

Exhibit No.:
Issues: *Free-Ridership,
11-Step Process*
Witness: *Mark Kiesling*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *EO-2023-0136*
Date Testimony Prepared: *April 26, 2024*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

MARK KIESLING

**UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI**

CASE NO. EO-2023-0136

*Jefferson City, Missouri
April 2023*

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MARK KIESLING**

4 **UNION ELECTRIC COMPANY,**
5 **d/b/a AMEREN MISSOURI**

6 **CASE NO. EO-2023-0136**

7 Q. Please state your name and business address.

8 A. Mark Kiesling, 200 Madison Street, P.O. Box 360, Jefferson City, Missouri
9 65102.

10 Q. Are you the same Mark Kiesling that filed direct testimony on March 1, 2024,
11 in this case?

12 A. Yes, I am.

13 **EXECUTIVE SUMMARY**

14 Q. What is the purpose of your rebuttal testimony?

15 A. The purpose of my rebuttal testimony is to expand on the potential
16 Free-Ridership problem once funds from the Federal Inflation Reduction Act (“IRA”)
17 become available and how this could impact the cost effectiveness programs within
18 Union Electric Company d/b/a Ameren Missouri’s (“Ameren Missouri”) proposed
19 *Amended and Supplemented Application to Approve DSIM and Demand-Side Management*
20 *Portfolio and Plan, and Request for Variances* (“Amended Application”) filed on January 25,
21 2024. I will also discuss how Ameren Missouri continually uses the 11-Step Process to raise
22 incentives and how contractors and customers are aware of this trend and tend to wait for
23 Ameren Missouri to raise the incentives before participating in programs. Finally, I will

1 discuss some of the proposed programs in Ameren Missouri’s Amended Application and
2 how they are duplicative of what is currently available through the IRA.

3 **FREE-RIDERSHIP AND POTENTIAL IRA IMPACTS**

4 Q. What is free-ridership?

5 A. Free-ridership¹ is program participants that would have completed an energy
6 efficiency upgrade regardless of available programs offering incentives for energy efficiency
7 upgrades. Staff witness Francisco Del Pozo also discusses free-ridership in his rebuttal
8 testimony in this case.

9 Q. What is the IRA?

10 A. The IRA is a federally funded program that is funneling millions of dollars
11 into Missouri to offer rebates to help promote energy efficiency upgrades to residents and
12 businesses of Missouri. Currently it is projected that more than \$150 million could be
13 available to Missouri residents to promote energy efficient upgrades in the following areas:
14 HVAC upgrades, heat pump upgrades, weatherization, and other areas. These federal funds
15 will be handled by the Missouri State Division of Energy (“DOE”).

16 Q. How are the IRA funds potentially being used in Missouri?

17 A. The IRA funds are being considered for high-efficiency residential electric
18 upgrades (e.g. heat pumps) in low-to-medium income households.

19 Q. Could the rebates being offered from the IRA significantly increase
20 free-ridership in Ameren Missouri’s MEEIA programs?

¹ Free riders are program participants who would have completed the same energy efficiency upgrade without the program. Per Opinion Dynamics Program Year 2021 Annual EM&V Report, Volume 2: Residential Portfolio Report, pg. 14.

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1 A. Yes. The rebates being offered from the IRA could potentially have a
2 dramatic impact on free-ridership in Ameren Missouri's MEEIA programs.

3 The rebates being offered through the IRA could be the driving force that will lead
4 individuals and businesses to make energy efficiency upgrades, and not the rebates that are
5 being offered by Ameren Missouri through its MEEIA programs.

6 Q. How could potential rebates from the IRA impact free-ridership participation
7 in Ameren's MEEIA?

8 A. Here is an example of how the IRA rebates could increase free-ridership of
9 Ameren Missouri's MEEIA programs. The Missouri Public Service Commission Staff
10 ("Staff") was contacted by an Ameren Missouri customer who had a heat pump heating and
11 cooling system in their house. The heat pump was an older unit and was starting to give the
12 customer some trouble. The homeowner contacted a local heating and cooling company to
13 come out and look at their heat pump unit. This company was a preferred Ameren Missouri
14 contractor/vendor for Ameren Missouri's residential Heating, Ventilation, and Air
15 Conditioning ("HVAC") program. The company informed the homeowner that it would cost
16 approximately \$1,400.00 to repair the old unit with no guarantees of how long the unit would
17 continue to run in the future. While in the middle of the process with his heat pump, the
18 homeowner was having his taxes prepared. The individual that was preparing his taxes asked
19 if he had done any energy efficient upgrades at his home. The homeowner stated that he is in
20 the process of potentially purchasing a heat pump. His tax preparer said that he could be
21 eligible through the IRA for up to a \$2,000.00 tax credit if he went with the new unit.
22 Upon being informed that they would be eligible for this rebate, the homeowner started to
23 calculate the financial impact of getting a new unit versus repairing his existing unit.

