

**FILED<sup>3</sup>**

APR 20 2007

Missouri Public  
Service Commission

Exhibit No.: 552

Issues: Interruptible Rate

Witness: Billie S. LaConte

Sponsoring Party: Missouri Energy Group

Type of Exhibit: Direct Testimony

Case No.: ER-2007-0002

Date Testimony Prepared: December 29, 2006

**AmerenUE**

**FILED**

April 25, 2007

Missouri Public  
Service Commission

**Case No. ER-2007-0002**

**Before the  
Missouri Public Service Commission**

**Direct Testimony of Billie S. LaConte**

**on Behalf of the  
Missouri Energy Group**

**\*\*DENOTES PROPRIETARY INFORMATION\*\***

Project 061402  
December, 2006

MEG Exhibit No. 552AP  
Date 3-21-07 Case No. ER-2007-0002  
Reporter DF

**NP**

# AmerenUE

Case No. ER-2007-0002

## Affidavit of Billie S. LaConte

STATE OF MISSOURI     )  
                                      )  
COUNTY OF ST. LOUIS    )

Billie S. LaConte, being of lawful age and duly affirmed, states the following:

1. My name is Billie S. LaConte. I am a consultant in the field of public utility economics and regulation and a member of Drazen Consulting Group, Inc.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony consisting of Pages 1 through 4, Appendix A and Schedule BSL-1, filed on behalf of the Missouri Energy Group.
3. I have reviewed the attached direct testimony and schedules and hereby affirm that my testimony is true and correct to the best of my knowledge and belief.

*Billie S. LaConte*

\_\_\_\_\_  
Billie S. LaConte

Duly affirmed before me this 29th day of December, 2006.



CHERYL M. FENELON  
St. Louis County  
My Commission Expires  
December 29, 2006

*Cheryl M. Fenelon*

\_\_\_\_\_  
Notary Public

My commission expires on December 29, 2006.

1 **AmerenUE**

2 **Missouri Public Service Commission**  
3 **Case No. ER-2007-0002**

4 **Direct Testimony of the Missouri Energy Group**

5 **Section I—Introduction and Overview**

6 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7 **A** Billie S. LaConte, 8000 Maryland Avenue, Suite 1210, St. Louis, Missouri.

8 **Q WHAT IS YOUR OCCUPATION?**

9 **A** I am a consultant in the field of public utility economics and regulation and a  
10 member of Drazen Consulting Group, Inc.

11 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

12 **A** Please see Appendix A for a description of my background and experience.

13 **Q ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?**

14 **A** I am presenting it on behalf of the Missouri Energy Group (MEG), which comprises  
15 manufacturers and hospitals who are customers of AmerenUE.

16 **Q WHAT SUBJECTS ARE COVERED IN THIS TESTIMONY?**

17 **A** I shall discuss the proposed Industrial Demand Response pilot.

1 Q WHAT HAS AMERENUE PROPOSED?

2 A The pilot provides a demand credit of \$2.00/kW/month for interruptible load  
3 (\$24/kW/year). There is, in addition, a credit of 8¢/kWh interrupted, with a  
4 maximum interruption of 200 hours per year. The Company has proposed to limit  
5 this to 100 MW of load, five customers and only three years.

