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Performance Incentive
Marke/ Direct
Public Counsel
EO-2012-0142

DIRECT TESTIMONY

OF

GEOFF MARKE

Submitted on Behalf of
the Office of the Public Counsel

**UNION ELECTRIC COMPANY D/B/A
AMEREN MISSOURI'S**

Case No. EO-2012-0142

**

**

Denotes Highly Confidential Information that has been redacted

October 4, 2016

NP

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

In the Matter of Union Electric Company d/b/a)
Ameren Missouri's Filing to Implement Regulatory)
Changes in Furtherance of Energy Efficiency as) **Case No. EO-2012-0142**
Allowed by MEEIA.)

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Regulatory Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.




Geoff Marke

Subscribed and sworn to me this 4th day of October 2016.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My commission expires August 23, 2017.

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DIRECT TESTIMONY
OF
GEOFF MARKE
UNION ELECTRIC COMPANY
d/b/a Ameren Missouri
CASE NO. EO-2012-0142

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Economist, Office of the Public Counsel (OPC or Public Counsel), P.O.
4 Box 2230, Jefferson City, Missouri 65102.

5 **Q. Please describe your education and employment background.**

6 A. I received a Bachelor of Arts Degree in English from The Citadel, a Masters of Arts Degree
7 in English from The University of Missouri, St. Louis, and a Doctorate of Philosophy in
8 Public Policy Analysis from Saint Louis University (“SLU”). At SLU, I served as a graduate
9 assistant where I taught undergraduate and graduate course work in urban policy and public
10 finance. I also conducted mixed-method research in transportation policy, economic
11 development and emergency management.

12 I have been in my present position with OPC since April of 2014 where I have been
13 responsible for economic analysis and policy research in electric, gas and water utility
14 operations. Prior to joining OPC, I was employed by the Missouri Public Service
15 Commission as a Utility Policy Analyst II in the Energy Resource Analysis Section, Energy
16 Unit, Utility Operations Department, Regulatory Review Division. My primary duties in that
17 role involved reviewing, analyzing and writing recommendations concerning electric
18 integrated resource planning, renewable energy standards, and demand-side management
19 programs for all investor-owned electric utilities in Missouri. I have also been employed by
20 the Missouri Department of Natural Resources (later transferred to the Department of

1 Economic Development), Energy Division where I served as a Planner III and functioned as
2 the lead policy analyst on electric cases. I have worked in the private sector, most notably
3 serving as the Lead Researcher for Funston Advisory based out of Detroit, Michigan. My
4 experience with Funston involved a variety of specialized consulting engagements with both
5 private and public entities.

6 **Q. Have you been a member of, or participate in, any work groups, committees, or other**
7 **groups that have addressed electric utility regulation and policy issues?**

8 A. Yes. I am currently a member of the National Association of State Consumer Advocates
9 (NASUCA) Distributed Energy Resource Committee which shares information and
10 establishes policies regarding energy efficiency, renewable generation, and distributed
11 generation, and considers best practices for the development of cost-effective programs that
12 promote fairness and value for all consumers. I am also a member of NASUCA's Electricity
13 and NASCUA's Water Committee's each tasked with analyzing current issues affecting
14 residential consumers.

15 **Q. Have you testified previously before the Missouri Public Service Commission?**

16 A. Yes. A listing of the cases in which I have previously filed testimony and/or comments
17 before this commission is attached in GM-1.

18 **Q. What is the purpose of your direct testimony?**

19 A. OPC objects to the stipulation and agreement entered into between Ameren Missouri and the
20 Missouri Public Service Commission Staff ("Staff") regarding the calculation of Ameren
21 Missouri's Cycle I Missouri Energy Efficiency Investment Act ("MEEIA") performance
22 incentive. Specifically, the filing (1) does not use the correct stipulated dollar amount for
23 program year 2013; 2) deems the Net-To-Gross ratio to 1.0 for program years 2014 and
24 2015; and 3) calculates the net shared benefits utilizing the Utility Cost Test ("UCT") and not
25 the Total Resource Cost Test ("TRC"). Each of these errors inflate the performance incentive
26 amount, and consequently award a larger performance incentive than the MEEIA statute,

1 Commission rules, prior stipulation and agreements, industry practice, and common sense
2 would otherwise dictate. As it stands, OPC believes the Ameren Missouri/Staff calculation
3 of the performance incentive is overstated by \$10,251,818.95. This testimony will articulate
4 each of the three calculated errors OPC has discovered as well as provide additional context
5 and considerations for the Commission.

6 **Q. What are your recommendations?**

7 A. OPC's recommendation to the Commission is for Ameren Missouri to be awarded a
8 performance incentive that is consistent with the MEEIA statute and the Commission rules
9 which would result in a total awarded earnings opportunity of \$17,869,647.43 for the
10 Company's efforts in Cycle I.