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1 After their calculations, the homeowner informed the HVAC company that they wanted
2 to go with a new unit versus repairing the existing unit. Once the homeowner made their
3 decision, the HVAC company informed the homeowner that the new unit they chose was
4 eligible for a rebate through Ameren Missouri's Residential HVAC program. The rebate
5 was \$500.00 dollars. The homeowner realized that he needed a new heat pump, but the
6 rebate being offered through the IRA was a very important piece in the decision process. The
7 rebate offered through Ameren Missouri's Residential HVAC program was a not
8 determining factor in this homeowners decision, just a handout that was there for the taking.
9 This is a prime example of how the IRA funding is potentially going to be leading to
10 dramatic free-ridership participation in Ameren Missouri's MEEIA programs and potentially
11 millions of dollars going to free riders and not driving energy efficiency upgrades like they
12 are intended to do.

13 Q. Why did this Ameren Missouri customer contact Staff?

14 A. This customer contacted Staff because they were familiar with MEEIA and
15 how it is funded and operates, and wanted to express their concerns with Staff how the IRA
16 rebates that are being offered through IRA funding are going to be driving energy efficiency
17 upgrades and not the rebates being offered through MEEIA. They also wanted to express
18 their concerns that ratepayers should not be funding energy efficiency measures/programs
19 that are also being subsidized by federal money available that does not cost ratepayers
20 millions of extra dollars.

21 Q. How does a scenario like this impact Ameren Missouri's MEEIA programs?

22 A. A scenario like this has multiple impacts on Ameren Missouri's MEEIA
23 programs. The first impact is the free-ridership that this creates. This customer is upgrading

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1 their heat pump based on incentives and rebates from a totally different program, but then is
2 also taking advantage of Ameren Missouri offering rebates for something they were going to
3 do regardless of the rebates being offered by Ameren Missouri. Ameren Missouri will get to
4 count savings from the purchase of the new heat pump by the customer simply taking
5 advantage of a larger rebate that is available through a federal program.

6 Q. What are other impacts from this particular scenario?

7 A. Another impact from this scenario is Ameren Missouri being allowed to
8 claim the savings from this energy efficiency measure. This then counts towards
9 Ameren Missouri's throughput disincentive as discussed further by Staff witness
10 Sarah Lange. This also allows Ameren Missouri to count the savings towards its earnings
11 opportunity, which ultimately will cost rate payers millions of dollars more than they are
12 already paying, for energy efficiency programs that are not actually driving energy efficiency
13 upgrades. This is just one scenario of a free rider. Ameren has over 1 million customers,
14 which begs the questions of how prevalent are free riders and how many noneffective rebates
15 are being given out?

16 Q. Does Ameren Missouri propose or outline how it might address the impacts
17 the IRA could have on its proposed MEEIA Cycle 4 programs in the Amended Application?

18 A. No. Staff has conducted a search of Ameren's application and did not find any
19 mention by Ameren or its witnesses that addressed the potential impacts of the IRA or any
20 plan to address the IRA. The IRA is offering energy efficiency upgrades not only with
21 HVAC units, but with weatherization materials, and a host of prescriptive energy efficiency
22 measures. This is concerning because of the potential for huge free-ridership which if not
23 accounted for, would mistakenly shows that the programs are having an impact when in

1 reality they are not. Ameren Missouri does not, at this time, have a plan on how to address
2 this or account for this with the IRA or through the Evaluation, Measure, and verification
3 (“EM&V”) process.

4 **11-STEP PROCESS**

5 Q. Does Ameren Missouri have a process in place to change incentive ranges for
6 measures outside of filing a new MEEIA applications?

7 A. Yes. Per Ameren Missouri’s tariff sheets for its currently effective MEEIA
8 programs,² there is an 11-Step process that it must follow to propose incentive range changes
9 outside of filing a new MEEIA application.

10 Q. What does the 11-Step process allow Ameren Missouri to do?

11 A. The 11-Step process allows Ameren Missouri to raise the incentive ranges for
12 a particular measure that is offered through MEEIA programs without having to file a new
13 application. The 11-Step process can be initiated at anytime in a Cycle year. This is done to
14 drive participation.

15 Q. Is there a specific process that has to be followed to initiate an
16 11-Step process?

17 A. Yes, there are steps needed to initiate an 11-Step process. The 11-Step process
18 is as follows:³

- 19 • discuss proposed change with evaluator;
- 20 • Analyze impact on program and portfolio (cost effectiveness, goal achievement,
- 21 etc.);

² MO.P.S.C Schedule No. 6 1st Revised Sheet No. 221.4 thru Original Sheet No. 221.5.

³ MO.P.S.C Schedule No. 6 1st Revised Sheet No. 221.4 thru Original Sheet No. 221.5.

