule 3.

¹ The emails attached as schedules have attachments, such as TRC work papers. Because of their size, Ameren Missouri is not including the email attachments as part of the schedules.

1 Because the EEAG is only advisory, the Company is not required to have
2 unanimous agreement before it seeks Commission permission to modify its energy
3 efficiency tariffs. In this situation, even though the EEAG did not agree that the
4 measures in question were not cost effective, the Company was faced with the obligation
5 to amend its tariffs to remove what it believed (and continues to believe) are non-cost
6 effective measures. Paragraph 6G of the Stipulation allows Ameren Missouri to file
7 revised tariff sheets if it believes the circumstances warrant changes after circulating
8 those sheets for review by the EEAG. In this instance, the Company had new
9 information regarding the cost effectiveness of its programs and believes that information
10 warranted a change to the measures offered to its customers.

11 Ameren Missouri filed a revised tariff, tariff number JG-2011-0597, on May 27,
12 2011, which removed 12 non-cost effective measures. The Office of Public Council
13 ("OPC"), a member of the EEAG, provided the Company with information regarding the
14 cost effectiveness of water heaters from another utility jurisdiction. Using this
15 information, Ameren Missouri re-evaluated its water heater assumptions and re-ran the
16 TRC analysis for these measures. The results of this analysis showed that two additional
17 measures, both residential water heating measures, had a TRC value of less than one. On
18 June 8th, Ameren Missouri emailed the EEAG and indicated that because of the input
19 received, it would be withdrawing the May 27, 2011 filed tariff, and filing a second
20 revised tariff, which would also remove the two additional measures. That was
21 completed later that same day. The referenced email is attached as Schedule 4. This
22 tariff filing excluded all of the non- cost effective measures removed in its previous tariff

Direct Testimony of
Gregory W. Lovett

1 filing as well as the two water heater measures which had been more recently identified
2 as non-cost effective.

3 This tariff modification is required by the terms of the Stipulation because non-
4 cost effective programs have been identified and is necessary so that Ameren Missouri
5 can prudently administer its Natural Gas Energy Efficient Equipment programs. We
6 believe the proposed tariff sheets should be approved by the Commission in this case.

7 Q. Does this conclude your direct testimony?

8 A. Yes, it does.

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Gas Service)
Tariffs Removing Certain Provisions for)
Rebates from Its Missouri Energy)
Efficient Natural Gas Equipment and)
Building Shell Measure Rebate Program.)

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Mary Hoyt - Notary Public
Notary Seal, State of
Missouri - Jefferson County
Commission #10397820
My Commission Expires 4/11/2014

Lovett, Greg W

From: Danahy, Dan B
Sent: Tuesday, April 19, 2011 3:35 PM
To: Ryan Kind; 'michael.stahlman@psc.mo.gov'; Henry Warren; 'Buchanan, John'; Henry Warren
Cc: Laurent, Dan G; Lovett, Greg W; Welikson, Laureen M; Danahy, Dan B; Shoff, Kyle
Subject: Ameren Missouri NG Energy Advisory Meeting- Documents for April 25th meeting
Attachments: Gas Measures_ - issued to EEAG on 4-19-11 for 4-25-11 mtg.xlsx; UEC G Sht Nos 78-86 (EE) 02-20-11 - draft changes to remove non-cost effective measures 4-19-11.doc

Natural Gas Energy Efficiency Advisory Group –

Ameren Missouri wants to offer and promote cost effective natural gas energy efficiency programs to our customers. We have identified five residential and six general service measures in the current tariff previously approved by the Advisory Group and the PSC, which do not fall into compliance with the cost effectiveness requirement in paragraph 6.F of the Stipulation and Agreement from GR-2010-0363. These are measures which have a Total Resource Cost value of less than 1.0.

We have included information via this email that shows the TRC for all 2011 program measures along with a separate view showing all measures with a TRC less than one.

Based on this information we are proposing to remove those measures which have a TRC of less than 1.0 from our 2011 Natural Gas Energy Efficient Equipment program to stay in compliance with the S&A.

