

Exhibit No.:

Issues: DMS Cost Recovery

Witness: Lena M. Mantle

Sponsoring Party: MO PSC Staff

Type of Exhibit: Direct Testimony

Case No.: ER-2007-0002

Date Testimony Prepared: December 15, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

LENA M. MANTLE

UNION ELECTRIC COMPANY d/b/a AMERENUE

CASE NO. ER-2007-0002

**Jefferson City, Missouri
December 2006**

**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)
Service Provided to Customers in the)
Company's Missouri Service Area.)

Case No. ER-2007-0002

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age, on her oath states: that she has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 6 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.



Lena M. Mantle

Subscribed and sworn to before me this 13th day of December, 2006.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Cattaway County
Commission #06942086



Notary Public

My commission expires 9-21-10

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OF

LENA M. MANTLE

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DIRECT TESTIMONY
OF
LENA M. MANTLE
UNION ELECTRIC COMPANY d/b/a AMERENUE
CASE NO. ER-2007-0002

Q. Please state your name and business address.

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

Q. What is your present position with the Missouri Public Service Commission (Commission)?

A. I am the Manager of the Energy Department, Utility Operations Division.

Q. Would you please review your educational background and work experience?

A. I received a Bachelor of Science Degree in Industrial Engineering from the University of Missouri, at Columbia, in May 1983. I joined the Commission Staff (Staff) in August 1983. I became the Supervisor of the Engineering Section of the Energy Department in August, 2001. In July 2005, I was named the Manager of the Energy Department. I am a registered Professional Engineer in the State of Missouri.

My work here at the Commission has included the review of resource plans of investor owned electric utilities since 1984. I was actively involved in the writing of the Commission's Chapter 22, Electric Resource Planning rules. I participated in the review of all of the utility filings under those rules. Since the Commission issued a waiver to the electric utilities from filing under those rules in 1999, I have been present at all but one of the electric utilities' semi-annual resource plan update meetings with Staff and the Office of

1 Public Counsel. I have also been the Staff coordinator for the review of Union Electric
2 Company's, d/b/a AmerenUE (AmerenUE) and Kansas City Power & Light Company's
3 (KCPL) Chapter 22 resource plan filings since the waiver of the rule ended in December
4 2005.

5 I also participated in the development of the Regulatory Plan Stipulation and
6 Agreements for KCPL and The Empire District Electric Company, in Case Nos. EO-2005-
7 0329 and EO-2005-0263, respectively (Regulatory Plans).

8 Q. Have you previously filed testimony with the Commission?

9 A. Schedule 1 contains a list of the testimony that I have filed with the
10 Commission.

11 **EXECUTIVE SUMMARY**

12 Q. Would you please summarize your testimony?

13 A. I am recommending that the Commission allow AmerenUE to use a non-
14 traditional cost recovery methodology to recover current and future demand-side resource
15 analysis and implementation costs. This methodology is the same cost recovery methodology
16 that was approved by the Commission in the Regulatory Plans. I am proposing that the same
17 methodology in direct testimony in the AmerenUE gas rate increase case, Case No. GR-2007-
18 0003.

19 **DIRECT TESTIMONY**

20 Q. What methodology are you proposing for recovery of these costs?

21 A. I am proposing that demand-side costs that were incurred in the test year not in
22 the context of the collaborative process resulting from Case No. EC-2002-1, be placed in a
23 regulatory asset account, assuming Commission approval of this methodology. AmerenUE

1 would amortize the costs over a ten-(10-) year period. AmerenUE would be allowed to place
2 the demand-side costs for each year subsequent to the test year in this case in the regulatory
3 account. The amounts accumulated in this regulatory asset account should be allowed by the
4 Commission to earn a return not greater than AmerenUE's AFUDC rate.

5 Q. What demand-side costs were incurred in the test year?

6 A. I do not know. I have submitted Data Request 464 to AmerenUE on
7 November 29, 2006 requesting a list of its expenses related to evaluation and implementation
8 of demand-side programs in the test year. I have yet to see a response to that Data Request.

9 Q. Would the costs put in this account be automatically recovered by AmerenUE?

10 A. Not, necessarily. The amount in the regulatory asset account at the time of the
11 next rate case would be reviewed by the parties in the case for a determination of the prudence
12 of the planning and implementation of the demand-side programs.

13 Q. Should there be a cap on the amount that AmerenUE can spend and place in
14 this account?

15 A. As a result of negotiations in the current AmerenUE resource planning case
16 (Case No. EO-2006-0240), AmerenUE is re-evaluating demand-side resources and how these
17 resources would meet its future needs. So at the present time, I do not want to restrict the
18 amount of potential demand-side resources by arbitrarily placing a cap on the account.
19 However, that does not mean that the amount of spending on demand-side resources should
20 be unlimited. The costs recovered through this account should only be for those demand-side
21 programs that are shown to be cost-effective for AmerenUE through an analysis that treats
22 demand-side and supply-side resources on an equivalent basis. When a more definitive

1 estimate of cost-effective demand-side programs has been determined, parties in future cases
2 may request a specific cap for this account.

3 Q. What kind of demand-side costs would be placed in this account?

4 A. Demand-side costs which would be placed in this account would include the
5 costs of developing, implementing and evaluating customer energy efficiency and demand
6 response programs.

7 Q. Why are you recommending special treatment for demand-side costs?

8 A. I am proposing this special treatment for demand-side programs to overcome
9 regulatory barriers to AmerenUE developing and implementing demand-side resources. The
10 Commission's Chapter 22, Electric Utility Resource Planning, requires that Missouri electric
11 utilities consider demand-side resources on an equivalent basis with supply-side resources. (4
12 CSR 240-22.010(2)(A)).