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- 1 • Inform the Staff, Office of the Public Counsel, and the Missouri Department of
2 Economic Development – Division of Energy (DE) of the proposed change, the time
3 within which it needs to be implemented, provide them the analysis that was done and
4 consider recommendations from them that are received within the implementation
5 timeline (the implementation timeline shall be no less than five business days from
6 the time that the Staff, Office of the Public counsel, and the DE are informed and
7 provided the above-referenced analysis):
- 8 • Take timely received recommendations into account and incorporate them where the
9 Company believes it is appropriate to do so:
- 10 • File updated web pages and, if appropriate, updated list of Measures and Incentive
11 amounts in File No. EO-2018-0211;
- 12 • Inform Participants, Program Providers, Program Partners, Trade Allies, etc.

13 Q. Does the Commission approve these proposed changes?

14 A. To date no proposed 11-Step process has gone in front of the Commission for
15 approval. Ameren Missouri will have discussions with Stakeholders to help resolve any
16 issues that stakeholders bring up to Ameren Missouri about any proposed 11-Step process. If
17 a resolution to a proposed 11-Step change can't be reached by the stakeholders, then a filing
18 would be made in that current MEEIA Cycle docket requesting a hearing before the
19 Commission for approval.

20 Q. How often does Ameren Missouri propose an 11-Step process?

21 A. Since the start of Ameren Missouri's MEEIA Cycle 3, on March 1, 2019,
22 Ameren Missouri has initiated 27 11-Step processes for Residential, Business, and

1 Demand Response programs.⁴ While Staff does not oppose the need for 11-Step processes,
2 Staff questions the need for the frequency and continual year after year raising of incentive
3 levels just to drive participation in Ameren Missouri MEEIA programs.

4 Q. Does Staff believe a particular pattern has developed with using the
5 11-Step process?

6 A. Yes, Staff believes that there is a particular pattern that Ameren follows year
7 after year with the 11-Step process. Ameren Missouri holds quarterly stakeholders meeting
8 during a MEEIA Cycle to discuss quarterly performance and Cycle year to date performance.
9 Year after year, Ameren Missouri shows gradual participation numbers for the 1st quarter,
10 2nd quarter, and 3rd quarter of each year for MEEIA Cycle 3. Typically, Ameren Missouri
11 will submit an 11-Step process sometime during the late 2nd quarter or early 3rd quarter to be
12 effective for the 4th quarter of that cycle year. Then, by the end of the 4th quarter of the
13 MEEIA year, the participation and savings numbers significantly increase. Through
14 discussions in these quarterly meetings, stakeholders have asked Ameren if they feel
15 contractors and trade allies are telling their customers to wait until the 4th quarter of a cycle
16 year before starting projects because Ameren will raise its incentive levels to drive
17 participation. Ameren has acknowledged that it feels that contractors and trade allies are
18 specifically waiting until the 4th quarter of cycle years to do projects because they know that
19 incentive levels will rise. Several times Ameren has raised incentive levels for programs for
20 a particular quarter, typically the 4th quarter, only to drop the incentive back down to the
21 previous quarter's level at the beginning of the next MEEIA cycle year.

22 Q. Why raise it for only one quarter?

⁴ DR 131 response in EO-2023-0136.

1 A. Why not set it at a level that is going to drive continuous participation. This
2 does not seem like a productive program that is driving participation and creating energy
3 efficiency changes, but more just something that people are waiting around to take advantage
4 of because they know Ameren will be raise the incentives to achieve its program
5 participation numbers and savings goals so it can achieve its earnings opportunity at the end
6 of each year.

7 Q. Does Staff have any proposed changes to the 11-Step process?

8 A. Staff believes it can be a beneficial tool if it would be used in a more efficient
9 manner and not one where it is being used to manipulate participation. Staff believes that if
10 incentive ranges would be set at a particular point that would drive participants to purchase
11 higher efficiency products that it will drive continuous participation throughout the cycle
12 year, not just drive participation in the last quarter of a MEEIA year so Ameren Missouri's
13 savings goals can be met and the earnings opportunity can be achieved.

14 **EFFICIENT PRODUCTS**

15 Q. Does Ameren offer free products to customers?

16 A. Yes, Ameren Missouri offers free products to customers as part of MEEIA.
17 Ameren Missouri customers routinely receive promotional materials in the mail from
18 Ameren Missouri during the 4th quarter of a MEEIA year stating that they are giving away
19 free Nest thermostats until the end of the year. When Staff asked Ameren Missouri in a
20 data request⁵ (attached as schedule MBK-R1) if it tracks and verifies if the thermostats that
21 are given away are installed, Ameren Missouri responded that the thermostats are not

⁵ DR 122 in Case No. EO-2023-0136.

