

Exhibit No.:
Issues: Low-Income Weatherization
Witness: Laura Wolfe
Sponsoring Party: Missouri Department of
Natural Resources - Energy
Center
Type of Exhibit: Direct Testimony
Case No.: ER-2008-0318

**DIRECT TESTIMONY
OF
LAURA WOLFE
MISSOURI DEPARTMENT OF NATURAL RESOURCES
ENERGY CENTER**

August 28, 2008

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

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

CASE NO. ER-2008-0318

1 **Q. Please state your name and address.**

2 A. My name is Laura Wolfe. My business address is Missouri Department of Natural
3 Resources, Energy Center, 1101 Riverside Drive, P.O. Box 176, Jefferson City,
4 Missouri 65102-0176.

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by the Missouri Department of Natural Resources as an Energy
7 Specialist in the Energy Policy and Analysis Program in the Missouri Energy Center
8 (MEC). The MEC is located within the Missouri Department of Natural Resources, an
9 agency of state government with its executive office located in Jefferson City,
10 Missouri.

11 **Q. On whose behalf are you testifying?**

12 A. I am testifying on behalf of the Missouri Department of Natural Resources (DNR), an
13 intervenor in these proceedings.

14 **Q. Please describe your educational background and business experience.**

15 A. I received a Bachelor of Science in Business Administration in 1985 from Central
16 Methodist College (n/k/a., Central Methodist University) in Fayette, Missouri, and a
17 Master's in Public Administration degree in 1990 from the University of Missouri-
18 Columbia. In my current position as an Energy Specialist with DNR, I actively
19 participate in several utility energy efficiency advisory groups established in various
20 cases before the Commission, including the Laclede Gas Company Energy Efficiency
21 Collaborative ("Laclede EEC"), the Kansas City Power and Light Company Customer
22 Programs Advisory Group ("CPAG"), Empire District Electric Company, Customer
23 Programs Collaborative ("CPC"), and the Missouri Gas Energy Efficiency

1 Collaborative (“MGE EEC”). My other duties in the Energy Center at DNR include
2 reviewing cases before the Commission, including rate cases and integrated resource
3 plan cases, and advising the Department on a recommended level of participation. I am
4 also responsible for preparing correspondence to citizens regarding energy efficiency
5 issues, as well as compiling energy efficiency information in response to other
6 inquiries.

7 I have worked in a variety of positions regarding utility regulation including as a
8 Utility Regulatory Auditor III for the Commission from 1996 to 1999, a Costing
9 Administrator and later Docket Manager for Sprint (n/k/a., Embarq) from 1999 to
10 2002, and as a Utility Policy Analyst in the Federal Gas Group at the Commission
11 from 2002 to 2007. Details regarding these and other professional positions I have
12 held appear in LW-1 attached and included by reference to this testimony.

13 **Q. What is the purpose of your direct testimony in these proceedings?**

14 A. The purpose of my testimony is to recommend that Union Electric Company d/b/a
15 AmerenUE (“AmerenUE”) continue to fund the Low Income Weatherization
16 Assistance Program (“LIWAP”) at \$1,200,000 annually, the level ordered in
17 AmerenUE’s previous rate case, ER-2007-0002.

18 **Q. Has AmerenUE included \$1,200,000 for LIWAP funding in this case?**

19 A. No, AmerenUE has included only \$600,000 in this case. In the Commission’s Order in
20 AmerenUE’s previous rate case, ER-2007-0002, the Commission directed AmerenUE
21 to fund the low-income weatherization program with \$1,200,000 annually: \$600,000

1 funded by ratepayers and \$600,000 funded by AmerenUE's shareholders.¹ AmerenUE
2 has included \$600,000 in its rate base in this case to continue that level of funding from
3 its ratepayers. This portion of funding is consistent with the previous rate case, ER-
4 2007-0002. The \$600,000 annual contribution from stockholders would not be
5 reflected in AmerenUE's cost of service, since it is not passed through to customers
6 through AmerenUE's rates. It is not apparent from the documents filed in this rate case
7 whether AmerenUE intends to continue to provide \$600,000 annually from its
8 stockholders or not.

9 **Q. Has AmerenUE provided that funding?**

10 A. On August 29, 2007, through an agreement among AmerenUE, DNR Energy Center,
11 the Environmental Improvement and Energy Resources Authority ("EIERA"), and the
12 Staff of the Commission, AmerenUE made the first payment of \$1,080,000 to EIERA
13 to fund the LIWAP. (Exhibit LW-2) That was consistent with the Commission's
14 Order in ER-2007-0002. In the ER-2007-0002 Report and Order, AmerenUE was
15 ordered to use \$120,000 of the total program funds to conduct a process and impact
16 evaluation of the LIWAP. ($\$1,200,000 - \$120,000 = \$1,080,000$)
17 DNR's understanding is that the requirement for the process and impact evaluation is a
18 one-time requirement, therefore DNR and EIERA anticipated receiving \$1,200,000 for
19 the second annual payment on or near July 5, 2008, per the Cooperative and Funding
20 Agreement and the Commission's Report and Order in Case No. ER-2007-002.
21 (Exhibit LW-2) However, on June 26, 2008, AmerenUE provided only \$900,000 to
22 EIERA for the second payment.

