

Exhibit No.:
Issues: Energy Efficiency Costs
Witness: Billie Sue LaConte
Sponsoring Party: Missouri Energy Group
Type of Exhibit: Direct Testimony
Case No.: ER-2010-0036
Date Testimony Prepared: December 18, 2009

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a)	
AmerenUE for Authority to File Tariffs Increasing)	Case No. ER-2010-0036
Rates for Electric Service Provided to Customers)	
In the Company's Missouri Service Area.)	

DIRECT TESTIMONY AND SCHEDULES

OF

BILLIE SUE LACONTE

ON BEHALF OF

MISSOURI ENERGY GROUP

In the Matter of Union Electric Company d/b/a)
AmerenUE for Authority to File Tariffs Increasing) Case No. ER-2010-0036
Rates for Electric Service Provided to Customers)
In the Company's Missouri Service Area.)

My commission expires on December 29, 2010.

DIRECT TESTIMONY OF BILLIE SUE LACONTE

CASE NO. ER-2010-0036

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Billie S. LaConte, 8000 Maryland Avenue, Suite 1210, St. Louis, Missouri.

3 **Q WHAT IS YOUR OCCUPATION?**

4 A I am a consultant in the field of public utility economics and regulation and a member of
5 Drazen Consulting Group, Inc.

6 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

7 A These are given in Appendix A.

8 **Q ON WHOSE BEHALF ARE YOU SUBMITTING THIS EVIDENCE?**

9 A I am presenting it on behalf of the Missouri Energy Group. Members of the group
10 served by AmerenUE are Barnes-Jewish Hospital, Buzzi Unicem USA, Inc. and SSM
11 HealthCare.

12 **Q WHAT TOPICS ARE COVERED IN THIS EVIDENCE?**

13 A This testimony covers the recovery of energy efficiency costs in accordance with
14 recently passed legislation.

1 **Q PLEASE SUMMARIZE THE MAIN POINTS OF YOUR TESTIMONY.**

2 A AmerenUE's allowed energy efficiency costs should be collected from customers via a
3 surcharge that is based on the amount of energy efficiency costs spent on each rate
4 class and recognizes that certain customers are exempt.

5 **Q BRIEFLY DESCRIBE THE MISSOURI ENERGY EFFICIENCY INVESTMENT ACT (SB 376).**

6 A The Missouri Energy Efficiency Investment Act is located in Section 393.1124 of Senate
7 Bill 376 (SB 376) that was signed by Governor Nixon on July 13, 2009. The law was
8 passed to, among other things, "provide timely cost recovery for utilities" of
9 investments in cost effective, energy efficiency and/or demand side programs.

10 **Q HOW DOES SB 376 AFFECT THIS CASE?**

11 A The utility must use a method to collect its energy efficiency costs that meets the
12 requirements of SB 376. Specifically, SB 376 provides for certain customers to be
13 exempt from the charge. The first group is low income customers:

14 *The commission may reduce or exempt allocation of demand-side expenditures to*
15 *low income classes, as defined in an appropriate rate proceeding, as a subclass of*
16 *residential service. (Section 393.1124.6)*

17 Large customers are eligible for exemption if they meet certain criteria:

18 *Provided that the customer has notified the electric corporation that the customer*
19 *elects not to participate in demand-side measures offered by an electrical*
20 *corporation, none of the costs of demand-side measures of an electric corporation*
21 *offered under this section or by any other authority, and no other charges*
22 *implemented in accordance with this section, shall be assigned to any account of any*
23 *customer, including its affiliates and subsidiaries, meeting one or more of the*
24 *following criteria:*

1 (1) *The customer has one or more accounts within the service territory of the*
2 *electrical corporation that has a demand of five thousand kilowatts or*
3 *more;*

 * * *

4 [or]

5 (3) *The customer has accounts within the service territory of the electrical*
6 *corporation that have, in aggregate, a demand of two thousand five*
7 *hundred kilowatts or more, and the customer has a comprehensive*
8 *demand-side or energy efficiency program and can demonstrate an*
9 *achievement of savings at least equal to those expected from utility*
10 *provided programs. (Section 393.1124.7)*

11 **Q WHAT ARE AMERENUE’S ENERGY EFFICIENCY COSTS?**

12 A AmerenUE estimates its energy efficiency costs as of February 28, 2010, to be \$35.2
13 million, increasing to \$90.6 million by December, 2011 (MEG 1-1(a)).

14 **Q HOW WOULD THE SURCHARGE BE CALCULATED?**

15 A The allowed revenue requirement for energy efficiency costs would be recovered from
16 each customer class based on the costs incurred for each class and collected from
17 customers in each class on an energy-related basis. Customers who are exempt will not
18 have the surcharge on their bill.

