

Exhibit No.:  
Issues: Demand-Side Investment  
Mechanism  
Witness: William R. Davis  
Sponsoring Party: Union Electric Co.  
Type of Exhibit: Direct Testimony  
Case No.: ER-2015-  
Date Testimony Prepared: November 21, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**DIRECT TESTIMONY**

**OF**

**WILLIAM R. DAVIS**

**November 21, 2014**  
**St. Louis, Missouri**

**DIRECT TESTIMONY**

**OF**

**WILLIAM R. DAVIS**

**Case No. ER-2015-**

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

2           A:     My name is William (Bill) R. Davis. My business address is One Ameren Plaza,  
3 1901 Chouteau Ave., St. Louis, Missouri.

4           **Q:     By whom and in what capacity are you employed?**

5           A:     I am an Economic Analysis and Pricing Manager for Union Electric Company  
6 d/b/a Ameren Missouri ("Ameren Missouri" or "Company").

7           **Q:     What is the purpose of your testimony?**

8           A:     My testimony supports the 1st Revised Sheet No. 90.5 of Ameren Missouri's  
9 Schedule No. 6 – Schedule of Rates for Electric Service which is being filed by Ameren  
10 Missouri to adjust customer rates for changes in Ameren Missouri's energy efficiency costs. 1st  
11 Revised Sheet No. 90.5 is also attached hereto as Schedule WRD-1.

12           **Q:     Please explain why Ameren Missouri is filing a revision to its Energy**  
13 **Efficiency Investment Charge Rider ("Rider EEIC") at this time.**

14           A:     The terms of Rider EEIC require a filing at least once per calendar year to be  
15 effective with the subsequent calendar year's February billing month. In addition, the Missouri  
16 Public Service Commission's ("Commission") rules require this filing to be made at least sixty  
17 (60) days in advance of when rates would become effective. Therefore, this filing is being made  
18 at least 60 days in advance of the February 2015 billing month, which is when the new Rider  
19 EEIC charges will become effective, if approved.

1 **Q: Please describe the impact of the change in the Energy Efficiency Investment**  
 2 **Rate (“EEIR”) on the Company’s customers.**

3 A: Overall, this Rider EEIC filing seeks an annual increase of \$45.4 million over the  
 4 current level of such costs in the Company’s rates. This increase consists of historical  
 5 reconciliation amounts and forecasted costs for 2015, which can be seen in the table below.

<b>Service Class</b>	<b>Reconciled Costs*</b>	<b>Forecasted Costs†</b>	<b>Total</b>
1(M)-Residential Service	\$10,284,228	\$63,277,865	\$73,562,093
2(M)-Small General Service	(\$1,303,679)	\$9,711,497	\$8,407,819
3(M)-Large General Service	\$83,720	\$28,207,818	\$28,291,538
4(M)-Small Primary Service	(\$1,142,355)	\$10,675,239	\$9,532,884
11(M)-Large Primary Service	(\$110,814)	\$6,657,794	\$6,546,980
12(M)-Large Transmission Service	\$0	\$0	\$0

6 \*Total Reconciled Costs = Program Cost Reconciliation + Throughput Disincentive Reconciliation as defined in Rider EEIC

7 †Forecasted Costs = Projected Program Costs + Projected Throughput Disincentive as defined in Rider EEIC

8 Note: A Negative number indicates a credit to customers

9 Allocating the total Rider EEIC revenue requirement (\$126.3 million) to the respective  
 10 rate classes<sup>1</sup> and using the forecasted kilowatt-hour (“kWh”) sales for the February 2015 to  
 11 January 2016 Effective Period, as also provided for in Rider EEIC, results in the following EEIR  
 12 amounts for the Company’s customers during that Effective Period, beginning with the February  
 13 2015 billing month:

<b>Service Class</b>	<b>Total EEIR (\$/kWh)</b>
1(M)-Residential Service	<b>\$0.005607</b>
2(M)-Small General Service	<b>\$0.002435</b>
3(M)-Large General Service	<b>\$0.003563</b>
4(M)-Small Primary Service	<b>\$0.002865</b>

<sup>1</sup> The allocation methodology is consistent with Ameren Missouri’s stipulation approved in File No. EO-2012-0142.