11 Ameren Missouri's MEEIA Cycle I has been a source of disagreement between parties for
12 over four years now. To say that MEEIA has been a "learning experience" would be an
13 understatement. The departure in both MEEIA cost-recovery design (the removal of "net
14 shared benefits") and targeted objectives from Cycle I (emphasis on kWh) to the recently
15 approved Cycle II (emphasis on kW) serve as evidence of that learning curve. It is important
16 to note that Ameren Missouri has suffered no financial detriment because of the Cycle I
17 program and cost-recovery design. The Commission explained in EO-2015-0055:

18 **Perhaps more importantly, it is clear Ameren Missouri has been over-**
19 **compensated under Cycle 1,** and it is almost certain the over-compensation
20 would be exacerbated under the Utility Plan.¹

21 Accepting the Company's position, as reflected in the contested stipulation and agreement
22 filed September 2, 2015, would serve to exacerbate Ameren Missouri's over-compensation
23 for Cycle 1.

¹ EO-2015-0055. In the Matter of Union Electric Company d/b/a/ Ameren Missouri's 2nd Filing to Implement Regulatory Changes in Furhterance of Energy Efficiency as Allowed by MEEIA. Report and Order. P.17.

1 **II. 2013 STIPULATED DOLLAR AMOUNT**

2 **Q. What is the first issue that needs to be corrected?**

3 A. The currently contested stipulation overstates the agreed-to PY2013 net shared benefit
4 amount by \$1.00. While the stipulation filed September 2, 2016 refers to the correct amount
5 at page 2, review of the Appendix B Section B reveals that Ameren Missouri used an
6 incorrect amount when performing its calculation. Public Counsel’s correction is illustrated
7 in table 1 below.

8 Table 1: Apply the agreed-to stipulated amount in PY2013

PY2013 Net Shared Benefit	Stipulation	OPC correction
	\$123,646,682	\$123,646,681

9 Difference = **\$1.00**

10 **Q. Why is this correction necessary?**

11 A. Because it is the wrong amount. OPC believes this is most likely a typographical error and
12 easily corrected. For reference, the Second Non-Unanimous Stipulation and Agreement
13 Settling the Program Year 2013 Change Requests clearly states under “Issues Settled”
14 paragraph #11:

15 11. Resolution of PY 2013 dispute:

16 a) The Signatories agree to portfolio-wide mega-watt hours savings of
17 347,360.

18 b) **The Signatories agree to net shared benefits of \$123,646,681.**

19 c) The Signatories make no further agreements with respect to any of the
20 issues currently in dispute (emphasis added).²

² EO-2012-0142. Second Non-Unanimous Stipulation and Agreement Settling the Program Yaer 2013 Change Requests. 2/11/2015.

1 **III. EVALUATOR/AUDITOR ESTIMATES**

2 **Q. What is the second issue that needs to be corrected?**

3 A. The currently contested stipulation uses deemed Net-to-Gross (“NTG”) estimates when
4 determining net benefit amounts for PY2014 and PY2015. This miscalculation will result in
5 overstating the net shared benefit amount by \$12,697,149 and represent an overstated earned
6 performance incentive amount of \$785,953.52. This is illustrated in tables 2 and 3 below.
7 Table 2 shows the difference in the Net Shared Benefits when comparing the values that
8 result when a “deemed” NTG is used to values calculated using actual NTG as determined by
9 EM&V. Based on the level of energy savings achieved by Ameren Missouri, the Company
10 will be awarded 6.19% of the Net Shared Benefits attributable to the Company’s Cycle I
11 programs. Table 3 shows the impact on the performance incentive amount between the two
12 scenarios.

13 Table 2: Difference in “deemed” Vs. actual Net Shared Benefits 2013-2015

Net Shared Benefits (2013-2015)	“Deemed” (Stipulation)	Actual EM&V (OPC correction)	Difference
	\$454,304,788	\$441,607,639	\$12,697,149

14 Table 3: Performance incentive value difference for “deemed” and actual EM&V calculations

“Deemed” (Stipulation Calculation)	6.19% of \$454,304,788 = \$28,121,466.38
Actual EM&V (OPC Calculation)	6.19% of \$441,607,639 = \$27,335,512.85

15
16 Difference = **\$785,953.52**

1 **Q. Why is this correction necessary?**

2 A. For PY2014 and PY2015, both the evaluator(s) and auditor agreed to the same NTG ratios in
3 each year. Ameren Missouri's evaluators and the Commission's auditor agreed to a 0.9577
4 NTG for PY2014 and a 0.9996 NTG for PY2015. According to these experts, those ratios are
5 the most accurate estimate of energy efficiency savings attributable to Ameren Missouri's
6 MEEIA Cycle I programs for those respective years.

7 Ameren Missouri ratepayers paid out over \$5.5 million dollars in EM&V costs for the
8 Ameren Missouri's evaluators. **

9
10 ** This reflects one third of the total spend
11 which OPC believes is reasonable based on the fact that three Missouri utilities have a
12 MEEIA and assuming the auditor spent approximately the same time auditing each. These
13 expenditures were justified to ensure that ratepayers would have reasonable assurance of the
14 most accurate results to measures energy savings throughout Cycle I.

