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June 24, 2002

Public Service Commission
Truman State Office Building
Jefferson City, MO 65102

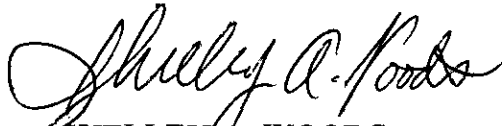
RE: *Staff of the Missouri Public Service Commission v. Union Electric
Company, d/b/a AmerenUE*, Case No. EC-2002-1

Dear Sir/Madam:

Enclosed for filing please find an original and 9 copies of The State of Missouri's Cross-Surrebuttal Testimony of Anita C. Randolph. Please stamp "filed" on the extra copy for my files. Thank you.

Sincerely,

JEREMIAH W. (JAY) NIXON
Attorney General


SHELLEY A. WOODS
Assistant Attorney General

SAW:pah
Enclosure
c: Counsel of Record

Exhibit No.:
Issues: Commitment to Provide Low or No
Cost Weatherization Assistance to
AmerenUE Low-Income Customers and
Energy Efficiency Services to
Residential and Commercial Customers.

Witness: Anita C. Randolph
Sponsoring Party: Missouri Department of Natural
Resources' Outreach and Assistance
Center, Missouri Energy Center

Type of Exhibit: Testimony
Case No.: EC-2002-1

AMEREN UE EARNINGS COMPLAINT CASE

CROSS-SURREBUTTAL TESTIMONY

OF

ANITA C. RANDOLPH

MISSOURI DEPARTMENT OF NATURAL RESOURCES

ENERGY CENTER

June 24, 2002

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
TESTIMONY OF
ANITA C. RANDOLPH
DIRECTOR
MISSOURI DEPARTMENT OF NATURAL RESOURCES
ENERGY CENTER**

CASE NO. EC- 2002-1

1

2 Q. Please state your name and address.

3 A. My name is Anita C. Randolph. My business address is Missouri Department of Natural
4 Resources, Energy Center, 1659 East Elm Street, P.O. Box 176, Jefferson City, Missouri
5 65102-0176.

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

7 A. I am employed by the Missouri Department of Natural Resources as the director of the
8 Missouri Energy Center, a division of state government with its executive office located in
9 Jefferson City, Missouri.

10 Q. On whose behalf are you testifying?

11 A. I am testifying on behalf of the Missouri Department of Natural Resources, a state
12 department. The state of Missouri is an intervenor in these proceedings.

13 Q. Have you filed previous testimony in this case?

14 A. Yes. I am the same Anita Randolph who filed, on behalf of the Missouri Department of
15 Natural Resources, Rebuttal Testimony with the Missouri Public Service Commission on
16 May 20, 2002.

17 Q. What is the purpose of your testimony?

18 A. The purpose of my testimony is to address the Rebuttal Testimony of Richard J. Mark, Vice
19 President of Customer Service at AmerenUE, filed with the Missouri Public Service
20 Commission on May 10, 2002 that describes the Company's proposed Low Income
21 Customer Assistance Program and provisions that would fund the program; the Rebuttal
22 Testimony of Gary L. Rainwater, President and Chief Operating Officer of Ameren
23 Corporation and Craig Nelson, Vice President -- Corporate Planning of Ameren Services,

1 that describe the Company's infrastructure investment needs and resource planning; and the
2 Rebuttal Testimony of Peter Fox-Penner, Ph.D., Chairman of the Brattle Group and Dennis
3 L. Weisman, Ph.D., Professor of Economics at Kansas State University that describe
4 incentive regulation.

5 Q. How will the Company's Alternative Regulatory Plan (Alt Reg Plan) provide funding for the
6 Low-Income Customer Assistance Program?

7 A. As explained by Mr. Richard Mark's testimony, upon the approval of Ameren's proposed Alt
8 Reg Plan, the Company will provide a one-time contribution of \$5 million for the program.
9 Thereafter, the program will receive additional funding based on the Company's
10 performance each calendar year under the Alt Reg Plan. The program will receive \$1 million
11 in any year when the Company's earnings under the Alt Reg Plan equal or exceed 10.5
12 percent. In addition, the program will receive a total of 5 percent of the earnings between
13 12.5 percent and 15 percent, and 10 percent of the earnings, if any, above 15 percent. Mr.
14 Mark further states that if the Company is successful in reducing its costs under the Alt Reg
15 Plan, needy customers will be the beneficiaries.

16 Q. Please describe the Company's proposed Low Income Assistance Program.

17 A. Mr. Mark states that the Company's Low Income Assistance Program would provide low
18 income customers with energy grants through the existing Dollar More Program
19 administered by the United Way of Greater St. Louis.

20 Q. How does the Dollar More program assist low-income customers of Ameren?

21 A. The Dollar More Program is an existing energy assistance program that provides funds to
22 individuals and families in AmerenUE's service territory to assist them in paying their
23 energy bills. Ameren customers contribute to the Dollar More Program by making a pledge

on their energy bill. The pledge amount is included in their energy bill payment to the Company. Customers also contribute to the Dollar More by sending checks to Ameren, the United Way or the Ameren Corporation.

