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Witness:	John A. Rogers
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SUPPLEMENTAL TESTIMONY

OF

JOHN A. ROGERS

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

FILE NO. ER-2011-0028

Jefferson City, Missouri
April 2011

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Q. Please state your name and business address.

A. My name is John A. Rogers, and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. What is your present position at the Missouri Public Service Commission?

A. I am a Utility Regulatory Manager in the Energy Department of the Utility Operations Division.

Q. Are you the same John A. Rogers that contributed to Staff's Revenue Requirement Cost of Service Report (COS Report) filed on February 8, 2011, that filed rebuttal testimony in this case on March 25, 2011, and that filed surrebuttal testimony in this case on April 15, 2011?

A. Yes, I am.

Q. Would you please summarize the purpose of your supplemental testimony?

A. I address certain surrebuttal testimony of Union Electric Company d/b/a Ameren Missouri (Ameren Missouri or Company) witness William R. Davis. In particular, I a) describe how the Company's proposal for "adjusting billing units" is a lost revenue mechanism, and b) describe Staff's concerns regarding the Company's use of evaluation, measurement and verification (EMV or EM&V) reports to update its proposal for "adjusting billing units" in this case, and c) recommend that the Company file a separate case for Commission consideration of a constructive regulatory treatment that supports the continuation of Ameren Missouri's energy efficiency programs.

The Company's Proposal for "Adjusting Billing Units" is a Lost Revenue Mechanism

Q. Please respond to the testimony of Mr. Davis that appears on page 4, lines 7 through 15 of his surrebuttal testimony that follows:

> Q. Are you still supporting the adoption of the Fixed Cost Recovery Mechanism ("FCRM") proposed in your direct testimony?
>
> A. No. As Company witness Richard Mark explained in his rebuttal testimony, the Commission's definition of lost revenues makes the FCRM insufficient to offset the throughput disincentive. This point was also made in Mr. Rogers' rebuttal testimony. In response to this fact, in my rebuttal testimony I proposed an innovative approach to mitigate the throughput disincentive as an alternative to the FCRM. The billing unit adjustment does not require a lost revenue mechanism and therefore is not impacted by the MEEIA[1] rules' definition of "lost revenue."

A. Mr. Davis' proposed billing unit adjustment mechanism is a lost revenue recovery mechanism and does not meet the requirement of the Commission's recently approved rule 4 CSR 240-20.093 Demand-Side Programs Investment Mechanism which governs a utility's lost revenue component in a demand-side programs investment mechanism (DSIM). Ameren Missouri's proposal for a billing units adjustment, "seeks to recover fixed costs that the utility would normally expect to recover through the sale of energy absent the implementation of energy efficiency programs[2]" which is the same as the first ten words in the Commission's definition of "lost revenue" in its MEEIA rules: "Lost revenue means the net reduction in utility retail revenue, …" However the Commission rule definition of "lost

[1] Missouri Energy Efficiency Investment Act of 2009, Section 393.1075, RSMo, Supp. 2009
[2] Direct Testimony of William R. Davis, p. 8, l.l. 9 -11.

revenue" does not end there. The complete definition of "lost revenue" and "lost revenue component" of a DSIM in the Commission rules is:

> Lost revenue means the net reduction in utility retail revenue, taking into account all changes in costs and all changes in any revenues relevant to the Missouri jurisdictional revenue requirement that occurs when 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. Lost revenues are only those net revenues lost due to energy and demand savings from utility demand-side programs approved by the commission in accordance with 4 CSR 240-20.094 Demand-Side Programs and measured and verified through EM&V.
>
> . . .
>
> Utility lost revenue component of a DSIM means the methodology approved by the commission in a utility's filing for demand-side program approval to allow the utility to receive recovery of lost revenue.

The definition of lost revenue in the Commission's pending MEEIA rules is generally consistent with the definition of lost revenue in The National Action Plan for Energy Efficiency[3] (NAPEE): "Lost revenue means the reduction in revenue that occurs when energy efficiency programs cause a drop in sales below the levels used to set the electricity or gas price. There generally also is a reduction in cost as sales decline, although this reduction is often less than revenue loss."

Consistent with the NAPEE definition of lost revenue, the pending MEEIA rules allow the utility to recover lost revenue only when and to the extent that energy efficiency programs cause a drop in sales below the levels used to set the electricity prices. In contrast, Ameren Missouri's proposal for a billing units adjustment does not take into account growth in usage. The Commission should not approve the proposal for a billing unit adjustment mechanism, since it is inconsistent with the Commission's pending MEEIA rules and statute and would

[3] The National Action Plan for Energy Efficiency. 2007. *Aligning Utility Incentives with Investment in Energy Efficiency: A Resource of the National Action Plan for Energy Efficiency*. Washington, DC: National Action Plan for Energy Efficiency.

allow Ameren Missouri to recover all lost revenue resulting from demand-side savings, even if the Company's retail energy sales are growing.

If a billing unit adjustment mechanism is approved by the Commission in this case, it should be structured so that it does not conflict with the Commission's MEEIA rules.

Use of Evaluation, Measurement and Verification Reports

Q. Please respond to the testimony of Mr. Davis that appears on page 5 at lines 17 through 19 of his surrebuttal testimony: "I do agree that the billing adjustment I proposed in my rebuttal testimony should be updated to reflect the EM&V results. I have completed that update and it is attached as Schedule WRD – ES8."