15 The Company's stipulation ignores the EM&V expert analysis and instead "deemed" the
16 NTG value to 1.0. Effectively this gives the Company additional money for energy savings
17 they did not cause and yields an unreasonable result. Ameren Missouri relies on the
18 stipulation and agreement resolving the PY2013 change request to support its use of
19 "deemed" NTG ratios. Importantly, the provisions in the PY2013 stipulation were put in
20 place to avoid conflict between the parties in the event that the experts were unable to agree
21 on the appropriate NTG ratio. For 2014 and 2015 there was no conflict between the parties
22 because the evaluator(s) and auditor were able to reach agreement. As a result, for those
23 years, the actual EM&V NTG ratio should be used. If the NTG is "deemed" to 1.0, the
24 performance incentive amount in the Company stipulation is overstated by \$785,953.52. The
25 Commission should not use the "deemed" NTG ratio, but instead should utilize the actual
26 NTG as determined by EM&V.

1 **IV. TOTAL RESOURCE COST TEST**

2 **Q. What is the third issue that needs to be corrected?**

3 A. The Company's position, as reflected in the contested stipulation filed on September 2, 2016,
4 uses the UCT test to determine the net shared benefit amount for purposes of the performance
5 incentive award. As will be explained in detail below, the TRC should be used when
6 determining the net shared benefits for the performance incentive. Using the UCT rather than
7 the TRC (when combined with the previously mentioned corrections) will result in
8 overstating the net shared benefit amount by \$165,619,046 and represents an extra
9 performance incentive amount of \$10,251,818.95 more than the Company earned. To
10 determine the Company's performance incentive award the net shared benefits should be
11 multiplied by 6.19%. This calculation for each scenario is illustrated in table 4 below.

12 Table 4: Determine difference between UCT and TRC calculation for net shared benefits

Stipulation calculation: UCT net shared benefits	= \$454,304,788
6.19% of \$454,304,788	= \$28,121,466.38
OPC calculation: TRC net shared benefits	= \$441,607,639 ³
\$441,607,639 (see table 2 above) - \$152,921,897 (out-of-pocket)	= \$288,685,742
6.19% of \$288,685,742	= \$17,869,647.95

14 Difference = **\$10,251,818.95**

³ This amount represents the "Actual EM&V (OPC correction)" in table 2 above.

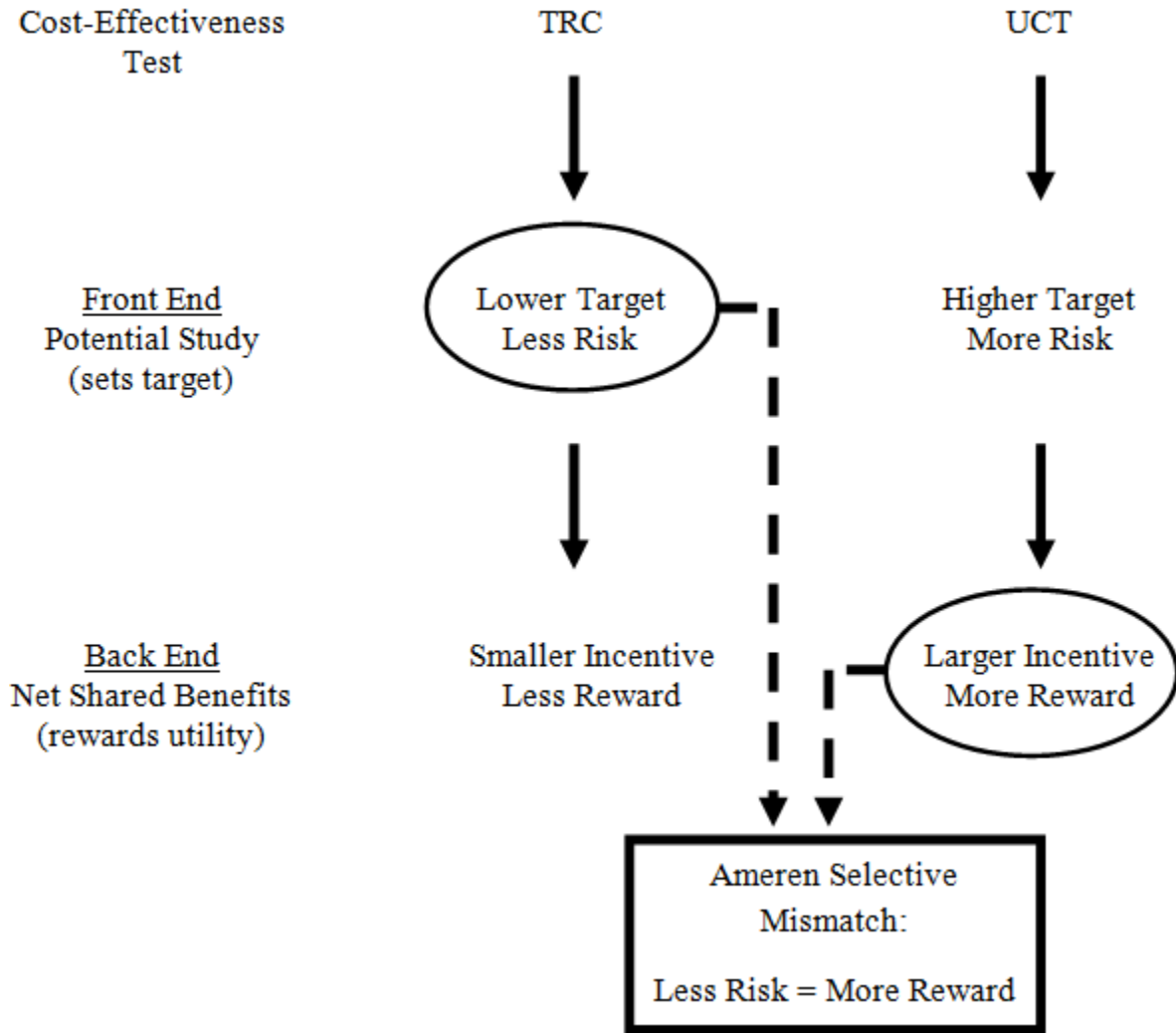
1 **Q. What is the fundamental difference between the UCT and TRC test?**

