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Issue(s): Pure Power
Witness: William J. Barbieri
Sponsoring Party: Union Electric Company
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2010-0036
Date Testimony Prepared: February 11, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

REBUTTAL TESTIMONY

OF

WILLIAM J. BARBIERI

ON

BEHALF OF

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

****DENOTES HIGHLY CONFIDENTIAL INFORMATION****

**St. Louis, Missouri
February 11, 2010**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **WILLIAM J. BARBIERI**

4
5 **CASE NO. ER-2010-0036**

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

7 A. My name is William J. Barbieri. My business address is One Ameren Plaza,
8 1901 Chouteau Avenue, St. Louis, MO 63103.

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

10 A. I am employed by Ameren Energy Fuels and Services Company as Manager,
11 Renewables.

12 **Q. Please describe Ameren Energy Fuels and Services Company.**

13 A. Ameren Energy Fuels and Services Company (AFS) is a wholly owned
14 subsidiary of Ameren Corporation that provides various administrative and support functions
15 for Ameren Corporation and its affiliates.

16 **Q. Please describe your employment history with Ameren Energy Fuels and**
17 **Services Company.**

18 A. I joined the Fossil Fuel Department of Ameren Corporation in August, 1999
19 as Senior Business Development Executive, after approximately 20 years with Peabody Coal
20 Company. I was promoted to Coal Business Development Director in 2000, handling
21 procurement and sales of third party coal along with marketing functions for coal terminal
22 activities. In November, 2004, I was asked to coordinate the renewable energy initiative for
23 Ameren Corporation and the Ameren affiliates as Managing Executive, Renewables. In
24 2007, I was promoted to Manager, Renewables.

1 **Q. Please describe your duties and responsibilities as Manager, Renewables.**

2 A. Along with my staff, I am responsible for investigating, developing and
3 implementing the renewable energy initiatives and strategy for Ameren Corporation and its
4 affiliates. This includes directing and conducting research related to renewable generation
5 technologies including wind, solar, biomass, landfill gas, hydroelectric and other forms of
6 renewable generation. In addition, the department I oversee is currently developing the
7 renewable compliance requirements related to the Missouri Renewable Energy Standard
8 (RES-Proposition C) and manages the implementation of renewable generation projects into
9 the Ameren generation fleet. This includes assessing the technical and financial feasibility of
10 such generation.

11 **Q. Please describe your qualifications.**

12 A. I have been in the energy industry for approximately 30 years after receiving a
13 Bachelor of Science Degree in Business Administration from St. Louis University in 1977
14 with accounting as my area of specialization.

15 **Q. What is the purpose of your rebuttal testimony?**

16 A. The purpose of my rebuttal testimony is to respond to the portion of the
17 Missouri Public Service Commission Staff (Staff) Report on Revenue Requirement Cost of
18 Service (Staff's Report) sponsored by Staff witness Michael Ensrud, related to AmerenUE's
19 Voluntary Green Program - Pure Power (Pure Power).

20 **Q. Staff has raised a concern on the breakdown of the various components**
21 **related to the \$15 price per Renewable Energy Credit (REC). Staff believes AmerenUE**
22 **should provide, on a percentage basis, the breakdown of Pure Power dollars spent on**
23 **program administration, promotion and education, retained by AmerenUE and**

1 **actually paid to generators for the acquisition of the RECs. Are there issues in**
2 **providing this information to customers and are there any potential alternatives?**

3 A. In order to provide customers a fixed price program, AmerenUE contracted
4 with 3 Degrees Group, Inc. (3 Degrees), an independent marketing and procurement
5 company with expertise in managing programs like Pure Power. 3 Degrees was selected
6 based on their response to a Request for Proposal (RFP). 3 Degrees offered the most flexible
7 program options to AmerenUE's customers. Furthermore, 3 Degrees has won multiple
8 national awards for similar programs it has developed for other utilities across the country as
9 well as for the program it developed for AmerenUE. In its two year existence, the Pure
10 Power program has received two national awards from the U.S. Dept. of Energy, the U.S.
11 Environmental Protection Agency and the Center for Resource Solutions. Those awards
12 were 2008 Best New Green Program of the Year and 2009 Best Marketing Campaign.

13 Based on the contract, 3 Degrees is responsible for procuring all RECs for the
14 program and bears all price risk associated with the RECs for the five year term of the
15 contract. Participation is voluntary and program materials clearly state that AmerenUE
16 retains \$1.00 for each \$15.00 received from customers to assist in offsetting AmerenUE's
17 program administrative costs. It further states that AmerenUE does not make a profit on the
18 program. The remaining \$14.00 is retained by 3 Degrees to procure RECs for the program
19 and cover any other costs associated with marketing, education, administration and profit.