11(M)-Large Primary Service	\$0.003385
12(M)-Large Transmission Service	\$0.000000

1 Filed concurrently with my direct testimony is the tariff sheet that contains the EEIR,  
2 along with the relevant subcomponents. The new EEIR will result in charges of approximately  
3 \$6.00 per month for a typical residential customer which is an increase from \$3.70 per month.

4 **Q: What are the main drivers for the increase in the EEIR?**

5 A: Costs are projected to be higher in 2015. The original Missouri Energy Efficiency  
6 Act (“MEEIA”) plan anticipated a significant increase from 2014 to 2015. Consistent with that  
7 original plan, programs costs are increasing from \$49 million to \$65.5 million. In addition, the  
8 throughput disincentive portion of net shared benefits (“TD-NSB”) is projected to increase from  
9 \$37.5 million to \$53 million. These two projections contribute \$32 million to the increase.

10 Program cost reconciliations are higher for 2015. In 2014, Ameren Missouri underspent  
11 compared to its forecast, resulting in a \$5.6 million credit for program costs. While it is good  
12 news that Ameren Missouri was able to beat its budgeted program costs, the \$5.6 million credit  
13 is still significantly less than the \$14.9 million<sup>2</sup> credit included in the previous Rider filing. The  
14 difference in credits between 2014 and 2015 contributes \$9.2 million to the increase.

15 The TD-NSB reconciliations are higher for 2015. In accordance with Rider EEIC,  
16 Ameren Missouri retains 26.34% of the net benefits, but only 90% are included in the EEIR.  
17 Therefore, the deferred 10% TD-NSB from 2014 is part of the reconciliation and is included in  
18 the 2015 EEIR. Additionally, Ameren Missouri’s residential programs have exceeded the

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<sup>2</sup> The past over-collection in 2013 was expected because initially the three-year average program costs were included in base rates. When MEEIA was originally approved, it was expected that by the end of the three-year implementation period the total program costs would equal total recoveries. Yet, the transition to Rider EEIC allowed Ameren Missouri to return those funds in 2014 as opposed to waiting until 2015.

1 projected energy savings from the 2014 rider filing, further increasing the reconciliation amount.  
2 The reconciliation associated with the TD-NSB results in about a \$4.2 million increase for 2015.

3 **Q: With these increases in costs, should there be concern about the benefits of**  
4 **energy efficiency?**

5 A: Absolutely not. Although projected costs have increased, it is important to  
6 understand the level of benefits being created. Originally, Ameren Missouri expected to be able  
7 to achieve about \$500 million in benefits<sup>3</sup> with nearly \$150 million in program costs. To date,  
8 the energy savings are exceeding expectations and the resulting benefits are expected to reach  
9 nearly \$670 million<sup>4</sup> for the same cost of nearly \$150 million. In short, the programs are proving  
10 to be very cost effective. This increase should be viewed as a demonstration that Ameren  
11 Missouri's MEEIA programs are even more beneficial than anticipated.

12 **Q: If the rate schedule filed by Ameren Missouri is approved or allowed to go**  
13 **into effect, what safeguards exist to ensure that the revenues the Company collects do not**  
14 **exceed the energy efficiency costs that Ameren Missouri actually incurs?**

15 A: Ameren Missouri's Rider EEIC and the Commission's rules provide two  
16 mechanisms to ensure that amounts collected from customers do not exceed Ameren Missouri's  
17 actual, prudently-incurred energy efficiency costs. First, Rider EEIC and the Commission's  
18 rules require a true-up of the amounts collected from customers through Rider EEIC, with any  
19 excess amounts that are collected to be credited to customers through prospective adjustments to  
20 the Rider EEIC calculation, with interest at Ameren Missouri's short-term borrowing rate<sup>5</sup>.  
21 Second, Ameren Missouri's energy efficiency costs are subject to periodic prudence reviews to

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<sup>3</sup> Cumulative Net Present Value in 2013 dollars

<sup>4</sup> Cumulative Net Present Value in 2013 dollars

<sup>5</sup> The short-term borrowing rate varies by month. For the reconciliation period, the short-term borrowing rate varied from 0.0% to 0.8% with an average of about 0.3%.

1 ensure that only prudently-incurred net energy costs are collected from customers through  
2 Ameren Missouri's Rider EEIC. These two mechanisms serve as checks to ensure that the  
3 Company's customers pay only the actual, prudently-incurred energy efficiency costs and  
4 nothing more.

