

ILLINOIS COMMERCE COMMISSION

ICC DOCKET NO. 07-0539

REBUTTAL TESTIMONY

OF

VAL R. JENSEN

Submitted On Behalf

Of

**CENTRAL ILLINOIS LIGHT COMPANY d/b/a AmerenCILCO,
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AmerenCIPS, and
ILLINOIS POWER COMPANY d/b/a AmerenIP
(The Ameren Illinois Utilities)**

December 21, 2007

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DIRECT TESTIMONY

OF

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1 **I. INTRODUCTION**

2 **A. Witness Identification**

3 **Q. Please state your name.**

4 A. My name is Val R. Jensen.

5 **Q. Are you the same Val R. Jensen who submitted prefiled direct testimony on**
6 **behalf of the Ameren Illinois Utilities?**

7 A. Yes.

8 **B. Purpose and Scope**

9 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

10 A. The purpose of my testimony is to respond to and discuss proposals submitted in
11 the direct testimony of other parties regarding the Ameren Illinois Utilities'
12 Energy Efficiency and Demand Response Plan. Specifically, I respond to the

13 direct testimony of the Staff of the Illinois Commerce Commission (“Staff”), the
14 Attorney General of Illinois (“AG”), the Citizens Utility Board (“CUB”), the
15 Environmental Law and Policy Center (“ELPC”). Ameren Illinois Utilities’
16 witnesses Stan E. Ogden, Richard A. Voytas and Leonard M. Jones are
17 concurrently submitting rebuttal testimony as well.

18 **C. Identification of Exhibits**

19 **Q. Will you be sponsoring any exhibits with your rebuttal testimony?**

20 A. Yes, I am attaching and sponsoring the following exhibits:

- 21 • Ameren Ex. 9.1 – Corrected Deemed Tables
- 22 • Ameren Ex. 9.2 – Residential Direct Load Control
- 23 • Ameren Ex. 9.3 – Ameren Plan Revisions

24 **II. DISCUSSION OF STAFF AND INTERVENOR DIRECT TESTIMONY**

25 **A. Discussion of Testimony by Staff Witnesses**

26 **Q. Did you review the direct testimony of Staff Witness Richard Zuraski labeled**
27 **as ICC Staff Exhibit 1.0?**

28 A. Yes I did.

29 **Q. Do you agree with his recommendations?**

30 A. Mr. Zuraski presents a broad review of the Ameren Illinois Utilities’ filing in his
31 testimony. I address two aspects of Mr. Zuraski’s testimony. The first is his
32 conclusion that the energy savings calculations contain a flaw related to Energy
33 Star transformers (ICC Staff Exhibit 1.0, lines 390 through 401). Second, Mr.
34 Zuraski has recommended that the Commission not adopt the Ameren Illinois

35 Utilities' proposed deemed savings and net-to-gross values. While I believe that
36 Mr. Zuraski raises some valid concerns, I continue to believe that the Commission
37 should adopt proposed deemed values. I have provided an updated table of
38 proposed deemed lighting savings values that I believe address Mr. Zuraski's
39 issue with the calculation of these values.

40 **Q. Please explain Mr. Zuraski's conclusion that the energy savings calculations**
41 **contain a flaw related to Energy Star transformers.**

42
43 A. Beginning at line 392 of his testimony, Mr. Zuraski notes, "The Company's
44 workbook contains a flaw that assigns a zero value for the avoided costs
45 associated with [Energy Star Transformers]. The workbook's flaw would actually
46 affect any measure with an assumed useful life greater than 21 years. However,
47 since "Energy Star Transformers" (with useful lives of 25 years) was the only
48 measure in the file with an assumed useful life greater than 21, the flaw affected
49 only the computations for this one measure."

50 Mr. Zuraski is correct. "AmerenIL_Program Model_11.13.07_FROZEN-C&P-
51 .xls" did contain an energy savings computation error related to the Energy Star
52 Transformers measure. The error occurred because the measure's life was greater
53 than 21 years. The error was confined to this measure as all other measures had a
54 life of 20 years or less. The effect of this measure is negligible; it would increase
55 first year energy savings in the C&I Custom program by less than one-tenth of
56 one percent (0.07%) and would increase the program's first year budget by about
57 \$1,500.