¹ In the Matter of Union Electric Company d/b/a) AmerenUE's Tariffs Increasing Rates for Electric)
Service Provided to Customers in the Company's) Missouri Service Area, Case No. Case No. ER-2007-0002

1 **Q. Did AmerenUE provide a reason for providing \$900,000 on June 26, 2008?**

2 A. Not initially, but in discussions between DNR and AmerenUE, AmerenUE cited this
3 rate case, ER-2008-0318, and the resulting uncertainty of what rates will be in effect
4 when this case draws to a conclusion in March 2009. AmerenUE asserted that the
5 current rate structure will be in effect for nine (9) months rather than a full twelve (12)
6 months from the date of remittance to EIERA until the conclusion of this rate case.
7 Therefore, AmerenUE has pro-rated the amount due, which is three-quarters of the
8 ordered \$1,200,000.

9 **Q. Can you ascertain whether the withheld \$300,000 (\$1,200,000 - \$900,000 =**
10 **\$300,000) can be attributed to ratepayer-provided funds or shareholder-provided**
11 **funds?**

12 A. In response to an Energy Center data request (MDNR-011), Ameren stated that
13 “\$600,000 for the low income weatherization program was included in AmerenUE’s
14 revenue requirements in this rate case.” Therefore, AmerenUE has requested in this
15 rate case to continue providing the same \$600,000 in funding from ratepayers. Based
16 on this, I believe that AmerenUE is withholding \$300,000 of shareholder-provided
17 funds that DNR was expecting to use to improve the energy efficiency of Missouri
18 homes.

19 **Q. What level of funding do you think is appropriate for AmerenUE to provide for**
20 **the low income weatherization program in its territories?**

21 A. I believe that the \$1,200,000 in annual funding ordered in the Commission's Report and
22 Order dated May 22, 2007, in Case No. ER-2007-0002 is appropriate. Given the
23 current economic climate and increasing costs for energy, an increasing number of

1 individuals and families will be in need of energy efficiency improvements to help
2 control utility bills. As AmerenUE's electric rates increase, it becomes more difficult
3 for many residential customers to consistently pay their monthly utility bills when they
4 are due. Low-income residential customers, in particular, face even greater hardships
5 as they meet the challenge of energy expenses on a small and/or fixed household
6 income. Weatherization provides long-term benefits to customers by helping reduce
7 energy demand that results in reduced energy bills and helps reduce late payment or
8 uncollectible utility bills. There is an ongoing need for low-income weatherization
9 assistance and funding for this important program.

10 **Q. What impact will the withholding of the \$300,000 have on the weatherization**
11 **services to Missouri families?**

12 A. Withholding \$300,000 from LIWAP has had an adverse impact on the ability of DNR
13 and the local agencies performing the weatherization services to budget for
14 weatherization projects. Without that funding in place, necessary resources can not be
15 acquired to weatherize Missouri homes. Using \$3,000 as an average spending cap for
16 weatherizing a home, AmerenUE's withholding of \$300,000 may result in at least 100
17 fewer homes being weatherized, at least 100 Missouri families struggling to keep their
18 homes warm in the winter and cool in the summer, at least 100 Missouri families
19 struggling to pay their energy bills, and at least 100 homes in Missouri inefficiently
20 using energy.²

² The Department of Energy ("DOE") issued its Weatherization Program Notice 08-1 on November 8, 2007. In this notice, DOE established the adjusted average spending limit for weatherizing a home for the current program-year as \$2,966. The Weatherization Program Notice can be viewed at <http://www.waptac.org/sp.asp?id=6878> and by clicking the link labeled **WPN 08-1 PROGRAM YEAR 2008 WEATHERIZATION GRANT GUIDANCE**.

1 **Q. What impact will the withholding of \$300,000 have on the administration of the**
2 **Low Income Weatherization Assistance Program?**

3 A. Withholding \$300,000 affects DNR and local agency planning for delivery of
4 weatherization services and causes additional administrative work for DNR, EIERA
5 and the local agencies. DNR and EIERA have consistently stressed to all of the
6 utilities that provide funding for the LIWAP that full funding needs to be provided in a
7 lump sum annually. This requirement is directly related to the efficient and cost-
8 effective administration of the program. Neither DNR nor EIERA currently use any
9 AmerenUE funds for administering this program which maximizes the use of the funds
10 for public service. (EIERA is reimbursed from interest earned for expenses for its
11 contractual accounting services.) Receiving annual funds in multiple payments
12 increases the administrative burden for DNR, EIERA, as well as the local agencies
13 performing the weatherization services.