Q. When was the Dollar More Program established?

A. On October 19, 1982, Union Electric Company announced the creation of the Dollar More Program. According to the Company's announcement, the Dollar More Program was established to allow customers to help financially challenged customers by adding a \$1 contribution to their monthly utility bill payments. The money went into a fund to help low-income customers pay their utility bills. Union Electric Company announced its program following the September 24, 1982 announcement by Laclede Gas Company of its newly formed non-profit group, Dollar-Help, Inc. (HELP standing for "Helping Elderly and Low-income People).

Q. What is the primary function of the Dollar More Program?

A. With the participation of area community service organizations, low-income energy customers may apply for financial assistance in meeting their monthly utility bills. Funds from Dollar More are paid directly to the utility by the community service organization to help satisfy a portion of a low-income customer's monthly energy bill.

Q. Did the Company establish another energy assistance program when the Dollar More Program was created?

A. Yes. Union Electric Company announced its intent to contribute \$100,000 to help solve long- and short-term problems low-income utility customers had with paying their electricity bills. The three-part energy assistance program was called "Energy Aid".

1 Q. Please describe the three parts of the Energy Aid program established by Union Electric
2 Company.

3 A. The three-part program, as announced by Union Electric Company, included Project
4 Comfort, Operation Upgrade and an emergency fund to help pay utility bills during customer
5 emergencies.

6 Q. Please describe Project Comfort.

7 A. As announced, Union Electric Company was trying to solve long-term problems by
8 "improving energy efficiency where the poor live," according to company spokesperson Tom
9 J. Dehner. Under Project Comfort, the Company set aside \$50,000 to add insulation to up to
10 150 qualified households to establish "comfort zones", a one-room area for use by members
11 of the household during extreme cold and hot weather.

12 Q. Please describe Operation Upgrade.

13 A. Union Electric Company provided \$40,000 to upgrade 50 apartment buildings in North St.
14 Louis. Under the program, landlords applied to the Northside Community Center, the
15 program's coordinator, to have professional contractors install attic insulation in the
16 apartment buildings. In return for this service, landlords were required to install storm
17 windows and doors, add weather-stripping and caulk windows and doors.

18 Q. Please describe the third part of Energy Aid.

19 A. The final \$10,000 of the Company program was designed to help consumers pay their bills
20 during emergencies in an effort to avoid utility shut-off. The money was distributed by
21 Operation Weather Survival, an organization composed of local charities.

22 Q. What is the significance of the Energy Aid program?

1 A. Although utility bill paying assistance is vitally important to low-income families, the
2 Energy Aid program was clearly created to address the need for utility-based energy
3 efficiency programs and services that improve energy use in homes, reduce energy bills over
4 the long-term and help more families be more self-sustaining. In the Company's
5 announcement, Mr. Dehner said Union Electric was emphasizing long-range solutions
6 because helping the poor was "temporary". According to Union Electric, "Bill payment is
7 important, but it really doesn't do as much if they're wasting energy, if their homes aren't
8 energy efficient."

9 Q. What is your perspective of the Company's offer of a one-time contribution of \$5 million to
10 the Dollar More Program?

11 A. The Company should be commended for offering such support to low-income customers
12 under its proposed Alt Reg Plan. However, since the Company's \$5 million dollar
13 contribution is being offered from proceeds collected through current rates paid by utility
14 customers, and the money will return to the company in utility bill payments, in effect, the
15 Company is not making any contribution. In my opinion, the Energy Aid Program as well as
16 the Experimental Low Income Weatherization Assistance Program administered by the
17 Company's natural gas division demonstrates that the Company recognizes the importance of
18 long-range energy efficiency programs that have a permanent and positive economic impact
19 on utility customers.

20 Q. What is the significance of a \$5 million contribution to assist low-income customers?

21 A. The contribution is significant in two ways. First, the Company recognizes the special needs
22 of low-income utility customers and the difficulties they have in meeting their monthly

1 energy bills. Second, a multi-million dollar contribution is a significant gesture and supports
2 the basic concept for the need to assist low-income customers as outlined in my testimony.

3 Q. What does the Company offer in support of energy efficiency programs for residential,
4 commercial and industrial customers?

5 A. The filed testimony of the Company does not offer any support for energy efficiency services
6 or programs for any of its customer classes. Such services for general residential,
7 commercial and industrial customers are essentially ignored in the Company's filed
8 testimony. The principle focus of the company is to appear to be supportive of the needs of
9 low-income customers and their general inability to meet their monthly utility billing needs.
10 Contributions to the Dollar More Program will help low-income customers to pay their
11 utility bills, but it does not provide any long-term benefit to the customer or to the utility.
12 Residential, commercial and industrial energy efficiency programs provide sustainable, long-
13 term benefits to utility customers and a method for the company to significantly reduce
14 billing arrears and associated administrative expenses. It enhances the quality of life for the
15 Company's customers and contributes to a robust local economy by supporting local
16 businesses that sell or install energy-related products. Utility customers that reduce their
17 monthly energy bill can use more of their income to purchase goods, services or equipment
18 or increase their workforce and production. Although low-income energy programs are
19 important, the utility services other customer classes within its service territory. The
20 Company's focus should include energy efficiency services and programs to all customer
21 classes.