58 **Q. Please explain Mr. Zuraski's concerns related to the deeming of certain**
59 **measure savings values and net-to-gross ratios.**

60 A. Mr. Zuraski raises several issues. First, he notes that when he attempted to
61 perform the calculations outlined in my direct testimony related to the deemed
62 savings values for certain lighting measures, he obtained different results than
63 shown in my direct testimony. Specifically, he references Table 7 from my direct
64 testimony. Staff also raised this issue in a data request. Indeed, the calculations
65 had been performed incorrectly. In response to Staff data request ED 2.05, the
66 Company provided a corrected Table 7 and a corrected Table 8, which I believe
67 address this issue. I have included those tables as Exhibit 9.1 to my testimony.

68 **Q. What additional issues did Mr. Zuraski raise with respect to deeming?**

69 A. The second issue has to do with the Ameren Illinois Utilities' request that the
70 Commission deem certain net-to-gross ratios for purposes of future evaluations of
71 the Company's programs. Mr. Zuraski is asked, at line 626 of his testimony, if he
72 identified any inaccuracies with the deemed values within Table 9 of my direct
73 testimony. His response to the question was "yes". Mr. Zuraski identifies some
74 important issues with respect to the deeming of net-to-gross ratios, which I
75 address below. However, I do not believe that his testimony shows the proposed
76 deemed net-to-gross values presented in my testimony are in error.

77 **Q. What issues does Mr. Zuraski raise with respect to deeming the net-to-gross**
78 **ratio values you propose?**

79 A. Mr. Zuraski conveys a suspicion that, since many of the proposed net-to-gross
80 values have a value of 0.8, the values are "more of a guesstimate than the result of

81 years of empirical study” (Staff Exhibit 1.0 at line 631). He reviewed the source
82 of the values, which is the California Energy Efficiency Policy Manual, and notes
83 that the 0.8 net-to-gross values recommended by the Ameren Illinois Utilities are
84 considered “default” values by the California Public Utilities Commission
85 (“CPUC”), which developed the manual. He notes that he can find no
86 explanation of the basis for these values. Because of this concern with the
87 unknown basis for these values, and because he does not believe it appropriate
88 under any circumstance to deem such values in a planning docket, he
89 recommends the Commission not adopt the Ameren Illinois Utilities’ proposal.

90 **Q. Do you agree with Mr. Zuraski’s recommendation that the Commission not**
91 **deem the Company’**

92 A. No. I continue to believe that it is appropriate and sound for the Commission to
93 deem these values for purposes of the evaluation of the Company’s programs, at
94 least initially. If changes to these values are later changed based on the
95 recommendation by the Company’s evaluation contractor or another party, the
96 changes should apply on a going-forward basis only.

97 **Q. Why do you disagree with Mr. Zuraski’s recommendation?**

98 A. First, I believe that Mr. Zuraski has provided a thoughtful and very clear review
99 of the issues. And he has not ruled out deeming net-to-gross values per se. The
100 problem is simply this: the Ameren Illinois Utilities’ are embarking on what for
101 them is a very aggressive energy efficiency initiative. It has very explicit goals to
102 meet and faces very clear consequences if it does not meet those goals. It has
103 designed a set of programs that I believe are sound and give the Ameren Illinois

104 Utilities a very high probability of meeting these goals if the programs are well-
105 executed. Yet even if the Ameren Illinois Utilities succeed in achieving the
106 participation levels believed necessary to meet targets, even if they execute
107 program designs that stakeholders agree are sound, and even if the gross savings
108 realized exceed the targets required, the Ameren Illinois Utilities can still be
109 found to have missed their goals simply by virtue of an evaluator, after the fact,
110 arriving at an estimate of a net-to-gross ratio that is below 0.8. This estimate
111 inevitably will be based on limited survey research due to budget limitations and
112 limited program experience. And there is no universally accepted approach to
113 answering the question of whether a customer would have taken an action in the
114 absence of the incentive offered by the Ameren Illinois Utilities. The answer
115 arrived at by the evaluator will be captive to precisely how and when respondents
116 are asked questions, and to potential bias, in that consumers have been shown to
117 answer questions in a way that corresponds to what they think the right answer is.
118 There is a very real risk that the Ameren Illinois Utilities could do everything
119 right in designing and implementing their programs and still be found to have
120 failed simply based on a single net-to-gross study that inevitably will raise its own
121 methodological concerns.

