BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's 2nd Filing to Implement Regulatory Changes in Furtherance of Energy Efficiency as Allowed by MEEIA.	))))	**File No. EO-2015-0055**

STAFF STATEMENTS OF POSITION

COMES NOW the Staff of the Missouri Public Service Commission, and files this *Staff Statements of Position* with the Missouri Public Service Commission stating the following:

LIST OF ISSUES

1. Should the Commission approve, reject or modify Ameren Missouri's MEEIA Cycle 2 Plan (hereafter the "Plan")?

Ameren Missouri changed the terms of its Plan (hereafter the "Utility Modified Plan") when it filed its Non-Unanimous Stipulation and Agreement[1] *("Utility Stipulation") on June 30, 2015. Staff objected to the Utility Stipulation*[2]*.*

On July 8, 2015, the Staff, the Office of Public Counsel, Earth Island Institute d/b/a Renew Missouri, the Missouri Industrial Energy Consumers, and the Midwest Energy Consumers Group (hereafter the "Signatories") filed an objected-to Amended Non-Unanimous Stipulation And Agreement Regarding Ameren Missouri's MEEIA Cycle 2 ("Non-Utility Stipulation") with terms that modified Ameren Missouri's Cycle 2 Plan.

Staff <u>*supports*</u> *the "Non-Utility Stipulation" (now treated as a joint position of the signatory parties) and recommends that the Commission approve a modified*

[1] Signatories are Ameren Missouri, Missouri Department of Economic Development – Division of Energy, Natural Resources Defense Council, Kansas City Power and Light Company, KCP&L Greater Missouri Operations Company, and United For Missouri, Inc.

[2] In addition to Staff, the Office of Public Counsel, Renew Missouri, and Sierra Club also filed objections to the Utility Stipulation.

MEEIA Cycle 2 Plan ("Non-Utility Modified Plan") for Ameren Missouri that contains the terms and conditions of the Non-Utility Stipulation as stated below:

<u>MEEIA Cycle 2 Portfolio</u>

1. The Signatories request that the Commission order Ameren Missouri to make certain filings as described below:

   a. As soon as reasonably possible after issuance of a Commission order adopting the terms in the Amended Non-Utility Stipulation, Ameren Missouri shall file tariff sheets to authorize programs as described in Appendix A to this Amended Non-Utility Stipulation.[3]
   b. As soon as reasonably possible after issuance of the Commission order adopting the terms of the Amended Non-Utility Stipulation, Ameren Missouri shall file tariff sheets to authorize Multi-Family Low-Income ("MFLI") programs as described in Paragraph 4, below. The overall budget for MFLI programs will be increased by 58% reaching a total overall budget for MFLI energy efficiency programs of $10.75 million. The entire Low-Income budget of $10.75 million will be utilized to deliver energy efficiency services to Ameren Missouri customers who are owners and operators of MFLI properties, while benefiting the low-income qualified tenants of those buildings. These programs will focus on in-unit, whole-building, and common area improvements.
   c. As soon as reasonably possible after issuance of the Commission order adopting the terms of the Amended Non-Utility Stipulation, Ameren Missouri shall file tariff sheets to authorize a Small Business Direct program. The overall budget for the Small Business Direct program will be $9.9 million. The program will target small business customers that are difficult to reach through traditional energy efficiency programs.
   d. By October 31, 2015, Ameren Missouri shall issue a request for proposal (RFP) for a third-party mediator who shall select a panel of experts to recommend possible increases in the projected kWh savings of the total portfolio for 2017 and 2018, with particular focus on program participation rates. The Commission's Staff shall provide

[3] Ameren Missouri, NRDC, and United for Missouri filed objections to the Amended Non-Utility Stipulation rendering the terms contained herein to be a joint position under Commission Rule 4 CSR 240-2.115.

input to Ameren Missouri in the formation of the RFP and the selection of the third-party mediator.

i. The expert panel convened by the mediator will rely on primary data from Ameren Missouri's market potential study (excluding adjustments to participation rates and customer acquisition costs as a result of secondary data) as the basis for their estimate. The expert panel will also consider historical activity to date, industry trends and best practices from similar or comparable jurisdictions.

ii. The third-party mediator shall rely on these results as the basis for recommending kWh savings of the total portfolio for program years 2017 and 2018, and shall issue a report on these findings to the Commission by April 15, 2016.

iii. Parties shall have the opportunity to file comments responding to this report prior to any Commission order adjusting projected kWh savings.

iv. The Commission may issue an order adjusting the projected kWh savings of the total portfolio for years 2017 and 2018. If such an order is issued, the Commission may approve an additional performance incentive related to energy savings as described in paragraph 7.c., below.

v. Activity for the study will be funded through the EM&V budget.

