

Exhibit No.  
Issues: Weatherization Assistance  
and Energy Efficiency  
Services  
Witness: Richard J. Mark  
Sponsoring Party: Union Electric  
Type of Exhibit: Cross-Surrebuttal Testimony  
Case No.: EC-2002-1  
Date Testimony Prepared: June 24, 2002

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. EC-2002-1**

**CROSS-SURREBUTTAL TESTIMONY**

**OF**

**RICHARD J. MARK**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a AmerenUE**

Exhibit No. 126  
Date 7/10/02 Case No. EC-2002-1  
Reporter KRM

St. Louis, Missouri  
June, 2002

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1 **CROSS-SURREBUTTAL TESTIMONY**

2 **OF**

3 **RICHARD J. MARK**

4 **CASE NO. EC-2002-1**

5 **Q. Please state your name and business address.**

6 A. My name is Richard J. Mark. My business address is 1901 Chouteau  
7 Avenue, St. Louis, Missouri 63103.

8 **Q. Are you the same Richard J. Mark who previously filed rebuttal**  
9 **testimony in this proceeding?**

10 A. Yes, I am.

11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to respond to the rebuttal testimony filed  
13 by Anita G. Randolph on behalf of the Missouri Department of Natural Resources  
14 ("MDNR").

15 **Q. Please briefly summarize Ms. Randolph's testimony.**

16 A. Ms. Randolph recommends that Union Electric Company d/b/a  
17 AmerenUE ("UE") be required to fund weatherization assistance for low-income  
18 residential customers at a level of \$1.2 million per year. In addition, Ms. Randolph  
19 recommends that UE fund residential or commercial energy efficiency services and  
20 programs at the same level of \$1.2 million per year.

21 **Q. What support has Ms. Randolph provided for her proposal that UE**  
22 **be required to provide \$1.2 million per year in funding for low-income**  
23 **weatherization assistance?**

1           A.     Ms. Randolph's testimony cites statistics that indicate that home heating  
2     bills create a significant burden for low-income households. She also states that there is a  
3     need for weatherization based on the number of households on waiting lists for  
4     subsidized weatherization, and that weatherization can help low-income households  
5     reduce their energy bills. Finally, she argues that utilities benefit from weatherization,  
6     because it reduces working capital expense, uncollectible accounts, credit and collection  
7     expenses and other expenses.

8           Q.     Do you agree with Ms. Randolph's testimony regarding  
9     weatherization?

10          A.     In many respects, yes. There is no question that energy bills are  
11     burdensome to low-income households and that weatherization of the customer's home  
12     can help to ease that particular burden. For these reasons, as Ms. Randolph has  
13     acknowledged, UE already provides weatherization assistance in Missouri at a rate of  
14     \$125,000 per year.

15                 However, I do not believe Ms. Randolph's testimony supports the  
16     allocation of an additional \$1.2 million of our customers' money to provide additional  
17     weatherization subsidies. For one thing, I am not convinced that weatherization provides  
18     the benefits to utilities that Ms. Randolph has alleged. Ms. Randolph cites only one  
19     example of a low-income program in Pennsylvania where the payment patterns of low-  
20     income households allegedly improved after they receiving weatherization assistance.  
21     She does not provide any details of the program and merely cites a consultant's report  
22     from 1997 that referenced the Pennsylvania program. The consultant who prepared the  
23     report is not a witness in this proceeding, and a copy of the report is not even included

1 with Ms. Randolph's testimony. This simply does not provide persuasive evidence that  
2 utilities in Missouri will benefit from subsidizing weatherization for low-income  
3 households.

4 Second, and perhaps more importantly, I have concerns about whether and  
5 to what extent additional weatherization subsidies will actually benefit low-income  
6 households. Subsidized weatherization for rental property, for example, may primarily  
7 benefit the owner of the property and could ultimately translate into higher rent for low-  
8 income tenants. In addition, in situations where low-income customers do own their own  
9 homes, the homes are often much older than average and can contain significant  
10 structural defects. Weatherization dollars spent on such structures often provide little in  
11 the way of reductions in energy consumption. Consequently, UE believes it is more  
12 appropriate and useful to provide assistance to low-income customers through the Dollar  
13 More Program, as the Company has proposed in its Alternative Regulation Plan, than to  
14 increase the subsidy provided by the Company for weatherization.

15 **Q. What evidence has Ms. Randolph provided to support her proposal**  
16 **that UE be required to fund energy efficiency initiatives at a rate of \$1.2 million per**  
17 **year?**

18 **A.** Ms. Randolph cites various sources to support the proposition that  
19 enhancements to energy efficiency can provide benefits to consumers and promote the  
20 affordability of home ownership. She also cites statistics from various reports that are  
21 not in the record in this proceeding to reach conclusions that are at least questionable.  
22 For example, citing a 1998 report from "The Environmental Working Group," Ms.  
23 Randolph alleges that due to reductions in state energy efficiency programs "..."

1 Americans forfeited \$1 billion in savings on electric bills as of 1997. These savings  
2 would have continued every year for the subsequent 10 years, a total of at least \$10  
3 billion in consumer savings lost due to cuts in energy efficiency programs by utilities,  
4 inspired largely by utility deregulation.” (Randolph Rebuttal, p. 16.) At another point in  
5 her testimony she alleges, without support, that the replacement of a single light bulb will  
6 reduce carbon monoxide emissions by 1,000 pounds over the life of the bulb. (Randolph  
7 Rebuttal, p. 17.) These and the other similar unsupported allegations in Ms. Randolph’s  
8 testimony, and citations to portions of studies from various organizations that are not  
9 themselves sponsored, do not provide sufficient justification for the Commission to  
10 dedicate \$1.2 million per year in customer funds for energy efficiency initiatives.

11 **Q. Does Ms. Randolph adequately explain how the money she proposes**  
12 **to earmark for energy efficiency would be spent?**

13 A. No. Although she provides some non-specific examples of how the funds  
14 might be spent (i.e., “...training for building contractors, developers and architects is  
15 essential and could be included in a utility-based efficiency program.”<sup>1</sup>), her  
16 recommendation is that the money be turned over to a “collaborative group” consisting of  
17 representatives from DNR, UE, the Commission Staff and the Office of the Public  
18 Counsel. Presumably, the collaborative group could allocate the \$1.2 million as it saw fit  
19 to any residential or commercial energy efficiency service or program. In my opinion, it  
20 is not appropriate to turn over \$1.2 million per year of our customers’ money to a  
21 collaborative group of company and state employees with a vague mandate to spend it on  
22 energy efficiency services or programs. Again, I believe that the best way to support

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<sup>1</sup> Randolph Rebuttal, p. 13.

Cross-Surrebuttal Testimony of  
Richard J. Mark

1 low-income households is through the time-tested Dollar More Program, as set forth in  
2 UE's proposed Alternative Regulation Plan. If, in spite of this recommendation, the  
3 Commission requires UE to fund either weatherization or energy assistance programs, a  
4 concomitant increase in the Company's revenue requirement will be necessary to fund  
5 the program(s).

6 **Q. Does this conclude your testimony?**

7 **A. Yes, it does.**