22 Q. What should the Company offer to support low-income weatherization services and energy
23 efficiency services or programs for residential, commercial and industrial utility customers?

1 A. The Company should establish a \$1.2 million low-income weatherization fund and a \$1.2
2 million residential, commercial and industrial energy efficiency fund and contribute an
3 additional \$1 million to each fund annually.

4 Q. Please explain how these energy efficiency programs for residential, commercial and
5 industrial customers would be planned?

6 A. The energy efficiency programs or services would be designed through a collaborative effort
7 between AmerenUE, PSC Staff, Office of Public Counsel and the DNR' Energy Center with
8 participation by a variety of residential, commercial and industrial organizations.

9 Q. Does the Company consider energy efficiency programs in its resource planning?

10 A. There is no indication that the Company has considered energy efficiency programs as a
11 strategy to meet its customers' demand. Mr. Nelson's rebuttal testimony states that
12 "Regarding the resource planning process, AmerenUE has a strong need to add generating
13 resources in the coming years." Mr. Nelson further states "In response to those customer
14 needs, AmerenUE's strategy calls for additional generation capability achieved through a
15 combination of resources, including power purchases, generation additions and upgrades to
16 existing generation facilities."

17 Q. Should the Company consider energy efficiency programs in its resource planning process?

18 A. Yes. In my surrebuttal testimony, I explain the cost comparison of energy efficiency to new
19 electric generation capacity and conclude that energy efficiency investments are more cost-
20 effective than building new generation. Energy-efficiency approaches are even more cost
21 effective when the benefits of reduced environmental pollution and reduced stress on the
22 transmission and distribution system are included in the assessment.

23 Q. Are system benefits from energy efficiency investments relevant in this case?

1 A. Yes. Energy efficiency programs can ease transmission loads, reducing the need for
2 transmission and distribution line upgrades and delaying the need for new generation.
3 Mr. Rainwater states that "AmerenUE will need to expend nearly \$3 billion in infrastructure
4 investments over the next five years" and that "Without adequate revenues AmerenUE will
5 simply have to reduce or delay much needed infrastructure investments, including the
6 addition of new generating capacity to meet Missouri's growing energy demand." Mr.
7 Rainwater further states that "this is not sound energy policy." I believe Mr. Rainwater's
8 assessment of sound energy policy is incomplete. I believe sound energy policy requires a
9 balanced approach to meeting Missouri's energy needs that includes both supply and demand
10 management options. Reducing the need for costly infrastructure investments by reducing
11 demand through cost-effective energy efficiency programs and distributed customer-owned
12 generation from clean energy sources makes economic sense for the Company and
13 customers.

14 R. Are there rate design issues that may affect the Company's consideration of energy efficiency
15 programs?

16 S. Dr. Fox-Penner and Dr. Weisman's testimony references incentive regulation and how it can
17 be used to motivate a firm's behavior to achieve "win-win" situations for both the company
18 and the customer. The Regulatory Assistance Project's December 2000 study "Performance-
19 Based Regulation for Distribution Utilities" reports that traditional cost-of-service regulation
20 using volumetric prices creates a strong incentive to increase sales and a corresponding
21 disincentive to engage in activities that reduce sales. Properly structured incentive regulation
22 plans can partially de-couple sales from revenues and profits to remove the disincentive to
23 reduce sales. Setting goals or performance measures can include encouraging investment in

1 cost-effective distributed resources (end-use energy efficiency and small customer-owned
2 generation from clean energy sources).

3 Q. Does this conclude your testimony?

4 A. Yes. Thank you.

5 H:\WOODSS\AMERENUE\Cross Surrebuttal Testimony June 24, 2002 final.wpd

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

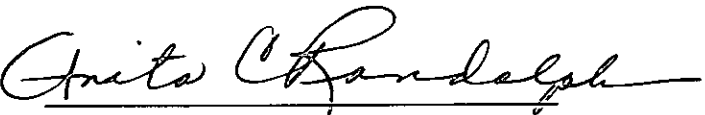
Staff of the Missouri Public Service Commission,)
Complainant,)
V.)
Union Electric Company, D/B/A AmerenUE,)
Respondent)

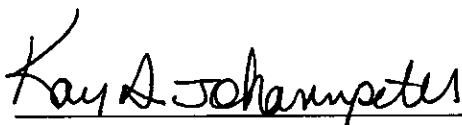
Case No. EC-2002-1

AFFIDAVIT OF ANITA C. RANDOLPH

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Anita C. Randolph, being duly sworn on her oath, hereby states that she has participated in the preparation of the foregoing Cross-Surrebuttal Testimony in question and answer form; that the answers in the foregoing Cross-Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters were true and correct to the best of her knowledge, information and belief.


Anita C. Randolph


Kay A. Johannpeter
Notary Public

My commission expires: **KAY A. JOHANNPETER**
NOTARY PUBLIC, STATE OF MISSOURI
MONITEAU COUNTY
My Commission Expires 8-4-2003

Subscribed and sworn before me this 19th day of June, 2002.

