**BEFORE THE PUBLIC SERVICE**
**COMMISSION OF THE STATE OF MISSOURI**

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| In the Matter of Ameren Missouri's 2014 Integrated Resource Plan Annual Update Report | ) ) | File No. EO-2016-0273 |

## COMMENTS OF UNITED FOR MISSOURI, INC.

**COMES NOW**, United for Missouri, Inc. ("UFM"), pursuant to 4 CSR 240-22.080(3)(D), and files these its comments in the above referenced cases:

I. Factual Background.

On April 12, 2016, Ameren Missouri filed its Integrated Resource Plan Update, Spring 2016 ("2016 Update") in the above referenced case. In Section 3.3 of the 2016 Update, Ameren Missouri provided an update on customer financing in response to the Commission's order in File No. EO-2016-0037. Starting at page 27, the 2016 Update states as follows:

> **Property Assessed Clean Energy (PACE):** PACE allows local/state governments or other inter-jurisdictional authorities, when authorized by state law, to fund the up-front cost of energy improvements on commercial and residential properties, which are paid back over time by the property owners. A benefit to both the customer and utility under this option is that it reduces the concern about investment recovery when the property is sold, because the financing is tied to the property itself rather than to the owner. The programs are usually sponsored by the municipality, which could engender more trust in the accuracy of the information as opposed to contractor-led programs. The U.S. Department of Energy is also a major supporter of PACE financing providing both technical support and grant funding for innovative financing options like PACE. The one drawback of a PACE program is that it requires action at the state and local levels. Laws must be established to enable local governments to create special assessment districts that recognize energy efficiency and renewable energy as public "goods." Next, each locality can pass ordinances creating assessment zones and authorizing lien creation and project financing. Finally, the locality establishes administrative and funding processes.
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> **Ameren Missouri's Current Focus:** Of the three options presented, the option which may be the most viable in some but not all communities in the Ameren Missouri service area at the present time is PACE. It allows customers to decrease the upfront capital cost

> of energy efficiency measures, but it eliminates risks of other Ameren Missouri customers subsidizing potential loan defaults.
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> At this time, Ameren Missouri does not have plans to offer measure, project or program specific financing options to customers. Ameren Missouri will assist customers in whatever manner required who opt to pursue PACE financing. However, Ameren Missouri does not have plans to pursue long-term financing options that may add costs and additional operational and financial risks to the delivery of energy efficiency programs. Ameren Missouri and the Commission are cognizant of the financial impact of customer funded energy efficiency programs on non-participating customers. Any potential future energy efficiency financing options should not have a detrimental impact on non-participating customers.
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> Ameren Missouri will continue to monitor developments in the utility industry energy efficiency program financing business models. Should conditions for such programs in Ameren Missouri's service territory become favorable, Ameren Missouri is open to discussing financing options for customer funded energy efficiency programs in a statewide DSM Collaborative setting.

On April 20, 2016, Ameren Missouri hosted its annual update workshop. Finally, on May 2, 2016, in response to the workshop, Ameren Missouri filed a notice advising the Missouri Public Service Commission ("Commission") of the workshop and provided a post-workshop summary report.

## II. Comments

UFM has reviewed the 2016 Update and finds it to be in compliance with 4 CSR 240-22 ("IRP Rule").

UFM has comments only on Ameren Missouri's discussion of its customer financing options. UFM should first note, as it did in its comments in File No. EO-2016-0037, that energy efficiency financing is not exactly an apt special contemporary issue in an integrated resource planning process. However, in response to the Commission making it a special contemporary issue and Ameren Missouri's discussion in its 2016 Update, UFM has some observations.

Energy efficiency financing would be a convenience for customers considering energy efficiency projects. The Missouri Energy Efficiency Investment Act directs the Commission to "ensure that utility financial incentives are aligned with helping customers use energy more efficiently and in a manner that sustains or enhances utility customers' incentives to use energy more efficiently." Section 393.1075.3 RSMo. On-bill financing would help align these motives. On-bill financing would create transparency and send price signals to energy efficiency customers because it would allow customers to compare savings from energy efficiency projects to the costs for installing those same energy efficiency projects. An entity truly motivated to help customers use energy more efficiently would be motivated to help its customers see the value of their investments.

There is an additional advantage to on-bill financing in that it focuses the buyer and the seller on the transaction itself. In File Nos. EO-2015-0240 and EO-2015-0241, there was a dispute between the companies Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, and Brightergy, one of the companies' contractors. The dispute was over the propriety of reducing the incentives offered under the business custom rebate program. The companies were concerned that the incentive was too large and thereby constituted an inefficient use of their MEEIA budget. Brightergy was concerned that reducing the incentive would reduce the number of transactions and thereby reduce its potential to sell services. Unfortunately, there was a mismatch in the parties' incentives. The companies were incented to save money but not to pursue individual transaction. Brightergy was incented to pursue individual transactions but not to reduce the expense of the service. A free market seller would have both incentives, to pursue transactions and reduce expenses.

In order to align incentives to serve customers, a seller's profit should be tied to payments from customers for services rendered. In that way, a utility will have both the motive to reduce cost, i.e. reduce the incentive, and the motive to make the sale. By merging these two incentives, the utility should be able to come to the most economically efficient transaction, minimizing cost, while at the same time getting the deal done. On-line billing will facilitate this view of the transaction, by allowing the parties to the transaction to focus on ultimate costs and benefits. The transaction can be structured to allow the utility to obtain a revenue stream from the transaction and to allow the customer to see the benefit to him on his bill.

In its discussion on on-bill financing, Ameren Missouri expressed its preference to use PACE. UFM discourages the Commission from relying on governmental source or systems of financing for several reasons. First, MEEIA directs the Commission to align the motives of the electric utilities and their customers. It does not direct the Commission to align the motives of government to lend money with the motives of customers to use energy more efficiently. The utilities are expected to "own" their services, not pawn them off on government. Serving the customer should remain where it most expeditiously resides, with the seller of the service.

Second, the government is not a commercial lending institution. Contrary to what many may believe, the purpose of government does not extend that far. See Article I, Section 2 of the Missouri Constitution.

Third, it is bad public policy to use money derived from the taxing power of the government or the systems of government to invest in the private efforts of individuals and business entities. In sum, the Commission should keep the borrowing transaction were it ought to be, between a willing seller of services and a willing buyer, without government intervention.

As UFM has commented in the past, energy efficiency financing is not an apt resource planning issue. Therefore, UFM does not recommend the Commission direct Ameren Missouri to provide energy efficiency financing. However, if the Commission is inclined to pursue this idea, UFM requests the Commission and Ameren Missouri keep these principles in mind in designing the program.

WHEREFORE, for the foregoing reasons, United for Missouri, Inc. respectfully requests the Commission consider these its comments in this matter.

Respectfully submitted,

By: */s/ David C. Linton*

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing was sent to all parties of record in the above referenced file via electronic transmission this 1st day of June, 2016.

*/s/ David C. Linton*