2 A. The inputs (costs and benefits) into the test are the same with the sole exception of out-of-
3 pocket costs borne by the participant. Although the MEEIA statute is designed to value
4 demand-side programs on an equal level as supply-side resources, it does not negate the fact
5 that demand-side resources require ratepayer participation. That is, the success of MEEIA is
6 largely dependent on the “shared” participation of ratepayer’s out-of-pocket costs.

7 The MEEIA statute, commission rules, and all commission-approved MEEIA portfolios to
8 date have had their targets, available measures, and programs designed under the TRC
9 threshold. The Company stipulation filed on September 2, 2016 departs from that accepted
10 and agreed-to pattern by dismissing the out-of-pocket costs borne by ratepayers and utilizing
11 the UCT as the metric used to reward the Company for its efforts.

12 The TRC was utilized on the front-end to set Ameren Missouri’s targets and available
13 measures which determine the universe of benefits the MEEIA program could achieve. It
14 should also be utilized on the back end to determine the net shared benefits. Uniform
15 application of the TRC is necessary to maintain continuity and ensure that neither ratepayers
16 nor the utility are being disadvantaged monetarily. Any departure from this would result in an
17 example of “gaming” the performance mechanism. Figure 1 illustrates this mismatch.

1 Figure 1: Illustrative example of selective mismatch in cost-effectiveness tests



2
3 Utilizing the TRC test on the front-end in the potential study eliminates both measures and
4 programs that would otherwise be cost-effective if using the UCT. This results in a lower
5 energy savings target. Utilizing the UCT on the back-end of a portfolio designed under the
6 TRC raises the performance incentive Ameren Missouri would be rewarded because out-of-
7 pocket costs are no longer factored into the net shared benefit result; thus, participant's
8 contributions and costs are not factored in the determination of the benefits.

1 The outcome is a MEEIA portfolio that sets targets low and then inflates the reward. This
2 results in a windfall financial payout with minimal risk.

3 **Q. What does the MEEIA statute and the Commission rules say on this matter?**

4 A. There is no additional test mentioned in either the MEEIA statute or rules that is also given
5 the designation of “preferred test” other than the TRC. Table 5 provides a breakdown of how
6 the different cost effectiveness tests appear in the MEEIA statute as well as the applicable
7 MEEIA rules in 4 CSR 240-3.163, 4 CSR-3.164, 4 CSR 240-20.093, and 4 CSR 240-20.094.

8 Table 5: Breakdown of cost effective tests as appearing in MEEIA statute and rules

	Total Resource	Utility	Societal	Non-Participant	Participant
SB 393.1075 (MEEIA Statute)	Yes	No	No	No	No
4 CSR 240-3.163	Yes	No	No	No	No
4 CSR 240-3.164	Yes	Yes	Yes	Yes	Yes
4 CSR 240-20.093	Yes	No	No	No	No
4 CSR 240-20.094	Yes	No	No	No	No

9
10 Only 4 CSR 240-3.164 contains language that includes calculations of cost effectiveness tests
11 in addition to the TRC. But even in that section the other five tests are clearly listed as
12 secondary tests to the TRC. The rules specifically state:

13 **The total resource cost test** and a detailed description of the utility’s
14 avoided cost calculations and all assumptions used in the calculation. To the
15 extent that the portfolio of programs fails to meet the TRC test, the utility
16 shall examine whether the failure persists if it considers a reasonable range
17 of uncertainty in the assumptions used to calculate avoided costs; (emphasis
18 added)⁴