14 DNR currently receives and administers weatherization funding from four utilities
15 (AmerenUE, AmerenUE-natural gas, Laclede Gas Company and Atmos Energy). For
16 consistency and efficiency, DNR administers the LIWAP funds received from utilities
17 consistent with the Federal Department of Energy (“DOE”) guidelines. For each
18 receipt of funds from each utility, DNR and the local weatherization agencies serving
19 the specific utility’s customers must prepare a grant. The grant process requires:

- 20 • DNR to prepare an allocation of the funds across the local agencies in the
21 specific utility’s service area,
- 22 • the local weatherization agencies to prepare a budget to attribute program
23 costs to that particular amount of funding, and
- 24 • DNR to develop a monitoring plan to insure the funds are used consistent
25 with DOE guidelines and are used on homes served by the utility providing
26 the funds.

1 When these are all complete, the grants are then signed by DNR and the local agencies
2 and the funds are made available to the local agency. Receiving annual funds in
3 multiple payments requires DNR and the local weatherization agencies to engage in
4 this process multiple times, and leads to more complicated funding structures for the
5 local weatherization agencies. Multiple grants require the local agencies to spend more
6 time on administrative functions and less on weatherizing the homes of low income
7 citizens. Client services are also adversely affect when part of the annual funds are
8 withheld. Local weatherization agencies are reluctant to hire and train additional
9 technical staff because the funding cannot be assured.

10 Multiple payments also impact EI ERA in terms of complicating the tracking interest
11 earned on each portion of funding. Delayed delivery of funds also minimizes the
12 interest earned on the fund, thereby jeopardizing earning sufficient interest to cover
13 EI ERA's contractual accounting expenses, as well as minimizing interest that is used to
14 weatherize homes.

15 **Q. What recommendations do you have regarding funding of a Low Income**
16 **Weatherization Assistance Program by AmerenUE?**

17 A. I recommend the Commission order AmerenUE to provide \$300,000 to DNR and
18 EI ERA within five (5) days of the effective date of the Report and Order the
19 Commission issues in this case in order to continue funding the LIWAP until the next
20 payment of \$1,200,000. Furthermore, I recommend that the Commission order
21 AmerenUE to provide a payment of \$1,200,000 on July 5, 2009 to fund the next twelve
22 months of the LIWAP. Also, I recommend that the Commission order AmerenUE to
23 provide an annual payment of \$1,200,000 each subsequent year on or near July 5th. I

1 recommend that the Commission view the LIWAP as an on-going program and that the
2 flow of funding not be subjected to interruption. Inconsistent and uncertain cash flow
3 for the LIWAP hinders the ability of the program to efficiently and effectively
4 weatherize the homes of low income citizens of Missouri. In addition, I recommend
5 that the Commission direct AmerenUE to address the impact of future rate cases
6 through a process with the Commission that allows parties to the case to comment on
7 the utility's desire to reduce funding.

8 **Q. Do you have any other comments to make regarding AmerenUE's rate filing in**
9 **light of AmerenUE's previous rate case, ER-2007-0002?**

10 A. Yes. I would like to state that DNR continues to encourage energy efficiency efforts
11 by AmerenUE and all other energy utilities, and I believe AmerenUE is currently
12 finalizing a portfolio of energy efficiency programs for its customers that will be
13 implemented in the next several months. AmerenUE stated in its response to Staff's
14 DR 212 that it has a portfolio of nine residential and seven commercial and industrial
15 programs in its Regulatory Asset Account. These programs were described in
16 AmerenUE's Integrated Resource Plan submitted to the Commission February 5, 2008,
17 in Case No. EO-2007-0409. Of the sixteen programs in the portfolio, four of the
18 programs are demand response programs and the remaining twelve are energy
19 efficiency programs.³

20 AmerenUE has not yet implemented the programs: therefore, there were no expenses
21 associated with the programs in the test year in this rate case. To accurately reflect the
22 costs of implementing and offering the portfolio of energy efficiency and demand

³ AmerenUE's 2008 Integrated Resource Report refers readers to AmerenUE's website (www.ameren.com/energyefficiency) for a list of the programs.

1 response programs on a going-forward basis, AmerenUE included a pro forma amount
2 of \$13,000,000 to represent the expenses for the energy efficiency and demand
3 response portfolio for six months in the test year for this rate case. This results in
4 anticipated annual expenses of \$26,000,000 for the portfolio. As AmerenUE
5 implements the portfolio of programs, thereby incurring costs, the costs will be
6 reflected in the Regulatory Asset Account. DNR has supported reporting energy
7 efficiency and demand side management program expenses for other utilities in
8 regulatory asset accounts and does so for AmerenUE.

9 **Q. Does this conclude your testimony?**

10 A. Yes, it does.