We also attached a red-lined version of the tariff which shows these measures as removed to illustrate what our tariff filing will include. According to paragraph 6.G of the S&A for GR-2010-0363, prior to filing Ameren Missouri is required to circulate these revised tariff sheets for review and comment by the Advisory Group.

Please review the attached file and the attached tariff with the proposed changes. We will use these documents for our discussion during the NG Energy Efficiency Advisory Group meeting scheduled for Monday April 25, 2011.

Thank you,

Dan Danahy
Ameren Missouri

Lovett, Greg W

From: Danahy, Dan B
Sent: Friday, May 13, 2011 4:40 PM
To: Ryan Kind; Henry Warren; 'michael.stahlman@psc.mo.gov'; 'Buchanan, John'
Cc: Lovett, Greg W; Laurent, Dan G; Welikson, Laureen M; Shoff, Kyle; Danahy, Dan B
Subject: FW: Ameren Missouri NG Energy Advisory Meeting- Documents for April 25th meeting
Attachments: Meeting Notes from MO NG EEAG held on April 25 2011 - Issued 5-9-11.docx; Carbon Adder_natural gas_09-2010_HC - issued to EEAG 5-13-11.xlsx; Program TRC changes distribute - issued to EEAG 5-13-11.pptx; UEC G Sht Nos 78-86 (EE) 02-20-11 - draft changes to remove non-cost effective measures 5-13-11.doc

Natural Gas Energy Efficiency Advisory Group –

As promised, we are providing our response and, where applicable, results from additional analysis that was suggested during our meeting on April 25, 2011.

The following summary of suggested follow up activities was taken from the notes developed from the April 25, 2011 EEAG meeting. Ameren Missouri's response to each item has been added in red.

In summary it was suggested that Ameren Missouri take a look at the following items:

1. Consider doing a program level analysis for the "Ameren Missouri NG EE Program" for residential programs and then a separate analysis for just the business programs. Response - The program level analysis was completed and is included as an attachment to this email.
2. Consider auditing an "actual" residence to see how cost effective the residential audit program is. Response - this activity was not completed because the analysis that Ameren Missouri has already performed and provided to the EEAG uses similar data that is statistically more accurate to the mass market than relying on a single data point.
3. Calculate a TRC for residential ceiling insulation going from R11 to R50. Response – this analysis was completed and is shown in the table on row 1 of sheet 3 in the attached file. Results from similar insulation scenarios are also included in rows 2 through 5 and were provided to the EEAG in prior communication.
4. Ryan wanted to know the CO2 adder cost by year. Response – the requested information is provided in the file attached to this email.
5. Ameren Missouri will notify the Advisory Group prior to filing the revised tariff sheets. Response – The additional analysis, as shown on the attached files, supports the initial analysis that Ameren Missouri provided. All of the results show that the non-cost effective natural gas measures which Ameren Missouri has proposed to remove are still not cost effective (TRC < 1.0). The attached red-lined tariff shows the measures that need to be removed from Ameren Missouri's natural gas energy efficiency program. These changes will bring the overall Program TRC from below 1 to above 1. In addition, to clarify the definition of cost effectiveness for our programs, we have added the terms "Cost Effective Program" and "Total Resource Cost Test (TRC)" to tariff sheet 79. Ameren Missouri intends to file the attached tariff the week of May 16, 2011.

We will include your support of these changes in our cover letter with our tariff filing if you let us know by Tuesday, May 17th.

Thank you,

Dan Danahy
Ameren Missouri

From: Danahy, Dan B
Sent: Monday, May 09, 2011 4:51 PM
To: 'michael.stahlman@psc.mo.gov'; Henry Warren; 'Buchanan, John'; Henry Warren; Ryan Kind
Cc: Laurent, Dan G; Lovett, Greg W; Welikson, Laureen M; Shoff, Kyle; Danahy, Dan B
Subject: RE: Ameren Missouri NG Energy Advisory Meeting- Documents for April 25th meeting

Natural Gas Energy Efficiency Advisory Group –

Please see the attached notes from our meeting held on April 25, 2011. The attached notes provide a high level summary of what was discussed during that meeting along with a list of a few suggested action items. Ameren Missouri is still reviewing the list of action items and/or completing any necessary analysis needed in order to provide a response. We will provide a response and forward them to everyone when they're ready.