19 The rules also list the other four cost effective tests as secondary considerations:

⁴ 4 CSR 240-3.164 2(B)1

1 **The utility shall also include** calculations for the utility cost tests, the
2 participant test, the non-participant test, and the societal cost test (emphasis
3 added)⁵

4 The statute, rules, and actions taken by all parties to date have utilized the TRC test.
5 Abandoning what has been, until now, accepted practice will only result in overstating
6 Ameren Missouri's energy savings. Moreover, abandoning the TRC ignores that it is:

- 7 • Singled out in the MEEIA statute;
- 8 • Labeled a preferred test in the MEEIA statute;
- 9 • Included in all four relevant MEEIA PSC chapter rules; and
- 10 • Never given secondary treatment to another cost effective test.

11 The TRC should not be deviated from without good cause. To this point, no good cause has
12 been cited by either Ameren Missouri or by Staff. The desire to inflate Ameren Missouri's
13 performance incentive should not be considered good cause.

⁵ 4 CSR 240-3.164 2(B)2

1 **Q. Please walk us through the calculation for your recommendations?**

2 A. Step 1: Apply the agreed-to stipulated amount in PY2013

PY2013 Net Shared Benefit	Stipulation	OPC correction
	\$123,646,682	\$123,646,681

3 Difference = **\$1.00**

4 Step 2: Apply Evaluator and Auditor agreed-to Net-To-Gross for Cycle 1

Net Shared Benefits (2013-2015)	Ameren "Deemed"	OPC correction	Difference
	\$454,304,788	\$441,607,639	<u>\$12,697,149</u>

5 Stipulation Calculation 6.19% of \$454,304,788 = \$28,121,466.38

6 OPC Calculation 6.19% of \$441,607,639 = \$27,335,512.85

7 Difference = **\$785,953.52**

8 Step 3: Determine difference between UCT and TRC calculation for net shared benefits
9 including previous steps

10 Ameren Calculation of UCT net shared benefits = \$454,304,788

11 6.19% of \$454,304,788 = \$28,121,466.38

12 OPC calculation of TRC net shared benefits

13 \$441,607,639 - \$152,921,897 (participant contribution) = \$288,685,742

14 6.19% of \$288,685,742 = \$17,869,647.95

15 Difference = **\$10,251,818.95**

1 **V. THE PERFORMANCE INCENTIVE AS A COST**

2 **Q. Are there any other factors the Commission should be cognizant of?**

3 A. Yes. The current, contested stipulation does not account for the utility performance incentive
4 as a “cost” input into the calculation.

5 **Q. Why should the utility performance incentive be included as a cost?**

6 A. Because net shared benefits should be “shared,” not “selectively shared.” Based on the
7 Company’s position reflected in the Sept. 2nd, 2016 Stipulation and Agreement, the
8 performance incentive cost is omitted in the calculation of the net shared benefits and runs
9 counter to Commission rules.

10 Commission Rules 4 CSR 240-3.153(1)(A) and 4 CSR 240-20.093(1)(C) state:

11
12 Annual net shared benefits means the utility’s avoided costs measured and
13 documented through evaluation, measurement, and verification (EM&V)
14 reports for approved demand-side programs less the sum of the
15 programs’ costs including design, administration, delivery, **end-use**
16 **measures, incentives**, EM&V, utility market potential studies, and
17 technical resource manual on an annual basis; (emphasis added).

18 I have highlighted two key terms from this definition—“end-use measures” and
19 “incentives.” An “end-use measure” is the product itself: the efficient HVAC, the pipe
20 wrap, the CFL light bulb that is rebated. An “incentive,” which is different in the rule from
21 an “end-use measure,” means the utility performance incentive. The incentive is a multi-
22 million dollar cost to ratepayers and functions as a return on investment in much the same
23 way as a return for a traditional supply-side resource functions. “End-use measures” and
24 “incentives” receive separate treatment in the rules and are not interchangeable, they must
25 be treated distinctly.

1 Failing to do this ignores a material cost that ratepayers inevitably will pay on their
2 electric bills in the form of the surcharge for MEEIA following the conclusion of a cycle.
3 Selectively omitting this cost also runs counter to Chapter 22 rules governing integrated
4 resource planning process. 4 CSR 240-22.060(4)(C) includes a specific provision
5 requiring utilities to calculate their demand-side management estimates with and without a
6 utility financial incentive included in their 20-year planning horizon. The rule states:

7 **The analysis of economic impact of alternative resource plans,**
8 **calculated with and without utility financial incentives for demand-**
9 **side resources,** shall provide comparative estimates for each year of the
10 planning horizon (emphasis added).