2. The Signatories further agree that the Commission should order Ameren Missouri to work cooperatively with interested Signatories to identify additional cost-effective energy savings strategies as discussed in 3a and b below and require Ameren Missouri to analyze identified programs through DSMore. Programs shown to be cost effective through this analysis that are also beneficial to customers will be considered for implementation on or before January 1, 2017.

a. The Signatories agree to work collaboratively to recommend to Ameren Missouri identification of strategies to maximize savings in a cost effective manner which is beneficial to customers. Strategies to be assessed may include, but are not limited to: expanding upstream programs to include additional lighting, HVAC and consumer electronics; including residential behavioral initiatives to inform consumers of their energy usage and to market other residential programs; using whole building benchmarking as a tool to prioritize existing buildings over 50,000 square feet for delivery of energy efficiency services; working with large employers in the service territory to market energy efficiency services to their employees; assistance with whole building deep energy savings for new construction and existing buildings; supporting adoption and training efforts to advance energy codes in local political subdivisions; whole home approaches for new and existing homes, home-audit with direct install, co-delivery with gas utilities; low-income approaches not addressed in the multi-family program; and assistance with financing of energy efficiency services for multi-family buildings at the time of re-financing.

b. The Signatories agree to have these discussions between January and April of 2016. The Signatories agree that the identification of additional cost-effective savings strategies will not result in a change in the 121,100 coincident summer peak kW savings target contained in Appendix A.

3. Multi-Family Low-Income Building Programs
   a. The Company will provide owners of multi-family buildings with a single point of contact ("Coordinator") for in-unit and common area/building system measures (regardless of whether the impact is to a residential or commercial customer). The Coordinator’s duties will include:
      i. Determining eligibility and ensuring eligible customers are aware of the available incentives from all utilities.
      ii. Assisting in the application process for Ameren Missouri residential and business improvements. In addition, where other utilities are participating, assisting with those applications.
      iii. Providing a seamless point of contact for navigating the various incentive offers provided by the Company and other utilities.
      iv. Maintaining a relationship with the existing business trade ally network and providing information and guidance to assist them with the bid process for installation work.
      v. Understanding and maintaining a network of assistance agencies and making referrals for financing and repairs, seeking to remove barriers to participation.
      vi. Providing case studies and education, and working with business development teams to ensure proper outreach is occurring.
      vii. Coordinating marketing materials to provide an easy to understand process for participation.

viii. Maintaining working relationships with and providing outreach and education to stakeholders such as lenders, Missouri agencies, and other identified parties.

b. For the purposes of this program, a building's eligibility will be determined by the income qualification of the tenant occupants, who must meet one of the following requirements for eligibility:
   i. Reside in federally-subsidized housing units and fall within that program's income guidelines. State Low-Income Housing Tax Credit (state LIHTC) buildings will be eligible only to the extent allowed under state law.
   ii. Reside in non-subsidized housing with an income at 200% of poverty level or below. Where a property has a combination of qualifying tenants and non-qualifying tenants, at least 51% of the tenants must be eligible to receive incentives for the entire building to qualify. For MFLI properties with less than 51% qualifying tenants, the owner/manager will be required to verify installation of comparable qualified energy efficiency measures at their own expense in all non-qualifying units, then the program may upgrade the whole building, common areas and all of the remaining eligible units with qualified energy efficiency measures.
c. Multifamily buildings with service under the Company's Service Classification 1(M) will be eligible to participate in this program. In addition, customers taking service under the Company's Small General Service Rate 2(M), Large General Service Rate 3(M), and Small Primary Service Rate 4(M) who supply energy to common areas or whole-building systems in MFLI buildings with three (3) or more units are also eligible to participate in this program.
d. The Program will provide a 25% bonus incentive to MFLI property owners for MFLI whole building and common area measures, as well as for in-unit measures not otherwise covered as direct-install measures. The following measures are indicative of what will be available for the whole building and common areas: lighting; heating, ventilation and air conditioning ("HVAC"); domestic hot water; motors; envelope improvements; controls and EMS; and pump/fan/piping/duct improvements.
e. Level 1 energy audits with information on savings, estimated cost, and typical payback range will be performed to develop a list of recommended measures that would provide savings for the building

and to provide information on available prescriptive and performance-based (e.g. business custom) incentives.

