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Issue(s): Energy Efficiency
Witness: Richard J. Mark
Sponsoring Party: Union Electric Company
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Case No.: ER-2011-0028
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MISSOURI PUBLIC SERVICE COMMISSION

Case No. ER-2011-0028

SURREBUTTAL TESTIMONY

OF

RICHARD J. MARK

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

St. Louis, Missouri
April, 2011

SURREBUTTAL TESTIMONY

OF

RICHARD J. MARK

CASE NO. ER-2011-0028

Q. Please state your name and business address.

A. My name is Richard J. Mark. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom and in what capacity are you employed?

A. I am employed by Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") as Senior Vice President Customer Operations.

Q. Are you the same Richard J. Mark who filed rebuttal testimony in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to portions of the rebuttal testimony filed by Missouri Public Service Commission Staff ("Staff") witness John Rogers, Office of the Public Counsel ("OPC") witness Ryan Kind, and Missouri Department of Natural Resources ("DNR") witness Laura Wolfe, all three of whom discuss a need to increase Ameren Missouri's commitment to energy efficiency. Ameren Missouri witnesses Daniel Laurent and William Davis will respond to the portions of these testimonies that deal with Ameren Missouri's current energy efficiency programs and with the specifics relating to cost recovery for Ameren Missouri's future programs.

Q. What do you mean by the statement that the witnesses you list above "discuss a need to increase Ameren Missouri's commitment to energy efficiency?"

A. To varying degrees, all three witnesses indicated that the Commission should not grant Ameren Missouri an improvement in its energy efficiency cost recovery or a mechanism to remove the throughput disincentive until the Company commits to funding energy efficiency at a higher level. Mr. Kind described the Company's future programs as "too tentative."[1] Ms. Wolfe indicated that DNR needed a commitment that the Company will continue the growth of energy efficiency programs before the Commission grants the requested relief.[2] Mr. Rogers was less direct, but argued that aligning financial incentives should be the second step considered by the Commission, and that the first step is determining Ameren Missouri's energy efficiency commitment level.[3]

Q. Do you disagree with these statements?

A. Yes. The statements are not accurate nor do they reflect the way Ameren Missouri (or any electric utility) must approach decisions on energy efficiency expenditures.

Q. Please explain.

A. These three witnesses have the process backwards. From my point of view, as the Senior Vice President in charge of Ameren Missouri's electric and natural gas distribution operations and customer service operations, which includes the Company's energy efficiency programs, when a decision is being made as to what level of funding the Company is willing to commit to energy efficiency, management does not make that decision

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[1] Rebuttal Testimony of Ryan Kind, p. 16, l. 9-10.
[2] Rebuttal Testimony of Laura Wolfe, p. 12, l. 10-14.
[3] Rebuttal Testimony of John A. Rogers, p. 14, l. 26 through p. 15, l. 5.

without first assessing how we believe the investment will impact both the Company and its customers.

Decisions about investments in energy efficiency require assessing tradeoffs between expected utility costs, including how those costs are recovered in the regulatory framework, and benefits to customers. Because of that assessment, the level of funding for energy efficiency programs is highly dependent upon how those costs (including costs associated with the throughput disincentive) will be treated for ratemaking purposes, and how that ratemaking treatment impacts the Company's cash flow and earnings. We cannot commit to spending tens of millions of dollars on energy efficiency programs, which will result in tens of millions of dollars in losses due to the throughput disincentive, until the Commission adopts a regulatory framework that better aligns the interest of our customers and the Company. For the Company to commit to additional funding before knowing how the Commission will remove the throughput disincentive would be poor management, for all the reasons I stated in my rebuttal testimony.

Q. Do any of the witnesses you mention dispute that the throughput disincentive exists?

A. They do not dispute the existence of this disincentive. Additionally, it is clear the other parties in this case desire additional investment in Ameren Missouri's energy efficiency programs, but no other party has proposed a mechanism to address the throughput disincentive.

Q. The rebuttal testimony of the other parties seems to imply Ameren Missouri is not committed to energy efficiency. How do you respond?