11 According to these rules, Ameren Missouri is required to forecast its IRP plans with
12 estimates that include and exclude a utility performance incentive. This represents another
13 example within the Commission's rules that treats the performance incentive as a
14 calculated input for demand-side resources. Omitting the utility performance incentive
15 also runs counter to best practice literature in determining the appropriate net shared
16 benefits attributable to a utility's efforts.

17 **Q. What best practice literature supports this assertion?**

18 A. Both the EPA and the American Council for Energy Efficiency Economy ("ACEEE")
19 state that a utility performance incentive is a necessary component in determining the net
20 shared benefits to account properly for investment in energy efficiency. Table 6 is a
21 reprinted excerpt from the EPA's 2007 report *Aligning Utility Incentives with Investment*
22 *in Energy Efficiency*.

1 Table 6: Reprinted excerpt from the EPA’s Energy Efficiency Report

Table 6-7. Pros and Cons of Utility Performance Incentive Mechanisms	
Pros	
<ul style="list-style-type: none">• Provide positive incentives for utility investment in energy efficiency programs.• Policy-makers can influence the types of program investments and the manner in which they are implemented through the design of specific performance features.	
Cons	
<ul style="list-style-type: none">• Typically requires post-implementation evaluation, which entails the same issues as cited with respect to fixed-cost recovery mechanisms.• Mechanisms without performance targets can reward utilities simply for spending, as opposed to realizing savings.• Mechanisms without penalty provisions send mixed signals regarding the importance of performance.• Incentives will raise the total program costs borne by customers and reduce the net benefit that they otherwise would capture.	



2
3 The EPA acknowledges that a utility’s performance incentive reduces the net shared
4 benefits that can be claimed. The final bullet point under “Cons” specifically states:

5 Incentives will raise the total program costs borne by customers and
6 reduce the net benefit that they otherwise would capture.

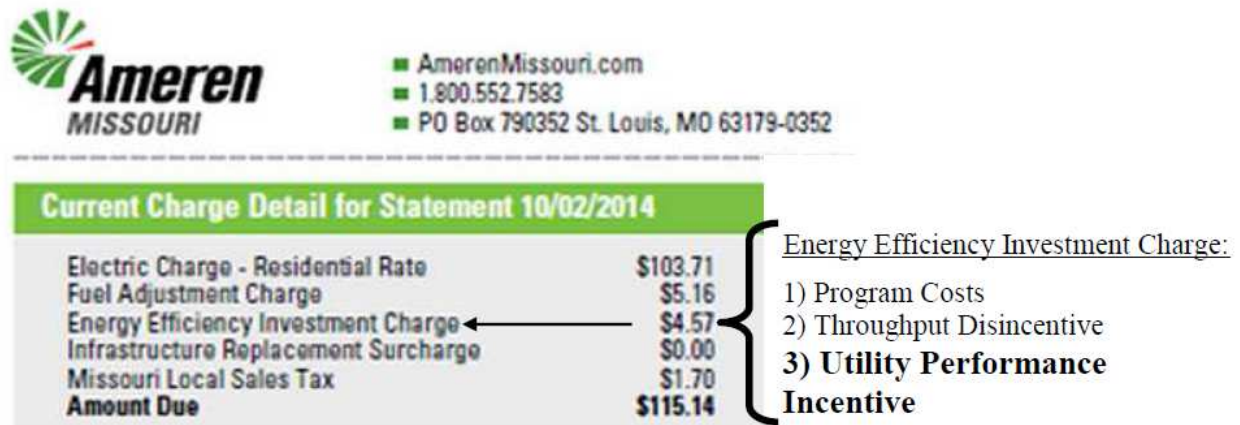
7 ACEEE also has stated that the utility’s performance incentive should be included as a
8 cost component for delivering energy efficiency resources as the incentive is equivalent to
9 a rate of return that a utility would earn for a supply-side investment. In a 2014 national
10 review of energy efficiency programs, ACEEE states:

11 The second general category is performance incentives, which are either
12 utility shareholder incentives or performance management fees for non-
13 utility program administrators. Both are typically established as a way to
14 encourage greater levels of efficiency, and typically they are earned only if
15 certain thresholds of energy savings are met or exceeded. **While utilities**
16 **earn the incentives for good performance and may not perceive them as**
17 **a direct cost of efficiency programs, ratepayers foot the bill for**

1 **performance incentives, so they need to be accounted for in calculating**
2 **the overall cost of delivering energy efficiency resources.** Not all
3 jurisdictions, however, adopt performance incentives: currently 28 states
4 have them in place for at least one major utility (Downs et al. 2013). We
5 have chosen to include performance incentives as a cost component of
6 delivering energy efficiency resources because they are a direct way to
7 encourage energy efficiency performance, and they are equivalent to a rate
8 of return that utilities would earn on a supply-side investment (emphasis
9 added).⁶

10 The argument for why Ameren Missouri’s net shared benefits calculation should ignore
11 the Commission’s MEEIA rules, the Commission’s IRP rules, and best practice literature
12 is not supported. It also ignores how each of the cost components, or the “three legs” of
13 MEEIA, are collected from ratepayers on their electric bill—through the Energy
14 Efficiency Investment Charge (EEIC) as shown in Figure 2.