20 In procuring RECs for the program, 3 Degrees enters into confidential
21 purchase agreements with various suppliers of RECs throughout the state and/or region as
22 defined in the tariff that approved the development of the program. The problem in
23 providing a component price breakdown is that it would enable one to easily determine the

1 contract prices that suppliers of RECs have entered into with 3 Degrees. This information is
2 proprietary to 3 Degrees as the publication of this information could lead to difficulty in
3 procuring regional RECs for the program as well as unnecessarily increase the cost.
4 3 Degrees has not provided AmerenUE with this information and they are not required to do
5 so under the terms of our contract with them.

6 There have been occasions where customers have inquired about REC pricing
7 and buying from other regions. On those occasions we have advised customers that they can
8 purchase RECs elsewhere and at lower prices. In those discussions, we attempt to point out
9 the benefits of purchasing under the Pure Power Program, which include, regional REC
10 purchases versus national or even international purchases, the program is Green-e certified¹
11 and ease of matching the customer's own usage with the purchase.

12 As stated in my previous testimony in Case No. ER-2008-0318, as the
13 program matures, fewer funds will be required for marketing and education while the
14 expected increase in demand would raise the price of RECs. When comparing the first two
15 years of the program's operation, this has proven true. It should further be noted that
16 3 Degrees has yet to earn any profit related to this program.

17 The issue is the right of program participants to know how much of the \$15.00
18 goes specifically to support RECs and how much supports other benefits of the program as
19 well as the profit that 3 Degrees is making. This is complicated by the current lack of pricing
20 transparency in the market for RECs as there are many factors that influence the price of a
21 REC such as supply and demand, state Renewable Portfolio Standards (RPS) restrictions as
22 to regional sourcing and financial needs of developers to cost justify such projects. As it

¹ The significance of Green-E certification is further explained below.

1 relates to pricing transparency and the equitability of the \$15.00 price, public information
2 found by AmerenUE shows that RECs could be obtained for as low as \$2.00 and as high as
3 \$30.00 in 2009. Information also shows that regional Illinois RECs purchased by the
4 Ameren Illinois Utilities for compliance with Illinois' RPS were \$16.66 and \$13.46 while
5 ComEd paid \$21.13 and \$13.69 for each REC.

6 Based on the highly confidential information that 3 Degrees voluntarily
7 supplied to Commission Staff in this case, the most recent average Wholesale Cost 3 Degrees
8 paid was **\$____** while the actual retail cost of the REC is **\$____** representing
9 **__%** of the amount remitted to 3 Degrees.

10 One of the main points in program design was to ensure a fixed price and one
11 that demonstrated a fair value based on other programs in the country. At the time the
12 program first became effective, the average price paid by participants for similar programs in
13 the country was in excess of \$0.02 per kWh while the most recent published information
14 provided by the National Renewable Energy Lab shows the average is \$0.018 per kWh. We
15 believe it is very important to have a program that is affordable and accomplishes the goal of
16 supporting regional development. The Pure Power Program does both. We also believe that
17 because the program is voluntary and does not require a contractual commitment to
18 participate, customers maintain the maximum amount of flexibility in deciding whether the
19 program is meeting their needs.

20 In an effort to address Staff's concerns, a potential solution would be to
21 provide public information concerning the price of RECs from around the country so that
22 customers can determine if their participation in the Pure Power Program meets their needs
23 as it relates to the specific price of a REC.

1 Furthermore, materials could be changed to state that the \$15.00 price covers
2 the price of a REC as well as program expenses such as marketing, education and
3 administration without showing specific percentages. This would allow customers to decide
4 on their own if they want to support the program.

5 **Q. Staff recommends that AmerenUE provide a clear disclaimer that**
6 **participation in the program will not cause participants to believe they are receiving**
7 **“green electricity.” Does the Pure Power Program state that the customer is**
8 **purchasing “green electricity?”**

9 A. Information on exactly what a customer is purchasing is clearly demonstrated
10 in the materials that are provided to customers through both print and on the supporting
11 website. That information states that customers are purchasing renewable energy credits.
12 The program goes to great lengths to educate customers on renewable energy and renewable
13 energy credits. A copy of the information on our website specific to RECs is attached as
14 Schedules WJB-ER1 and WJB-ER2.