19 **Q CAN YOU PROVIDE AN ILLUSTRATION?**

20 A Yes. The calculation would look like this:

Proposed Energy Efficiency Surcharge for AmerenUE

<u>Rate Class</u>	Energy Efficiency Rev. Req. (\$millions) (1)	Total GWh (2)	Exempt GWh (3)	Total Non-Exempt GWh (4) (2) - (3)	Surcharge \$/kWh (5) (1) / (4)
Residential	\$16.6	13,743	206	13,537	\$0.001227
SGS	9.7	3,622	36	3,586	0.002714
LGS/SPS	6.3	12,074	604	11,470	0.000546
LPS	2.7	4,085	2,042	2,042	\$0.001315
LTS	-	4,119	4,119	-	-
Total	\$35.2	37,644	7,008	30,636	

This is an illustrative example only. The energy efficiency costs for each rate class are allocated based on the program type. For example, dollars spent on a Residential lighting program are collected from the Residential class only. Dollars spent on Commercial new construction are collected from the Commercial rate classes only. Any dollars spent on overhead are allocated among customer classes based on total non-exempt GWh. The total cost allocated to each class is then divided by the non-exempt GWh to calculate the surcharge for each rate class. Appendix B describes in detail how the figures were calculated and assumptions that were made.

Q DO YOU HAVE ANY OTHER COMMENTS ABOUT SB 376?

A Yes. SB 376 allows exempt customers to participate in the utility's interruptible or curtailable rate schedules or tariffs that are offered by the utility:

10. Customers electing not to participate in an electric corporation's demand-side programs under this section shall still be allowed to participate in interruptible or

1 *curtailable rate schedules or tariffs offered by the electric corporation. (Section*
2 *393.1124.10)*

3 **Q DOES AMERENUE OFFER INTERRUPTIBLE OR CURTAILABLE SERVICE RATES?**

4 A Yes. Rider L and Rider M are curtailable rate schedules. These rates provide incentives
5 to customers to reduce usage at times of high demand and high market prices.

6 **Q SHOULD CUSTOMERS ON RIDERS L AND M BE ELIGIBLE FOR EXEMPTION FROM THE**
7 **SURCHARGE?**

8 A Yes, if the customer meets the other requirements for exemption.

9 **Q DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A Yes.

Experience of Billie S. LaConte

Ms. LaConte joined Drazen Consulting Group, Inc. in May 1995. Her work has focused on cost allocation, rate design, sales and price forecasts, power cost forecasting, electric restructuring issues, cost of capital issues and contract interpretation.

Ms. LaConte has advised clients on economic and strategic issues concerning the natural gas pipeline, oil pipeline, electric, waste water and water industries. She has prepared cost allocation and rate design studies to provide timely support to clients engaged in settlement negotiations in electric and gas utility proceedings. Ms. LaConte has prepared cost of service studies for wastewater utilities. She has provided power cost forecasting studies to assist clients in project planning, negotiating contracts with electric utilities for standby services and interruptible rates. She has prepared studies on electric and gas utilities' performance-based rates (PBR) and benchmarking programs to evaluate their success and to provide recommendations on methods to be used. Ms. LaConte has worked on contract interpretation to resolve contract disputes for several clients.

Ms. LaConte has provided economic and strategic analysis and contract interpretation for clients located in several jurisdictions, including Georgia, Maine, Iowa, Virginia, Alberta, Québec and Nova Scotia. She has provided financial and cost of service analysis for natural gas pipelines certificate approval from the Federal Energy and Regulatory Commission (FERC) and the Canadian National Energy Board (NEB). Ms. LaConte submitted and delivered expert testimony before the Missouri Public Service Commission on cost allocation, rate design, cost of capital and other matters. She testified before the Alberta Energy and Utilities Board on power cost forecasting issues, electric restructuring issues, sales and price forecasts and cost allocation issues. She has similarly testified before the Iowa Utilities Board, the St. Louis Metropolitan Sewer District Commission and the Nova Scotia Utility and Review Board.

Ms. LaConte has a B.A. in mathematics (1989) from Boston University, in Boston, Massachusetts. She has a M.B.A. in finance (1995) from the John M. Olin School of Business, Washington University, St. Louis, Missouri.

Drazen Consulting Group offers economic, strategic planning and regulatory consulting services to clients that include industrial utility users, municipalities, schools, hospitals, utilities and government agencies. The founding firm (Michael Drazen and Associates) was established in 1937.

The firm's work covers all aspects of utility regulation (and deregulation), including revenue requirements, cost of capital, cost analysis, pricing, valuation, performance-based regulation and industry restructuring.