15
16 Figure 2: Where the Utility performance incentive cost will be recovered on a ratepayer’s bill
17

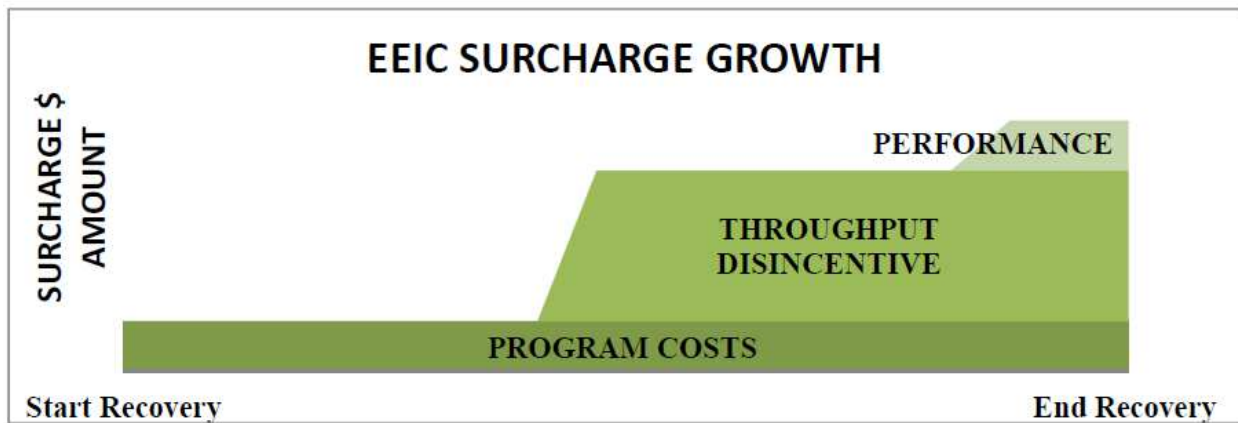


18
19
⁶ Molina, M. (2014) The Best Value for America’s Energy Dollar: A National Review of the Cost of Utility Energy Efficiency Programs. ACEEE report Number U1402. P 4
<http://aceee.org/sites/default/files/publications/researchreports/u1402.pdf>

1 **Q. Why does this matter?**

2 **A.** The EEIC is a separate surcharge collected on a customer's bill. The components of the
3 EEIC surcharge are the three legs that support a MEEIA portfolio: program costs,
4 throughput disincentive, and the utility performance incentive. Each of these components
5 are interdependent but are also recovered at different intervals. The Ameren Missouri
6 ratepayers experienced a small surcharge at the beginning of Cycle I that represented only
7 program costs incurred by the utility but over time that surcharge increases as the other
8 cost components are collected. This results in an increased EEIC surcharge as seen in
9 Figure 3.

10
11 Figure 3: Illustrative EEIC Surcharge Increase



12
13
14 All three cost components are recovered from ratepayers and paid to Ameren Missouri
15 through the EEIC surcharge. Yet Ameren Missouri would have the Commission ignore
16 this and not factor in the performance incentive amount as a cost component for
17 determining the net shared benefits. Only the utility benefits from this omission.

1 **Q. Does OPC have a revised calculation for the performance incentive that properly**
2 **accounts for it as a cost within the net benefit total?**

3 A. No. In theory the formula would operate as follows:

4 Tentative performance incentive amount = \$17,869,647.43

5 Recalculated net shared benefit amount = \$288,685,742

6 $\$288,685,742 - \$17,869,647.43 = \$279,816,094.57$

7 $6.19\% \text{ of } \$279,816,094.57 = \$16,763,516.28$

8 Theoretical Final Performance Incentive = **\$16,763,516.28**

9 **Q. Why is OPC not recommending the dollar amount from this calculation but rather the**
10 **\$17,869,647.73 from page 3?**

11 A. Although it is clear that the performance incentive will be a real cost borne by ratepayers, to
12 apply it in the calculation of the net shared benefits mechanism will create a “feedback loop”
13 that could be construed as unreasonable. As stated at the beginning of this testimony, Ameren
14 Missouri’s MEEIA Cycle I has been a contentious docket in which reasonable minds could,
15 and did, differ as knowledge was gained and sensemaking exercised. OPC believes that the
16 spirit of the MEEIA statute and the Commission sanctioned portfolio is predicated on the
17 shared engagement and trust of both ratepayer and shareholder in achieving least cost
18 resource planning through energy efficiency. With that in mind, OPC acknowledges that all
19 parties, Ameren, Staff, and OPC bear equal parts responsibility in the final outcome and
20 believe that the aforementioned recommendations are both just and reasonable.

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

22 A. Yes.

CASE PARTICPATION OF
GEOFF MARKE, PH.D.