122 The 0.8 value for the net-to-gross ratios that the Company proposes be deemed for
123 most programs is in fact the default value used in California, and the CPUC
124 recognizes that these will be adjusted as actual evaluations take place. They are
125 not, however, arbitrary in the sense that they come out of thin air. They are based
126 on review and discussion of evaluation findings for hundreds of programs over

127 many years, and the CPUC has determined that these values are reasonable. If
128 one looks at the net-to-gross table Mr. Zuraski presents after line 658 in his
129 testimony, one can see that the 0.8 number is not some wild guess; it is in fact
130 very much in line with the net-to-gross ratios specified for a variety of programs.
131 The 0.8 value was used for the Ameren Illinois Utilities' analysis because, in most
132 cases, the Ameren Illinois Utilities' programs did not perfectly match the more
133 specific programs listed on this table. All that the Ameren Illinois Utilities are
134 recommending is that these be the values initially adopted by the Commission for
135 evaluation purposes. The Ameren Illinois Utilities do not oppose further studies,
136 which could very well yield different numbers, and they do not oppose then
137 adopting those numbers as deemed values going forward. But the Ameren Illinois
138 Utilities ask that the Commission not subject them to the risk that even though
139 they might succeed by all other measures, they can still fail to meet their goals
140 simply because an evaluator conducts a study that purports to show the "actual"
141 net-to-gross value was less than the Ameren Illinois Utilities have proposed.

142 This recommendation is reinforced by two final points. First, the final evaluation
143 of the Ameren Illinois Utilities' programs – the final determination of whether
144 they have met their goals – will not be complete until after the first three-year
145 cycle is well over. That is simply the way evaluation works. Thus, if the
146 evaluator should conclude that the "actual" net-to-gross number is lower than the
147 Ameren Illinois Utilities propose, they have no way to make up any shortfall. In
148 effect, to minimize the risk that the Ameren Illinois Utilities will not meet their
149 targets due to an adverse net-to-gross finding, they would need to spend and

150 acquire more savings than they otherwise might have to. That, however, is not
151 necessarily the efficient or desired solution. Second, the Ameren Illinois Utilities
152 have welcomed a collaborative process. Parties will have multiple opportunities
153 to review program design and implementation and to make recommendations to
154 design and run programs in a way designed to maximize net-to-gross ratios.
155 However, without the deeming of net-to-gross ratios, the Ameren Illinois Utilities
156 could accept stakeholder recommendations for maximizing net-to-gross ratios,
157 still be subject to an adverse evaluation and still have no recourse.

158 **Q. Do you have any further concerns with Mr. Zuraski's discussion of the**
159 **deeming issue?**

160 A. I have one clarification and one additional concern. Mr. Zuraski very clearly
161 defines the elements of a net-to-gross ratio as including both free rider and
162 spillover effects. I believe it is very important that this definition be explicitly
163 recognized by the Commission. It can sometimes be the case that evaluators
164 make what are portrayed as net-to-gross adjustments of program savings but
165 actually estimate only free riders. This is methodologically incorrect and will
166 result in an estimate of net savings lower than they in fact are. My remaining
167 concern has to do with Mr. Zuraski's recommendation that neither savings values
168 nor net-to-gross ratio values ever be deemed in a planning docket. The
169 Commission should reject that recommendation. To accept his recommendation,
170 the Commission must conclude that it cannot benefit from the information and
171 insight Mr. Zuraski acknowledges will be acquired by parties as this process
172 moves forward.

173 **B. Discussion of Testimony by AG Witnesses**

174 **Q. Did you review the direct testimony of AG Witness Mosenthal, labeled as AD**
175 **Exhibit 1.0?**

176 A. Yes I did.

177 **Q. Do you agree with his recommendations?**

178 A. Not all of them. Mr. Mosenthal makes recommendations on the following
179 subjects: (1) the need for an effective independent collaborative process that
180 includes all relevant stakeholders to resolve program design, implementation and
181 evaluation issues and monitor and verify performance; (2) the portfolio of
182 proposed programs, and the need to effectively coordinate between three program
183 administrators and potentially multiple implementation contractors; (3)
184 monitoring and evaluation, including the issue of deeming savings; (4) rate
185 impacts and spending caps; and (5) the use of banking efficiency savings in
186 excess of goals in one year to reduce the future years goals. Other witnesses for
187 the Ameren Illinois Utilities will address his recommendations related to
188 recommendations (1), (4) and (5). With respect to his other recommendations, I
189 generally agreed in part with many of his recommendations, but believe others are
190 without basis or would adversely affect the the Ameren Illinois Utilities' ability to
191 successfully implement their plan. I address each of these below.