1 tracked, nor is it verified whether the thermostats are actually installed.⁶ In the same
2 DR response, Ameren Missouri stated that the savings from the thermostats are counted as
3 soon as they are shipped to the customer. Ameren Missouri cannot verify that the
4 thermostats have been installed and are helping customers with energy efficiency, but
5 Ameren Missouri is making sure to get savings credit for the thermostats in order to achieve
6 its savings goals. People may be getting these thermostats and selling them on-line or just
7 letting them sit in a closet and never using them, but Ameren Missouri is getting credit for
8 the energy savings associated with these thermostats. This could be costing ratepayers
9 millions of dollars for savings that are not benefitting them at all. Staff would like to see
10 Ameren Missouri discontinue giving away free thermostats or free products through MEEIA
11 programs, especially since the programs are funded using rate payer money. Ameren
12 Missouri cannot guarantee installation of certain products but Ameren Missouri is allowed to
13 claim savings for the products without knowing if the products are ever installed.

14 **PROGRAMS**

15 Q. Is Staff opposed to Ameren's Missouri Amended MEEIA Cycle 4
16 application?

17 A. Yes, Staff is opposed to several proposed programs, including but not limited
18 to the proposed Education Programs in the Residential portfolio, in particular the
19 Building Science Training program, Residential Code Compliance, Building Operator
20 Certification program, and Real Estate Education.

21 Q. Why is Staff opposed to these proposed programs?

22 A. Staff is opposed to these programs for a couple of reasons.

⁶ DR 122 response in EO-2022-0136

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1 1. Staff believes that it is not Ameren Missouri's place to be setting building
2 codes, and

3 2. The IRA offers free money that can be used to accomplish what
4 Ameren Missouri is proposing with these programs.

5 Staff believes that instead of using ratepayer money, communities in
6 Ameren Missouri's service territory could take advantage of the IRA funding and still
7 accomplish the same things without costing ratepayers' money.

8 Q. Are there other proposed Residential programs that Staff is opposed to?

9 A. Yes, Staff is opposed to the Whole Home New Construction program that is
10 being proposed by Ameren. Staff is opposing this program for a number of reasons:

11 1. Individuals and contractors that are building new homes are going to have to
12 install insulation, air conditioners, furnaces, windows, and water heaters. These measures,
13 along with others, are going to be installed regardless of any program offered by
14 Ameren. This is another example of free-ridership and allows Ameren to receive payment
15 from ratepayers by claiming savings attributed to the measures installed without actively
16 influencing the customers decision to install various appliances. This is not a prudent use of
17 ratepayers' money.

18 2. Another potential issue is a contractor that is building the house could get the
19 rebates associated with the measures being installed in a new home construction and be a
20 non-Ameren customer that is taking advantage of something that is offered and benefitting
21 from it. This contractor could collect the rebates and pocket the money and the ratepayers of
22 Ameren are the ones footing the bill.

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1 Q. Are there other items that Ameren Missouri has proposed that Staff is
2 opposed to?

3 A. Yes, in the proposed Business Program section, Ameren Missouri talks about
4 marketing a biz board web connection tool. This tool is a website where businesses can post
5 projects and will receive bids from contractors that can provide those services. While Staff is
6 not opposed to the idea of connecting contractors with businesses that are wanting projects
7 done, Staff has concerns that this is a way for Ameren Missouri to cherry pick projects and
8 offer rebates for projects that are not being driven by the rebates. This leads to free riders
9 due to Ameren monitoring a web site and then offering rebates for projects that were already
10 going to be done, and then taking credit for potential savings from the projects. This is
11 another example of how other programs and services are generating energy efficient projects
12 and not the rebates or incentives that are being offered through MEEIA programs. Taxpayers
13 should not be funding programs that are not providing benefits to them. Ameren Missouri
14 does not state in their application that this is a necessary offering that is warranted.

15 Q. Is there anything else you would like to discuss?

16 A. Yes, I would briefly like to talk about the technical resource manual (“TRM”)
17 a foundational piece for Ameren’s Amended Application. Ameren’s filed TRM has
18 over 3,500 measures in it. Staff believes that Ameren’s TRM needs to be paired down to a
19 certain number of measures (that are actually measures offered in its MEEIA portfolio) and
20 also eliminate any measures that are load building measures. There are several broken or
21 non-functional links that are the basis for deemed savings for measures. These prevent Staff
22 from verifying the accuracy of the deemed savings values which then also hinders Staff from
23 calculating accurate savings for measures. Staff recommends these links be updated and be

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1 fully functional. Staff witness J Luebbert discusses this further in his rebuttal testimony in
2 this case. Staff will expand further on changes that it would like to see in surrebuttal
3 testimony, once Staff has had a chance to review Ameren Missouri's rebuttal testimony for
4 plans to address concerns about the TRM that Staff raised in its Direct Testimony in
5 this case.

6 Q. Does this complete your testimony?

7 A. Yes.