15 In the fall of 2007 when the Pure Power Program was launched, very few
16 customers knew much about renewables and even fewer had heard about or understood the
17 concept of RECs. AmerenUE’s Pure Power Program was instrumental in raising that
18 awareness for not only its customers, but for many others in the state, including legislators,
19 regulators and others in state government. The program advanced the concept of RECs that
20 had already been established throughout the country and accepted as a means of compliance
21 with various state renewable portfolio standards.

22 In April of 2009, AmerenUE provided marketing materials to the Staff that
23 the Company intended to use throughout the year concerning the Pure Power Program. The

1 changes made to those materials were primarily based on comments by Staff included in their
2 report from the Company's last rate case, though there was no requirement placed on
3 AmerenUE to make any such changes. AmerenUE received no further requests for
4 modifications by Staff. If Staff believed some of the materials were misleading, AmerenUE
5 would hope that Staff would have let the Company know immediately, so that the concern
6 could be addressed, rather than to wait until the Company filed a rate case. The entire reason
7 for providing Staff with copies of the information was to promptly address any issues with
8 the materials. Furthermore, all marketing materials for AmerenUE's program must meet the
9 standards and requirements imposed by the Center for Resource Solutions in order to meet
10 Green-e certification, which is the "gold standard" in the industry.

11 Based on these facts, AmerenUE believes compliance with this request has
12 already been accomplished.

13 **Q. Staff recommends that should AmerenUE utilize newspaper or other**
14 **press material, industry quotes or excerpts related to the Pure Power Program, which**
15 **may contain misleading or inaccurate information, that AmerenUE prominently**
16 **display any applicable corrections to those items. How should AmerenUE handle**
17 **corrections in materials that it does not control?**

18 A. AmerenUE has consistently strived to ensure accurate reporting related to the
19 Pure Power Program. AmerenUE has advised reporters and others about inaccuracies that
20 have occurred in their reporting about the Pure Power Program when we have become aware
21 of such inaccuracies. Unfortunately, AmerenUE is not in a position to force the media to
22 make corrections.

1 In order to prevent inaccuracies being further referenced, AmerenUE will
2 make every effort to ensure that its website or marketing materials do not reference Pure
3 Power articles that contain inaccuracies.

4 **Q. Staff concerns are centered on potential customer confusion with the**
5 **Pure Power Program. What steps did AmerenUE take to protect customers who**
6 **participate in its Pure Power Program?**

7 A. As a part of the development of its program, AmerenUE realized it would be
8 difficult to project the level of participation that could be expected from our customers. Due
9 to this uncertainty, AmerenUE was reluctant to purchase the RECs directly from the green
10 power producers. RECs have a shelf life, so if AmerenUE purchased too many RECs, there
11 would be a risk of the REC expiring prior to it being purchased by our customers. In order to
12 avoid that risk, AmerenUE negotiated a contract that required 3 Degrees to buy back any
13 RECs that expire. This risk is shouldered by 3 Degrees rather than by AmerenUE or its
14 customers. AmerenUE wanted a fixed cost for its customers rather than a cost that would
15 change yearly and so a five year contract term was negotiated. The contract sets forth
16 financial obligations related to extensive marketing requirements that must be met by
17 3 Degrees for the promotion of the program and to educate our customers about renewable
18 energy and RECs. Accordingly, any risk of increases in the REC cost, administrative costs
19 or educational costs falls upon 3 Degrees during this five year contract term.

20 AmerenUE also imposed a requirement that the RECs be procured from a
21 specific geographic region (50% from generators located within Missouri or Illinois with the
22 remainder from generators located within the MISO region). This was done to ensure our
23 customers' dollars are used to support local and regional development of green power and

1 that those funds are not sent to projects in distant areas of the country. This requirement, of
2 course, restricts the number of RECs available for purchase.