4. Ameren Missouri shall receive Program Cost Recovery roughly contemporaneous with incurrence of costs, similar to the Net Program Cost component in the Rider EEIC for MEEIA Cycle 1.

5. The Signatories agree to the inclusion of a Throughput Disincentive Mechanism to make the utility indifferent as to any reduction in sales of energy because of programs' measures installed under MEEIA. The Signatories agree to necessary waivers to effectuate this section.
   a. Establish values for projected kWh savings associated with each measure by month and by class, on a per measure basis.
   b. Establish values for unbilled revenue per kWh rate by month and by class by subtracting the avoided marginal energy rate from the marginal revenue rate for each month and each rate class.
      i. Because this mechanism does not rely on present-valuing of the Throughput Disincentive Net-Shared Benefit as requested by Ameren Missouri, there is minimal ratepayer detriment from using the seasonal FAC base for this valuation. Given the complexity of resolving the FAC timing issue, and given the minimization of harm achieved by only booking these values as incurred, the signatories agree to use the seasonal FAC base for this Cycle 2.
      ii. The product of the accumulated projected measure savings and the applicable unbilled per kWh rate accounts for a month's "unrealized revenue" value.
   c. Each month Ameren Missouri will bill 66.67% of the unrealized revenue value.[4]
      i. When tariff sheets implementing a new rate case take effect, the accumulated projected measure savings will reset to 0.
      ii. When tariff sheets implementing a new rate case take effect, unbilled per kWh rate will be rebased.
   d. Upon conclusion of each program year, "realized KWh savings" will be determined as the composite result of:
      i. The actual gross energy savings of each measure pursuant to Evaluation, Measurement, and Verification ("EM&V").
      ii. The attribution of each measure's installation to MEEIA instead of to some other cause as Net Savings in ratio to Gross Savings ("NTG").

[4] While the Signatories do not concede that there are any complications under GAAP to Ameren Missouri booking a level of throughput disincentive that is later reduced through a "true-up" process, the Signatories have provided this 66.67% floor as a concession to Ameren Missouri's concerns about complications under GAAP. The signatories alternatively propose that Ameren Missouri initially recover 100% the unrealized revenue value, subject to later bilateral true-up, with a floor of 66.67%, and a cap of 133.33%.

e. Following the determination of realized kWh savings, Ameren Missouri will potentially recover additional revenues associated with kWh savings for that program year:
   i. If the determination of realized kWh savings indicates that the measures performed at a level of efficacy greater than 66.67% of the initially projected kWh savings associated with that measure, further revenues will be provided to match the level of realized kWh savings found, up to 133.33% of the projected kWh savings.
      1. If it is determined that additional revenues are appropriate, the MEEIA rate for each rate class will be adjusted to provide these revenues over the following 12 billing months.
   ii. Recovery will be limited to 133.33% of initially projected savings.
   iii. If a program is found through study to have actually generated kWh savings below 66.67% of the projected kWh savings, no refunding will be required.

6. The Signatories agree that to the extent Ameren Missouri successfully reduces the utility's future earnings opportunity through this Cycle 2, Ameren Missouri shall have the opportunity for earnings associated with demand savings that have been measured and verified. The PI will consist of two components, the demand-related PI, and the customer-participation PI. An additional opportunity for an energy-related PI may be available if ordered by the Commission pursuant to paragraph 2.d.iv., above.
   a. The demand-related PI will be awarded on the kW savings associated with the installation of measures that impact future capacity requirements.
      i. Upon completion of Cycle 2, the level of realized coincident peak kW savings as of the end of Cycle 2 will be determined. Realized kW savings will be studied to determine the composite result of:
         1. The actual gross demand savings of each measure pursuant to EM&V.
         2. The attribution of each measure installation to MEEIA or to some other cause as a result of NTG.
      ii. If 100%+ of 121,100 coincident summer peak kW savings is realized, Ameren Missouri will receive a demand-related PI equal to coincident peak kW savings multiplied by $<u>48/kW</u>[5], up to 834,000 kW.
      iii. If realized savings exceed 834,000 kW, Ameren Missouri will receive a demand-related PI equal to coincident peak kW savings