A. Ameren Missouri has shown great commitment to energy efficiency over the past several years. We are asking the Commission to recognize that commitment and provide the necessary framework to enable the Company to continue that investment.

For example, in the years 2008 and 2009, Ameren Missouri spent approximately \$13.5 million on energy efficiency. In 2010, that investment grew to just over \$23 million and this year the Company anticipates spending almost \$33 million. These are real investments. These expenditure levels put Ameren Missouri on track to achieve the MWh savings identified in the Company's 2008 Integrated Resource Plan.[4]

The Company's future energy efficiency funding, presuming the throughput disincentive is appropriately addressed, will be significant. \$25 million of investment represents 136,604 MWh of savings in 2012 and 121,042 MWh of savings in 2013. That level of investment also represents 73% of the investment necessary to achieve Realistic Achievable Potential ("RAP") in 2012 and 56% for 2013.

Q. Mr. Rogers testifies that Ameren Missouri is required by law to "comply with MEEIA and to achieve the statutory goal of achieving all cost-effective demand-side savings." Do you agree with his statement?

A. I agree, in part. I agree that MEEIA is law and Ameren Missouri must comply with the law. However, I disagree with Mr. Rogers' interpretation of what MEEIA requires. MEEIA establishes a goal and does not establish a mandate. Second, Mr. Rogers presumes that "all cost-effective" energy efficiency language from MEEIA, is synonymous with RAP.[5] That presumption may or may not be correct. The phrase "all cost-effective" demand-side savings means the programs must be cost-effective for both customers and

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[4] Case No. EO-2007-0409, Integrated Resource Plan, Volume II, Executive Summary, p. 1.
[5] Rebuttal Testimony of John A. Rogers, p. 14, l. 17-22.

utility shareholders. The cost-effectiveness to customers is primarily measured by the Total Resource Cost ("TRC") test while the cost-effectiveness to shareholders is largely measured by how well utility financial incentives are aligned with helping customers use energy more efficiently. If incentives are truly aligned, then "all cost-effective" energy efficiency savings may be the RAP level. If they are not aligned and the throughput disincentive remains, then "all cost-effective" demand-side savings becomes something less than the RAP level.

It is significant that the law specifically requires the Commission to align financial incentives. It would be unjust for the Company to be forced to pursue energy efficiency that passes the TRC test without consideration of the cost-effectiveness to shareholders. Ameren Missouri believes the current proposal in Mr. Davis' testimony is sufficient to sustain the MWh savings that a $25 million spending level would provide, while this and other options to remove the throughput disincentive are explored and tested by the Missouri investor-owned utilities. In fact, the Company's proposal is an opportunity for the Commission to adopt constructive regulatory treatment to test a new approach to aligning utility financial incentives with helping customers use energy more efficiently.

Q. If the Commission approves Ameren Missouri's proposal to reduce the amortization period for energy efficiency costs, wouldn't that remove enough disincentive that the Company will continue its current spending level on energy efficiency?

A. No. Although the treatment of program costs is an important consideration in setting energy efficiency expenditure levels, mitigating the throughput disincentive is absolutely crucial if Ameren Missouri is to continue its current spending level. Without addressing the throughput disincentive, reduction of the program cost amortization by itself will not provide sufficient cost recovery. Consequently, we are withdrawing our request to shorten the amortization period associated with the test-year energy efficiency expenditures from six years to three years because the focus in this case needs to be on the critical factor, which is overcoming the throughput disincentive.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

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 Rates for Electric	)	Case No. ER-2011-0028
Service Provided to Customers	)	
In the Company's Missouri Service Area.	)	

AFFIDAVIT OF RICHARD J. MARK

STATE OF MISSOURI)
) **ss**
CITY OF ST. LOUIS)

Richard J. Mark, being first duly sworn on his oath, states:

1. My name is Richard J. Mark. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Senior Vice President, Customer Operations.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Ameren Missouri consisting of 6 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Richard J. Mark

Richard J. Mark

Subscribed and sworn to before me this 15 day of April, 2011.

Amanda Tesdall

Notary Public

My commission expires:

Amanda Tesdall - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011