192 **Q. What are Mr. Mosenthal's recommendations with respect to the Ameren**
193 **Illinois Utilities' proposed portfolio of programs?**

194 A. Mr. Mosenthal makes several sets of recommendations. He argues that programs
195 should be consistent throughout the state as much as possible, and that contractor

196 selection be organized around functional commonalities – such as HVAC,
197 lighting, etc. He also recommends that more resources should be focused on lost
198 opportunities. With regard to this second point, he argues that the Ameren Illinois
199 Utilities should:

- 200 • Drop room air conditioners from the appliance recycling program and
201 consider dropping the entire program;
- 202 • Plan to implement the Residential New HVAC programs by January
203 2009;
- 204 • Immediately implement point of purchase promotions to encourage
205 customer to select efficient appliances, possibly in lieu of the
206 appliance recycling program;
- 207 • Consider upstream buydowns rather than coupons for the Residential
208 Lighting Program;
- 209 • Implement the C&I New Construction Program as soon as possible,
210 but not limit participation to projects enrolled in the U.S. Green
211 Building Council’s LEED program;
- 212 • Consider delaying the start of the Retrocommissioning Program; and
- 213 • Not promote technologies that represent baseline practice or are
214 suboptimal.

215 **Q. Do you agree with these recommendations?**

216 A. Not entirely. Mr. Mosenthal does note that he believes flexibility is important he
217 recommends that the ICC not direct the Ameren Illinois Utilities to specific
218 implementation methods or design details. (AG Exhibit 1.0 at 8) I agree with this
219 point. As he recognizes, the program designs proposed by the Ameren Illinois
220 Utilities are initial designs that most likely will be modified to greater or lesser
221 extents based on discussions with stakeholders and implementation contractors.
222 To the extent that his recommendations above are advisory as opposed to
223 recommendations for the Commission to consider in an order, these are
224 reasonable points to explore. However, I do have several specific concerns with

225 several recommendations and do not believe that the Commission should adopt
226 them.

227 **Q. With which recommendations do you disagree and why?**

228 A. First, as a point of clarification, it is important to note that Mr. Mosenthal
229 attempts to address the Ameren Illinois Utilities and the Commonwealth Edison
230 plans within a single piece of testimony. This leads in some cases to
231 recommendations that don't apply to the Ameren Illinois Utilities. For example,
232 he recommends that the New HVAC Program element be in place by January
233 2009. The Ameren Illinois Utilities' Plan indicates that the program will launch
234 in June 2008.

235 Second, I do not agree that contractor selection necessarily should be organized
236 around "functional commonalities." (AG Exhibit 1.0 at 14) To Mr. Mosenthal,
237 this means that the Ameren Illinois Utilities should hire implementation
238 contractors who deal with particular trades or distribution channels. The Ameren
239 Illinois Utilities have proposed to organize contractor selection around markets
240 (residential and business customers). There are a number of schools of thought
241 about program design, each with strengths and weaknesses. I agree that
242 coordination of HVAC or lighting contractors across relevant sectors might be
243 helpful. However, the Ameren Illinois Utilities are interested in presenting
244 comprehensive solutions to customers, and not in having multiple trade-based
245 implementation contractors independently trying to achieve their contractual
246 goals. I agree that, under the customer solutions umbrellas, it is very important to
247 coordinate interaction with the trades. In any event, this is clearly a topic for

248 discussion among parties as the Ameren Illinois Utilities proceed with final
249 program design.