6 Q WHAT ARE YOUR COMMENTS ON THE INDUSTRIAL DEMAND RESPONSE PILOT  
7 THAT HAS BEEN PROPOSED BY AMERENUE?

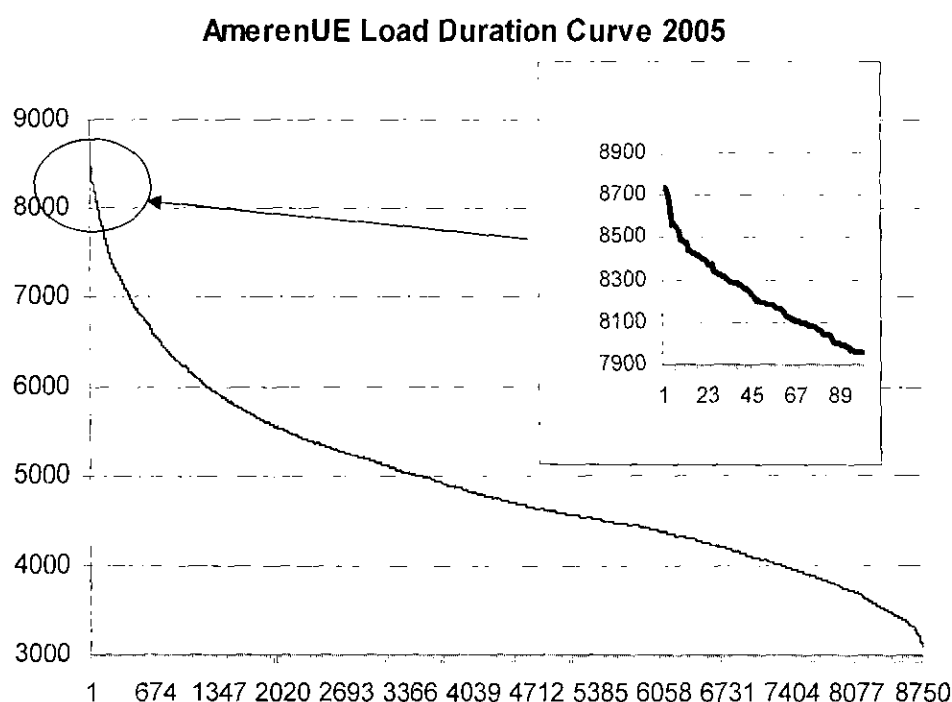
8 A The basic idea is sound. Indeed, as Mr. Hanser observes, "such rates are very  
9 common throughout the U.S. and are encouraged by the regional transmission  
10 organizations" (Hanser, Page 16).

11 For the same reason, it is curious that AmerenUE has taken such a diffident  
12 approach. Mr. Hanser has characterized this as a "test the waters" offering. It is  
13 odd that AmerenUE feels the need to "test the waters" when such rates are  
14 common in the U.S. and AmerenUE itself had a rate rider of this type in the past.

15 The combined initial conditions limit the chances for real success of the rate.  
16 A customer on an interruptible rate faces the prospect of reduced output during  
17 periods of interruption. This can be offset to some extent by process changes (for  
18 example, additional storage of intermediate product), but that entails investment.  
19 By limiting this offering to a three-year period, customers can not justify any  
20 significant investment to take advantage of the offering.

1 Q HOW MUCH INTERRUPTIBLE LOAD WOULD BE DESIRABLE FOR AMERENUE?

2 A AmerenUE could use at least 800 MW of interruptible load. The utility has 800 MW  
3 of load that occurs for 100 hours or less. Interruptible load that can be curtailed for  
4 up to 200 hours could be used to shave at least this amount of the peak load. The  
5 utility's load duration curve looks like this (the inset shows the load duration curve  
6 during its highest 100 hours):



From Finnell Workpapers: Finnell-Load Shapes 2003-2005.xls.

7 This shows that 800 MW of its peak occurs for a duration of 100 hours or less.

8 Thus, the utility could benefit from having at least this much interruptible load.

9 Q DO YOU THINK THAT THE INTERRUPTIBLE CREDIT SHOULD BE HIGHER?

10 A Yes. The credit should be based on the cost of peaking capacity. AmerenUE has  
11 proposed a credit of \$2/kW/month or \$24/kW/year of interruptible capacity. Based

1 on the Company's recent purchases of combustion turbines and using different  
2 parties' estimates of the cost of that capacity, a more realistic credit is  
3 \*\* \_\_\_\_\_ \*\* (see Schedule BSL-1).

Table 1

Interruptible Demand Credit

<u>Based On</u>	<u>\$/kW/month</u>
State	** _____ **
Staff	** _____ **
AmerenUE	** _____ **

4 Q PLEASE EXPLAIN.

5 A Using AmerenUE's data and figures provided by the State and Staff, I calculated the  
6 cost per kW of combustion turbine generators. This avoided generation capacity  
7 cost is used as the credit for interruptible customers, because the Company would  
8 pay this amount for additional capacity. This shows that even using the State's  
9 lower estimate, AmerenUE's proposed credit is too low.

10 Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

11 A My recommendations are:

- 12 • AmerenUE should not limit the term of the interruptible load;
- 13 • AmerenUE should allow at least 800 MW of interruptible load; and
- 14 • The credit for interruptible load should be higher, in the range of

15 \*\* \_\_\_\_\_ \*\*.

16 Q DOES THIS CONCLUDE YOUR TESTIMONY?

17 A Yes.