A. Staff is glad Ameren Missouri acknowledges that EM&V of the energy and demand savings **i**mpacts resulting from the Company's demand-side management (DSM) programs should be an integral part of a utility lost revenue component of a DSIM. However, in my surrebuttal testimony, I expressed Staff's concerns for the estimates of the energy and demand savings for the Company's Residential Lighting and Appliance market transformation program (L&A)[4]. Staff believes the annual energy and demand savings for the L&A's compact florescent light (CFL) bulbs could be grossly overstated as illustrated by the following data:

[4] John A. Rogers surrebuttal testimony p. 18, l.13 through p. 21, l. 4

Impact of CFL Sales for Residential Lighting and Appliance Program - Program Year 2

	Total Program Sales	Ex Post Energy Savings (MWh)	Ex Post Demand Savings (kW)	Net To Gross Ratio	Net Energy Savings (MWh)	Net Demand Savings (kW)
Cadmus Report	1,547,459	72,097	12,435	0.96	69,213	11,938
Staff Analysis	1,547,459	72,097	12,435	0.32	23,071	3,979
Variance	0	0	0	-0.64	-46,142	-7,958
Percent Variance				-67%	-67%	-67%

Because Staff has concerns regarding the accuracy of the energy and demand savings estimates for the L&A and because Staff has not been able to review the EM&V for all the programs, Staff has concerns regarding the EM&V estimates for all the programs that were used to develop the information on Schedule WRD – ES8.

Constructive Regulatory Treatment that Supports the Continuation of Ameren Missouri's Energy Efficiency Programs Should be Determined in a Separate Case

Q. Please respond to the testimony of Mr. Davis that appears on page 6, lines 9 through 13 of his surrebuttal testimony:

> This rate case provides the best opportunity for the Commission to adopt constructive regulatory treatment that supports the continuation of Ameren Missouri's energy efficiency programs. Ameren Missouri's proposal to mitigate the throughput disincentive by reducing billing units is a major step towards equalizing the valuation of demand-side and supply-side resources.

A. Staff does not agree that this rate case provides the best opportunity for the Commission to adopt constructive regulatory treatment that supports the continuation (and expansion) of Ameren Missouri's energy efficiency programs. Ameren Missouri's February 23, 2011, Chapter 22 Electric Utility Resource Planning compliance filing[5] includes Low Risk

[5] File No. EO-2011-0271

DSM as a part of the Company's adopted preferred resource plan. The preferred resource plan adopted by Ameren Missouri is for a business environment that assumes no change to current plant financing regulations, no change to currently enacted environmental regulations, and no change to current DSM cost recovery treatment for Ameren Missouri (approved DSM regulatory asset to include allowance for funds used during construction (AFUDC), rate base treatment of prudent DSM costs and six year amortization period). Low Risk DSM represents the continuation of all of the Company's current energy efficiency programs at an annual spending level of approximately $20 million over the entire 20-year planning horizon. Staff believes the Company's February 23, 2011, Chapter 22 Electric Utility Resource Planning compliance filing indicates a commitment by the Company to continue its current DSM programs under the current DSM cost recovery treatment as a part of its adopted preferred resource plan, i. e., no constructive regulatory treatment is necessary to continue the current programs at an annual spending level of $20 million.

Although Mr. Davis has repeatedly changed his proposal for a lost revenue recovery mechanism, Ameren Missouri has not made a proper application for approval of its DSM programs or a proper application for approval of a demand-side programs investment mechanism. Proper applications under MEEIA for approval of programs and for approval of an investment mechanism is required to provide the necessary incentives for Ameren Missouri to pursue a goal of all cost-effective demand-side savings, such as the level of demand-side savings that can be expected from the realistic achievable potential (RAP) demand-side resources in the Ameren Missouri contingency resource plans containing the RAP demand-side resources[6].

[6] See Decision Roadmap on page 21 of Schedule JAR-1 of John A. Rogers' rebuttal testimony.

Q. Are there any other reasons that the Commission should not adopt constructive regulatory treatment of Ameren Missouri's energy efficiency programs?

A. Yes there are. The Company should comply with the statutory requirements of MEEIA prior to receiving a constructive regulatory treatment for its demand-side programs. The Ameren Missouri proposal for DSM regulatory treatment in this case does not comply with MEEIA for the following reasons:

1. The Company has not made an application for approval of demand-side programs which have an expectation of "achieving all cost-effective demand-side savings" as required by Section 393.1075.4[7];
2. The Company's proposal allows for recovery of lost revenues due to DSM programs through an adjustment of billing units before energy or demand savings have occurred. Section 393.1075.4 states that recovery for such programs shall not be permitted unless the programs result in energy or demand savings;
3. The Company's proposal does not include estimates of the total resource cost (TRC) test for each of its DSM programs as required by Section 393.1075.4, which states that the Commission shall consider the TRC test a preferred cost-effectiveness test;
4. The Company's proposal does not detail how it will deal with customers invoking their right to "opt-out" as required by Section 393.1075.7;
5. The Company has not provided how it would identify DSM charges on customer's bills; and

[7] Ameren Missouri has presented no plans to expand its energy efficiency programs or to implement any demand response programs as part of its request in this case.

6. The Company's proposal for adjustment of billing units would have the effect of embedding "lost revenues" due to DSM programs in rates and would not clearly show charges as a separate line item on customers' bills as required by Section 393.1075.13.

For these reasons, the Commission should not adopt the regulatory treatment of energy efficiency programs as requested by Ameren Missouri.

Q. Does this conclude your supplemental testimony at this time?

A. Yes, it does.