13 Q. Please explain these regulatory barriers.

14 A. When a utility begins planning to meet the increasing loads of its customers, or
15 to replace either generation that is retiring or a purchased power contract that is expiring, a
16 utility can look at two different types of resources to meet this need. The traditional way for
17 Missouri electric utilities to meet increasing demands from customers has been to build more
18 power plants. Power plants are generally referred to as supply-side resources. The other way
19 to meet the need is for the utility to help its customers reduce their usage or demand. This
20 reduction in usage or demand is generally referred to as demand-side resources or demand-
21 side management (DSM).

22 Utilities in Missouri have been hesitant to offer demand-side programs because they
23 would be offering programs to influence their customers to use less of the product that they

1 are in the business of providing. Thus, reduction in usage could reduce their profits. In
2 addition to a potential reduction in profits, the costs incurred to implement demand-side
3 programs, under traditional regulation in Missouri, would be an expense on which the utility
4 does not earn a return. A power plant, on the other hand, is a capital asset which a utility can
5 earn a return on.

6 Q. Does this methodology of recovering demand-side program costs include the
7 recovery of the profits that AmerenUE would make if its customers did not reduce their
8 demand due to demand-side programs?

9 A. No, this methodology does not include the recovery of lost revenues. It does
10 however, allow AmerenUE to earn a return on the costs of demand-side resources. Under the
11 traditional cost recovery methodology, demand-side program costs would be recovered as an
12 expense and AmerenUE would not be able to earn a return on these costs.

13 Q. Does AmerenUE have to decide soon on whether to meet a need with some
14 type of resource; either demand-side or supply side?

15 A. With AmerenUE's recent purchase of the Audrain, Goose Creek and Raccoon
16 Creek combustion turbines, AmerenUE does not need additional resources for several years.

17 Q. If no resources are needed at this time, why is it important at this time to
18 propose that AmerenUE be allowed to earn a return on demand-side resource costs?

19 A. Unlike supply-side resources which are implemented in "chunks" or "lumps"
20 worth tens or hundred of millions of dollars, demand-side resources increase a small
21 increment at a time. AmerenUE can use the time until it shows that it will need more
22 resources to evaluate, plan and implement demand-side resources so that it will know what
23 demand-side resources it can rely on when it does need more resources.

Direct Testimony of
Lena M. Mantle

1 Q. Does this conclude your direct testimony?

2 A. Yes, it does.

PREVIOUS TESTIMONY OF
LENA M. MANTLE

<u>CASE NUMBER</u>	<u>TYPE OF FILING</u>	<u>ISSUE</u>
ER-84-105	Direct	Demand-Side Update
ER-85-128, et. al	Direct	Demand-Side Update
EO-90-101	Direct, Rebuttal & Surrebuttal	Weather Normalization of Sales; Normalization of Net System
ER-90-138	Direct	Normalization of Net System
EO-90-251	Rebuttal	Promotional Practice Variance
EO-91-74, et. al.	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-93-37	Direct	Weather Normalization of Class Sales; Normalization of Net System
ER-94-163	Direct	Normalization of Net System
ER-94-174	Direct	Weather Normalization of Class Sales; Normalization of Net System
EO-94-199	Direct	Normalization of Net System
ET-95-209	Rebuttal & Surrebuttal	New Construction Pilot
ER-95-279	Direct	Normalization of Net System
ER-97-81	Direct	Weather Normalization of Class Sales; Normalization of Net System; TES Tariff
EO-97-144	Direct	Weather Normalization of Class Sales; Normalization of Net System;
ER-97-394, et. al.	Direct, Rebuttal & Surrebuttal	Weather Normalization of Class Sales; Normalization of Net System; Energy Audit Tariff
EM-97-575	Direct	Normalization of Net System

PREVIOUS TESTIMONY OF
LENA M. MANTLE

EM-2000-292	Direct	Normalization of Net System; Load Research;
ER-2001-299	Direct	Weather Normalization of Class Sales; Normalization of Net System;
EM-2000-369	Direct	Load Research
ER-2001-672	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;
ER-2002-1	Direct & Rebuttal	Weather Normalization of Class Sales; Normalization of Net System;
ER-2002-424	Direct	Derivation of Normal Weather
EF-2003-465	Rebuttal	Resource Planning
ER-2004-0570	Direct	Reliability Indices
ER-2004-0570	Rebuttal & Surrebuttal	Energy Efficiency Programs and Wind Research Program
EO-2005-0263	Oral	DSM Programs and Integrated Resource Planning
EO-2005-0329	Oral	DSM Programs and Integrated Resource Planning
ER-2005-0436	Direct	Resource Planning
ER-2005-0436	Rebuttal	Low-Income Weatherization and Energy Efficiency Programs
ER-2005-0436	Surrebuttal	Low-Income Weatherization and Energy Efficiency Programs; Resource Planning
EA-2006-0309	Rebuttal & Surrebuttal	Resource Planning
EA-2006-0314	Rebuttal	Jurisdictional Allocation Factor
ER-2006-0315	Supplemental Direct	Energy Forecast

PREVIOUS TESTIMONY OF
LENA M. MANTLE

ER-2006-0315	Rebuttal	DSM and Low-Income Programs
ER-2007-0002	Direct	DSM Cost Recovery
GR-2007-0003	Direct	DSM Cost Recovery