Company Name	Employed Agency	Case Number	Issues
KCP&L Greater Missouri Operations Company	Office of Public Counsel (OPC)	ER-2016-0156	Direct: Consumer Disclaimer Rebuttal: Regulatory Policy / Customer Experience / Historical & Projected Customer Usage / Rate Design / Low-Income Programs Surrebuttal: Rate Design / MEEIA Annualization / Customer Disclaimer / Greenwood Solar Facility / RESRAM / Low-Income Programs
Empire District Electric Company, Empire District Gas Company, Liberty Utilities (Central) Company, Liberty Sub-Corp.	OPC	EM-2016-0213	Rebuttal: Response to Merger Impact Surrebuttal: Resource Portfolio / Transition Plan
Working Case: Polices to Improve Electric Regulation	OPC	EW-2016-0313	Comments on Performance-Based and Formula Rate Design
Working Case: Electric Vehicle Charging Facilities	OPC	EW-2016-0123	Comments on Policy Considerations of EV stations in rate base
Empire District Electric Company	OPC	ER-2016-0023	Rebuttal: Rate Design, Demand-Side Management, Low-Income Weatherization Surrebuttal: Demand-Side Management, Low-Income Weatherization, Monthly Bill Average
Missouri American Water	OPC	WR-2015-0301	Direct: Consolidated Tariff Pricing / Rate Design Study Rebuttal: District Consolidation/Rate Design/Residential Usage/Decoupling Rebuttal: Demand-Side Management (DSM)/ Supply-Side Management (SSM)

			Surrebuttal: District Consolidation/Decoupling Mechanism/Residential Usage/SSM/DSM/Special Contracts
Working Case: Decoupling Mechanism	OPC	AW-2015-0282	Memorandum: Response to Comments
Rule Making	OPC	EW-2015-0105	Missouri Energy Efficiency Investment Act Rule Revisions, Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0084	Triennial Integrated Resource Planning Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0055	Rebuttal: Demand-Side Investment Mechanism / MEEIA Cycle II Application
The Empire District Electric Company	OPC	EO-2015-0042	Integrated Resource Planning: Special Contemporary Topics Comments
KCP&L Greater Missouri Operations Company	OPC	EO-2015-0041	Integrated Resource Planning: Special Contemporary Topics Comments
Kansas City Power & Light	OPC	EO-2015-0040	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0039	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	OPC	EO-2015-0029	Ameren MEEIA Cycle I Prudence Review Comments
Kansas City Power & Light	OPC	ER-2014-0370	Direct (Revenue Requirement): Solar Rebates
Rule Making	OPC	EX-2014-0352	Net Metering and Renewable Energy Standard Rule Revisions, Comments
The Empire District Electric Company	OPC	ER-2014-0351	Rebuttal: Rate Design/Energy Efficiency and Low-Income Considerations
Rule Making	OPC	AW-2014-0329	Utility Pay Stations and Loan Companies, Rule Drafting, Comments
Union Electric Company d/b/a	OPC	ER-2014-0258	Direct: Rate Design/Cost of Service Study/Economic Development Rider

Ameren Missouri			Rebuttal: Rate Design/ Cost of Service/ Low Income Considerations Surrebuttal: Rate Design/ Cost-of-Service/ Economic Development Rider
KCP&L Greater Missouri Operations Company	OPC	EO-2014-0189	Rebuttal: Sufficiency of Filing Surrebuttal: Sufficiency of Filing
KCP&L Greater Missouri Operations Company	OPC	EO-2014-0151	Renewable Energy Standard Rate Adjustment Mechanism (RESRAM) Comments
Liberty Natural Gas	OPC	GR-2014-0152	Surrebuttal: Energy Efficiency
Summit Natural Gas	OPC	GR-2014-0086	Rebuttal: Energy Efficiency Surrebuttal: Energy Efficiency
Union Electric Company d/b/a Ameren Missouri	OPC	ER-2012-0142	Direct: PY2013 EM&V results / Rebound Effect Rebuttal: PY2013 EM&V results Surrebuttal: PY2013 EM&V results Direct: Cycle I Performance Incentive
Kansas City Power & Light	Missouri Public Service Commission Staff	EO-2014-0095	Rebuttal: MEEIA Cycle I Application testimony adopted
KCP&L Greater Missouri Operations Company	Missouri Division of Energy (DE)	EO-2014-0065	Integrated Resource Planning: Special Contemporary Topics Comments
Kansas City Power & Light	DE	EO-2014-0064	Integrated Resource Planning: Special Contemporary Topics Comments
The Empire District Electric Company	DE	EO-2014-0063	Integrated Resource Planning: Special Contemporary Topics Comments
Union Electric Company d/b/a Ameren Missouri	DE	EO-2014-0062	Integrated Resource Planning: Special Contemporary Topics Comments
The Empire District Electric Company	DE	EO-2013-0547	Triennial Integrated Resource Planning Comments