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Issues: Cost of Service
Witness: Henry E. Warren
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2012-0166
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

HENRY E. WARREN, Ph.D.

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

CASE NO. ER-2012-0166

**Jefferson City, Missouri
August 2012**

**** Denotes Highly Confidential Information ****

PR

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to)
Increase Its Revenues for Electric Service)

Case No. ER-2012-0166

AFFIDAVIT OF HENRY E. WARREN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Henry E. Warren, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 6 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


Henry E. Warren

Subscribed and sworn to before me this 14th day of August, 2012.




Notary Public

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OF

HENRY E. WARREN, Ph.D.

UNION ELECTRIC COMPANY
d/b/a Ameren Missouri

CASE NO. ER-2012-0166

Q. Please state your name and business address.

A. My name is Henry E. Warren and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri, 65102.

Q. Are you the same Henry E. Warren who contributed to Staff's *Cost-of-Service Report* filed July 6, 2012?

A. I am.

EXECUTIVE SUMMARY

Q. What is the purpose of your Rebuttal Testimony?

A. My Rebuttal Testimony will address issues in Section III. *The Federal Weatherization Program* and Section IV. *Ameren Electric's Weatherization Program Funding* of the Direct Testimony of Missouri Department of Natural Resources (MDNR) witness Dr. Adam Bickford regarding MDNR's request for funding for itself to be included as part of the funding for the Low-Income Weatherization program of Union Electric Company d/b/a Ameren Missouri (Ameren Missouri or Company). While Staff is supportive of the Low-Income Weatherization Program (weatherization program) of Ameren Missouri, Staff recommends that funds designated for the weatherization of Ameren Missouri's low-income customers should not be used to compensate MDNR; they should be used for the weatherization of the homes of Ameren Missouri's low-income customers. Furthermore, it is

1 Staff's opinion that the redirection of Ameren Missouri funds designated for low-income
2 weatherization to MDNR for administrative activity is not provided for in the current multi-
3 agency agreement which is the controlling legal authority for the Ameren Missouri low-
4 income weatherization program, Schedule HEW-1 (HC).

5 Q. How much funding is MDNR requesting?

6 A. MDNR is requesting \$120,000, which would mean increasing Ameren
7 Missouri's annual funding of the low-income weatherization program for its electric
8 customers by ten percent, from \$1,200,000 to \$1,320,000.

9 **RESPONSE TO DIRECT TESTIMONY OF DR. ADAM BICKFORD, MDNR.**

10 Q. To which portion of the Direct Testimony submitted by MDNR Witness, Dr.
11 Adam Bickford regarding Ameren Missouri funded low-income weatherization do you wish
12 to address?

13 A. On page 8, line 12 of his Direct Testimony, Dr. Bickford states:

14 The Weatherization program already recovers its costs in rates and was not
15 included in Ameren[Missouri]'s [Missouri Energy Efficiency Investment Act
16 ("MEEIA")] portfolio. Consequently, the financial agreements agreed to in the
17 MEEIA Stipulation do not apply to it. MDNR's only avenue is to pursue an
18 increase in funds for the Weatherization program to cover administrative costs
19 through the current rate case.

20 Q. Is MDNR receiving any funds from Ameren Missouri's MEEIA programs?

21 A. No.

22 Q. In its previous interventions in natural gas or electric utility rate cases, in
23 which it has requested utility funds for the weatherization of low-income utility customers,
24 has MDNR ever requested a portion of these funds for MDNR administrative activities?

25 A. No. MDNR has provided these "administrative activities" before the inception
26 of utilities supplemental funding for the weatherization of low-income customer's homes. For

1 almost twenty years, MDNR has worked with Staff and the Office of the Public Counsel
2 (OPC) for funds to supplement MDNR's mission to weatherize low-income households in
3 Missouri. When the utilities began to provide funds for low-income weatherization, it was
4 decided that funds would be provided to MDNR weatherization agencies instead of the
5 utilities spending money to duplicate the functions of the MDNR weatherization agencies.
6 The utility funding has included administrative funds for the subcontractor weatherization
7 agencies, but MDNR has never requested funds for its own administrative activities.

8 Ameren Missouri deposits its weatherization funds with the Environmental
9 Improvement and Resources Authority (EIARA) for MDNR to withdraw as it is used. EIARA
10 uses earnings on the deposited funds for management costs of the Ameren Missouri
11 weatherization funds.

12 Q. Did Dr. Bickford state why MDNR is making this request?

13 A. No. Dr. Bickford does not say what has changed that requires a change to the
14 current arrangement. On page 9 of his Direct Testimony, Dr. Bickford states:

15 MDNR has administered all utility weatherization funds in conjunction with
16 the federal Weatherization program under federal guidelines, and has not
17 previously sought or received funds to reimburse its costs to administer the
18 utility programs. All utility weatherization funds have been provided directly
19 to local agencies through subgrant agreements. MDNR cannot continue this
20 approach under the existing funding levels for the federal Weatherization
21 program. Because utility weatherization funding has been authorized via
22 agreement or Commission order, and generally in rate cases, MDNR is
23 unaware of any alternate forum to address this issue. It is our intention to
24 attempt to resolve this issue via negotiation with each utility for whom
25 MDNR is administering a utility Weatherization program. (Emphasis added.)