5 **Q: What action is Ameren Missouri requesting from the Commission with**  
6 **respect to the revised Rider EEIC rate schedule that the Company has filed?**

7 A: As provided by 4 CSR 240-20.093(4), the Commission Staff ("Staff") has thirty  
8 (30) days from the date that the revised Rider EEIC rate schedule is filed to conduct a review and  
9 make a recommendation to the Commission as to whether the rate revision complies with the  
10 Commission's rules (the requirements of Section 393.1075, RSMo) and Ameren Missouri's  
11 approved Rider EEIC. If the Commission finds the revised Rider EEIC rate schedule does  
12 comply, the EEIR will take effect either pursuant to a Commission order approving the EEIR, or  
13 by operation of law, in either case within sixty (60) days after the EEIR is filed. Because  
14 Ameren Missouri believes its filing satisfies all of the requirements of applicable statutes, the  
15 Commission's rules and Ameren Missouri's approved Rider EEIC, Ameren Missouri requests  
16 that after the Staff's review, the Commission approve the EEIR to be effective with the February  
17 2015 billing month.

18 **Q: Are there other filing requirements which need to be provided?**

19 A: The rules require that Ameren Missouri provide the Annual Report required by 4  
20 CSR 240-93(8). That report was filed on February 28, 2014, in File No. EO-2014-0241. No  
21 party commented during the 60 day comment period and the Commission closed the case shortly  
22 thereafter. In addition, I have attached the supporting documentation as Schedules WRD-2,  
23 WRD-3, and WRD-4.

1           **Q:    Does this conclude your direct testimony?**

2           A:    Yes, it does.

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

In the Matter of the 1<sup>st</sup> Adjustment and True-Up of )  
Union Electric Company d/b/a Ameren Missouri's ) File No. ER-2015-  
Energy Efficiency Investment Charge Rider. )

**AFFIDAVIT OF WILLIAM R. DAVIS**

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

William R. Davis, being first duly sworn on his oath, states:

1. My name is William R. Davis. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") as an Economic Analysis and Pricing Manager.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 6 pages and Schedule(s) WRD-1 through WRD-4, all of which have been prepared in written form for filing in the above-referenced docket.

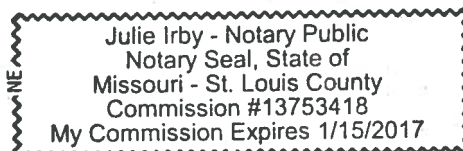
3. I hereby swear and affirm that the information contained in the attached testimony to the questions therein propounded is true and correct.

  
\_\_\_\_\_  
William R. Davis

Subscribed and sworn to before me this 20<sup>th</sup> day of November, 2014.

  
\_\_\_\_\_  
Notary Public

My commission expires:





## UNION ELECTRIC COMPANY

## ELECTRIC SERVICE

MO.P.S.C. SCHEDULE NO. 6 1st Revised SHEET NO. 90.5CANCELLING MO.P.S.C. SCHEDULE NO. 6 Original SHEET NO. 90.5APPLYING TO MISSOURI SERVICE AREARIDER EEICENERGY EFFICIENCY INVESTMENT CHARGE (Cont'd.)For MEEIA CYCLE 1 Plan(Applicable To Determination of EEIR for the Billing Months of February 2015  
through January 2016)EEIR Components and Total EEIR

Service Class	NPC/PE (\$/kWh)	NTD/PE (\$/kWh)	NPI/PE (\$/kWh)	NOA/PE (\$/kWh)	Total EEIR (\$/kWh)
1(M)-Residential Service	\$0.002219	\$0.003388	\$0.000000	\$0.000000	\$0.005607
2(M)-Small General Service	\$0.001838	\$0.000597	\$0.000000	\$0.000000	\$0.002435
3(M)-Large General Service	\$0.001853	\$0.001710	\$0.000000	\$0.000000	\$0.003563
4(M)-Small Primary Service	\$0.001858	\$0.001007	\$0.000000	\$0.000000	\$0.002865
11(M)-Large Primary Service	\$0.001825	\$0.001560	\$0.000000	\$0.000000	\$0.003385
12(M)-Large Transmission Service	\$0.000000	\$0.000000	\$0.000000	\$0.000000	\$0.000000

DATE OF ISSUE November 21, 2014 DATE EFFECTIVE January 27, 2015ISSUED BY Michael Moehn President & CEO St. Louis, Missouri  
NAME OF OFFICER TITLE ADDRESS