[5] The *Non-Utility Stipulation* filed on July 8, 2015 contained a value of $37/kW. On July 13, 2015, Staff witness Sarah Kliethermes identified that the value of $37/kW was in error and should be $48/kW. On July 14, 2015, Staff filed its *Motion for Leave to File Corrected Supplemental Direct Testimony of Staff Witness Sarah Kliethermes* to correct this mistake. Because the objected-to *Non-Utility Stipulation* becomes a joint position by Commission rule the Staff makes this correction in its *Statements of Position*.

in excess of 834,000 multiplied by $250/kW, not to exceed an additional 166,000 kW for a total of 1,000,000 kW.

iv. Savings in coincident peak kW associated with MFLI programs will count towards this demand-related PI, but if MFLI programs result in an increase in coincident peak kW, that increase will not reduce the otherwise applicable demand-related PI.

b. The customer-participation PI will be available to incent participation in programs that have broad customer impact. Recognizing that low-income programs do not need to meet a cost-effective threshold and that MFLI housing units are often subject to a split-incentive barrier, the customer-participation PI will be made available to the Company to include 5% of program costs (including any bonus incentive paid as described below) associated with Ameren Missouri's Custom/Standard or residential programs for MFLI units and/or Ameren Missouri's MFLI direct install program.

   i. MFLI property owners electing to participate in the program will be given a 25% bonus incentive on measures and installation. In return for this bonus incentive, MFLI property owners must agree that their units can be tracked for at least one year for aggregate energy and demand savings, as well as other applicable non-energy benefits (e.g., customer turnover), to provide a business case analysis for prospective MFLI property owners in future MEEIA cycles. This bonus incentive will apply to MFLI property owners regardless of whether the measure applies to commercial or residential meters

c. The energy-related PI will be available if so ordered by the Commission pursuant to paragraph 2.d.iv., above. Based on any ordered change to program targets, the Commission may approve an additional performance incentive based on the kWh savings at the following amounts: $2 million at 105%, $3 million at 130%, and $5 million at 150%.

In the event the Commission should not adopt the terms of the Non-Utility Stipulation (joint position stated above), the Staff believes the Commission should reject the Utility Modified Plan because it fails to comply with statutory requirements of the Missouri Energy Efficiency Investment Act[6] ("MEEIA"). The Utility Modified Plan does

[6] 393.1075, RSMo, Supp. 2013.

not demonstrate progress towards achieving a goal of all cost-effective demand-side savings; it is not expected to be beneficial to all customers in the customer class in which the programs are proposed; it will likely result in over-recovery of the throughput disincentive; and it does not propose an earnings opportunity which is associated with cost-effective measurable and verifiable savings.

2. Do the programs in the Utility Modified Plan, and associated incremental energy and demand savings, demonstrate progress toward achieving all cost-effective demand-side savings consistent with state policy (as established by MEEIA)?

No. The Plan's kWh and kWh per $ savings are less than half the actual achieved levels of kWh and a kWh per $ during Ameren Missouri's pre-MEEIA programs (2009 – 2011) and MEEIA Cycle 1 programs to date (2013 – 2014).

3. If the Commission approves a Plan, what are the components of the demand-side programs investment mechanism and how will each of the components be administered?

There should be three components:

a) *Net program costs component as defined in and administered through the proposed Rider EEIC;*
b) *Throughput Disincentive component of a DSIM as described above; and*
c) *Utility incentive component of a DSIM as described above; however, the specifics of this component will depend upon the final programs and energy and demand savings targets approved for each program.*

4. If the Commission approves a Plan, what variances from Commission rules based on a showing of good cause are necessary?

Staff recommends the Commission reject Ameren Missouri's Utility Modified Plan and Ameren Missouri's requested variances in support thereof. However, Staff supports a waiver of a portion of 4 CSR 240-20.093(1)(Y) requiring that a utility prove that "utility demand-side programs approved by the commission in accordance with 4 CSR 240-20.094 cause a drop in net system retail kWh delivered to jurisdictional customers below the level used to set the electricity rates." Staff recommends the Commission allow all parties the opportunity to address the need for any variances of the Commission rules if the Commission does not reject the Utility Modified Plan (from the Utility Stipulation) or the Non-Utility Modified Plan and the terms contained in the Non-Utility Stipulation outright, but instead makes a determination on all issues related to DSM programs, DSIM and TRM.

WHEREFORE, the Staff files this *Staff Statements of Position* and prays the Commission accept this pleading as set forth above.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were mailed, electronically mailed, or hand-delivered to all counsel of record this 16th day of July, 2015.

/s/ Marcella L. Mueth