26 Q. Are you aware of any other PSC case in which MDNR is making such a
27 request for funds for MDNR administration?

28 A. No, I am not. Dr. Bickford did request increased low-income weatherization
29 funds in MDNR's Direct Testimony in the Kansas City Power & Light Company rate case,

1 Case No. ER-2012-0174, and KCP&L Greater Missouri Operations Company rate case, Case
2 No. ER-2012-0175, but did not request funds for MDNR administration in either of these
3 cases.

4 Q. Did MDNR present this proposal for funding for its administrative activities to
5 the Ameren Missouri stakeholder group on energy efficiency for consideration and approval?

6 A. No, this issue has not been presented to the stakeholder group.

7 Q. Is it appropriate to use funds collected in rates for weatherization of Ameren
8 Missouri's low-income customers' homes for MDNR administration?

9 A. No. Staff realizes that federal funding of low-income weatherization has had
10 significant increases under the American Re-investment and Recovery Act (ARRA) and that
11 federal funding is now significantly decreasing as the ARRA funds are no longer available.
12 However, Ameren Missouri's funding for low-income weatherization is under the jurisdiction
13 of the Cooperative Funding Agreement signed by the Commission, MDNR, Ameren
14 Missouri, and EIARA, which does not provide administrative funds for MDNR.

15 Q. Did MDNR present an argument for requesting MDNR funding from Ameren
16 Missouri?

17 A. Yes, on page 11 of his Direct Testimony, Dr. Bickford states that these funds
18 would be used to cover the costs of conducting on-site verification of installed energy
19 efficiency and health and safety measures; on-site financial monitoring of Ameren Missouri
20 and federal program funds; operation and maintenance; an on-line program database for
21 tracking and reporting of the Missouri Weatherization Assistance Program (MoWAP); and
22 other administrative functions.

1 Q. Would you comment on the functions on which MDNR states that it would use
2 these funds?

3 A. Yes, with respect to on-site verification, in the last Ameren Missouri general
4 rate increase case, Case No. ER-2011-0028, the Commission in its *Report and Order* issued
5 on July 23, 2011, stated on page 47:

6 The evaluation is to be funded from Ameren Missouri's withholding from
7 Ameren Missouri's annual payment to EIARA of a maximum amount of
8 \$60,000 annually. This is intended to provide \$120,000 as the maximum
9 funding for each evaluation. In the event an evaluation costs less than
10 \$120,000, the remaining funds will serve to reduce the next annual \$60,000
11 withholding.

12 While not specifically stated in the Commission's order, it is typical that an evaluation
13 would include some verification of installed energy efficiency measures and whether or not
14 these energy efficiency measures created or contributed to health and safety issues.

15 Q. Did OPC have a position in Case No. ER-2011-0028 regarding Ameren
16 Missouri low-income weatherization funds being used for evaluation of the low-income
17 weatherization program, and what is Staff's position on those evaluations in this case?

18 A. Yes, it was the OPC's position in Case No. ER-2011-0028 that the recurring
19 evaluation would consume money that would otherwise be used to provide weatherization
20 services. Staff, as it stated in its *Cost of Service Report* filed in this case, Case No. ER-2012-
21 0166, on July 6, 2012, does not support the continuous biennial evaluations unless
22 demonstrated to be cost effective and recommended that any funding not used for biennial
23 evaluations should be provided to the weatherization agencies for their use in weatherizing
24 additional low-income customer's residences. Therefore, Staff is not supportive of additional
25 monies being provided to MDNR for evaluation of on-site verification of installed energy
26 efficiency.

1 Ameren Missouri funds should not be used for verification of health and safety
2 measures that are not connected to energy efficiency nor should they be used for financial
3 monitoring of federal funding or tracking of energy efficiency installed with federal funds.

4 Q. Did the functions MDNR is requesting funds for include “Other Administrative
5 Functions” and “Other Costs”?

6 A. Yes, for “other administrative functions,” MDNR work papers show that this
7 would partially cover “General Administration and Management” costs, including a portion of
8 the salaries of MDNR Energy Division Employees, Dr. Adam Bickford, Mary Ann Young,
9 and Brenda Wilbers in the amount of \$19,071. This portion of the salaries for “General
10 Administration and Management” is greater than the funds that MDNR requested for salaries
11 of on-site technical monitoring of \$18,629.

12 Additionally, MDNR’s work papers show that over 25% of what it is requesting is for
13 unspecified MDNR “Other Costs.”

14 **STAFF RECOMMENDATION**

15 Q. What is Staff’s recommendation regarding the Direct Testimony of MDNR
16 witness Dr. Adam Bickford?

17 A. Staff’s recommendation is for the Commission to not allow for any of Ameren
18 Missouri’s low-income weatherization funds to be used for MDNR administration.

19 Q. Does this conclude your Rebuttal Testimony?

20 A. Yes, it does.

Schedule HEW-1

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