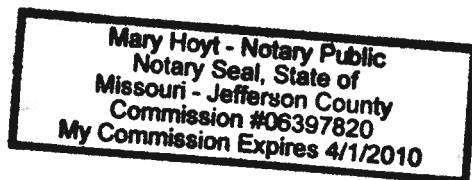
3 AmerenUE also chose to participate in a program that would be Green-e
4 certified and for 3 Degrees to pay for the annual Green-e audit. This is done through the
5 Center for Resource Solutions, which is recognized as the industry leader in providing
6 stringent environmental and consumer protection standards. Green-e certification imposes
7 additional restrictions, including:

- 8 • RECs come from facilities brought online no earlier than 1997;
- 9 • RECs may not be derived from facilities mandated by local, state or federal
10 requirements;
- 11 • RECs or the electricity from which they are derived may not be used to
12 simultaneously comply with local, state or federal mandates;
- 13 • Program providers must undergo an annual Green-e certification audit to document
14 that enough RECs were purchased to meet customer demand and that all RECs were sold
15 only once;
- 16 • Program providers agree to abide by the Green-e Code of Conduct and to submit
17 marketing materials to CRS for their review; and
- 18 • Program providers must disclose the quantity, type and geographic source of the
19 RECs.

20 AmerenUE believes that its Pure Power Program provides a valuable vehicle
21 for customers to support renewable power development in the region and that the program is
22 not misleading customers, contrary to the views expressed in Staff's Report.

1 **Q. Does this conclude your rebuttal testimony?**

2 **A. Yes, it does**



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- [Events](#)
- [Pure Power leaders](#)
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Choose Pure Power and go green

Our voluntary Pure Power program makes it easy for residents and businesses to achieve the goal we all have in common: Preserve and protect the world we live in. Join the Johnston's; enroll in our award-winning initiative and make a difference now.



How does Pure Power work?

When you enroll in Pure Power, you [support renewable energy generation](#) resources in the Midwest.



How do I support renewable power?

You buy a REC, or [renewable energy certificate](#), also known as a "green tag." Each REC represents a unit of renewable energy.



Who is involved in Pure Power?

Your neighbors and your neighborhood business are the [champions and leaders](#) of the program.



How do I sign up?

In just three easy steps, you can [put your concern for the environment to work](#) for the benefit of everyone.

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SCHEDULE WJB-ER1



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- Sign up information
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Environmental stewardship

Renewables

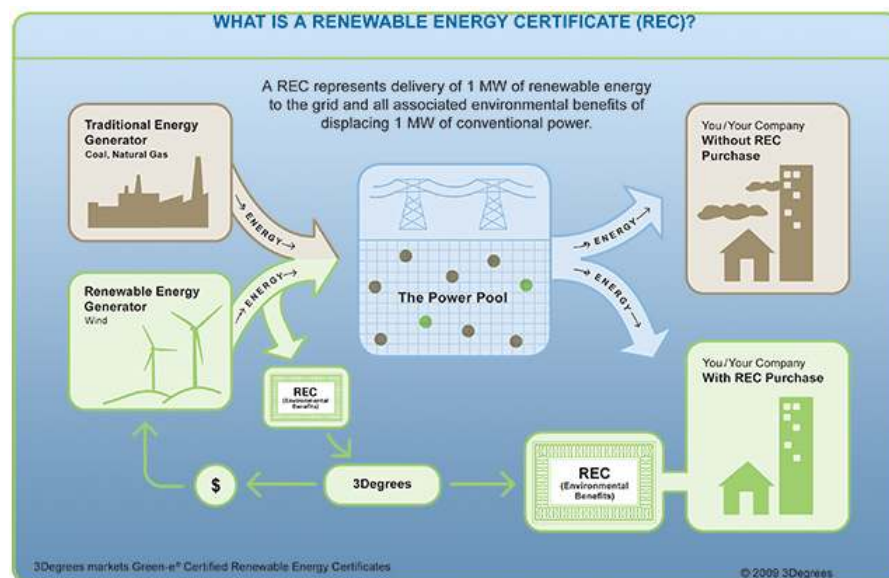
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How do you support renewable power?

You purchase a REC (Renewable Energy Certificate)



A REC represents delivery of MWh of renewable energy to the grid and all associated environmental benefits of displacing 1MWh of conventional power.

Renewable energy certificates (RECs), also known as "green tags," are proof that 1 megawatt (MW) of renewable energy was generated and delivered to the regional power pool. They represent the environmental attributes of the power produced from renewable energy projects. RECs are sold separately from the electricity commodity.

For every unit of renewable energy generated and delivered to the regional power pool, an equivalent amount of renewable energy certificates (RECs) are created, representing a tracking mechanism to insure that no two customers pay for the same unit of renewable energy generation.

When you sign up for **Pure Power**, AmerenUE contracts for RECs to match the equivalent of your ongoing electrical needs or the number of Pure Power blocks you elect to purchase. Thus, the more RECs that are sold, the more demand is created for renewable power. As renewable facilities sell out their RECs, demand shifts to bring more renewable energy sources online.

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