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Please review the attached file and the attached tariff with the proposed changes. We will use these documents for our discussion during the NG Energy Efficiency Advisory Group meeting scheduled for Monday April 25, 2011.

Thank you,

Dan Danahy

Lovett, Greg W

From: Buchanan, John <john.buchanan@dnr.mo.gov>
Sent: Monday, May 16, 2011 8:59 AM
To: Ryan Kind; Danahy, Dan B; Henry Warren; 'michael.stahlman@psc.mo.gov'
Cc: Lovett, Greg W; Laurent, Dan G; Welikson, Laureen M; Shoff, Kyle; Poston, Marc; Buchanan, John
Subject: RE: Ameren Missouri NG Energy Advisory Meeting- Documents for April 25th meeting

Due to the flooding situation and the initiation of the National Level Exercise initiated today by the White House, DHS, DPS, FEMA and SEMA, I will be out of the office at the State Emergency Management Agency working 14 hour shifts until Thursday afternoon.

As such, I have not time to dedicate to any project until after I return from the exercise.

My apologies for any inconvenience this may cause. Please advise as to future actions/meetings of the collaborative or tariff filing.

Thank you.

John Buchanan, MPA
Senior Planner

Commissioner
Missouri Propane Gas Commission

Missouri Department of Natural Resources
Division of Energy
1101 Riverside Drive
P.O. Box 176
Jefferson City, Missouri 65102-0176

Toll Free: 800.361.4827
Office: 573.751.5664
Mobile: 573.301.7104
Fax: 573.526.7553
Alt. Fax: 573.751.6860

Email: John.Buchanan@dnr.mo.gov
Web Site: <http://www.dnr.mo.gov>

From: Kind, Ryan
Sent: Friday, May 13, 2011 5:02 PM
To: 'Danahy, Dan B'; Warren, Henry; 'michael.stahlman@psc.mo.gov'; Buchanan, John
Cc: Lovett, Greg W; Laurent, Dan G; Welikson, Laureen M; Shoff, Kyle; Poston, Marc
Subject: RE: Ameren Missouri NG Energy Advisory Meeting- Documents for April 25th meeting

Dan and other advisory group members,

I will not be able to review these materials by Tuesday, May 17. I will be at the UE DSM update meeting in St. Louis on Monday, traveling and involved in EIPC meetings Tuesday – Thursday and then involved in the UE rate case hearing on Friday. If you are interested in receiving my feedback, I can attempt to get feedback to you by the middle of the next

week (approximately May 25) assuming my other prior commitments (Empire rate case hearings and a possible meeting with MGE in Kansas City) in the first half of the week of May 22 allow for sufficient time to review the materials you have provided.

Please let me know how you would like to proceed,

Ryan,

From: Danahy, Dan B [mailto:DDanahy@ameren.com]

Sent: Friday, May 13, 2011 4:40 PM

To: Kind, Ryan; Warren, Henry; 'michael.stahlman@psc.mo.gov'; Buchanan, John

Cc: Lovett, Greg W; Laurent, Dan G; Welikson, Laureen M; Shoff, Kyle; Danahy, Dan B

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Ameren Missouri

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Lovett, Greg W

From: Lovett, Greg W
Sent: Wednesday, June 08, 2011 3:33 PM
To: Ryan Kind; 'Stahlman, Michael'; Henry Warren; Buchanan, John
Cc: Laurent, Dan G; Welikson, Laureen M; Shoff, Kyle; Poston, Marc; Tatro, Wendy K; Danahy, Dan B
Subject: Ameren Missouri NG Energy Efficiency Tariff Changes
Importance: High

Natural Gas Energy Efficiency Advisory Group –

We have, at the request of OPC, revisited the water heater issue. We have discovered that the TRC for these measures had not been updated in the results we had previously provided. The revised calculation shows that tank less and Tier II water heaters are indeed not cost effective. We are going to pull our revised tariff and re-file accordingly.

Thank you,

.....
GREG LOVETT
T 314.554.6415
C 314.602.9653
.....

Ameren Missouri