250 Third, Mr. Mosenthal argues that the Ameren Illinois Utilities should reverse their
251 allocation of more resources to appliance recycling than new efficient appliances.
252 While I agree that it is important to pursue lost opportunities, the Ameren Illinois
253 Utilities are responsible for meeting specific savings targets. Quite simply, a
254 program to incent customers to purchase more efficient appliances as those
255 appliances are replaced cannot make a significant contribution to meeting early
256 year targets. Appliance loads - aside from refrigerator loads - are relatively small
257 contributors to total residential consumption, and the incremental savings to be
258 gained from replacement of a standard efficiency refrigerator with an efficient
259 refrigerator would be quite small given now high the federal efficiency standard
260 is for refrigerators. A number of utilities no longer provide incentives for new
261 efficient refrigerators for this reason. I would agree that second refrigerator pick-
262 up and recycling programs should not be a program option relied on for the long
263 term. But even assuming a low net-to-gross ratio, refrigerator recycling programs
264 often are quite cost-effective. Removing old second refrigerators from the market
265 eliminates a significant residential load, and in my view it would be extremely
266 unlikely that the Ameren Illinois Utilities could achieve a similar load reduction at
267 a similar cost by providing incentives for more efficient dishwashers, washers,
268 freezers, dehumidifiers and room air conditioners. I should note that he takes
269 issue with the fact that the program would pick up refrigerators only if they were
270 manufactured before 1993. The program's estimated energy savings for

271 refrigerators were based on an assumed in-service date of 1993 or before.

272 However, the program would not restrict pick-ups to only that vintage.

273 Fourth, as a general point related to the prior issue, Mr. Mosenthal argues that the
274 Ameren Illinois Utilities have favored short-lived measures such as CFLs and
275 appliance recycling, while ignoring longer-lived measures such as new efficient
276 appliance and all-electric home heating measures. I believe that is a mis-
277 characterization of the Plan and the analysis underlying it. These measures were
278 all examined by the Ameren Illinois Utilities and in fact are included in the Plan.
279 It is simply a fact that the incremental savings associated with appliances are
280 small. And the Ameren Illinois Utilities have designed a program to target all-
281 electric homes.

282 Fifth, Mr. Mosenthal argues that the Residential Lighting program element should
283 not use coupons, but instead should move to an upstream buy-down program.

284 Although Mr. Mosenthal only refers to ComEd at this section of his testimony, I
285 assume he directs it at the Ameren Illinois Utilities as well. I have no substantive
286 disagreement with his statements about the virtues of an upstream program, and,
287 in fact, the proposed program explicitly notes that the program design would be
288 patterned after the Change-a-Light promotions which have used buy-
289 downs/retailer discounts. However, what he does not mention, is that the net
290 verified savings associated with upstream programs can be much more difficult to
291 identify, and there can be a trade-off between program cost and program net
292 effectiveness.

293 Sixth, Mr. Mosenthal recommends that the Ameren Illinois Utilities not include
294 T8 linear fluorescent lamps in its offering to commercial and industrial customers,
295 as these represent a sub-optimal technology. He notes that standard T8s are
296 “generally baseline practice in virtually all new C&I lighting installations.” (AG
297 Exhibit 1.0 at 25) I agree that standard T8s are no longer the most efficient
298 lighting solution for replacement of T12 lamps. I do not agree that they should be
299 disallowed from the program. Although clear baseline data is lacking, if the
300 Ameren Illinois Utilities’ service territory is like many, a significant portion of
301 commercial and industrial lighting space is lit with T12s. Substantial savings
302 could be realized by replacing these with standard T8s in retrofit situations.
303 While I would recommend that the Ameren Illinois Utilities promote adoption of
304 high performance T8s, there is no reason why the Ameren Illinois Utilities should
305 not be able to incent a retrofit of T12 lighting with T8 lamps, so long as the
306 incentive levels properly reflect the expected savings. The real lost opportunity is
307 when a customer elects not to retrofit clearly inefficient lighting because he does
308 not wish to install high performance T8s. As a practical matter, the Ameren
309 Illinois Utilities’ plan is based on analysis that shows that 70% of the linear
310 fluorescent lamps installed will be High Performance T8s.

311 **Q. What are Mr. Mosenthal’s recommendations with respect to the Ameren**
312 **Illinois Utilities’ proposed EM&V process?**

313 A. Mr. Mosenthal acknowledges that it might be appropriate in some cases to deem
314 some “savings factors” (AG Exhibit 1.0 at page 27, lines 11 and 12). He also
315 agrees that deeming gross savings values for lighting measures is appropriate (AG

316 Exhibit 1.0 at 28, lines 14 and 15). He disagrees with the Ameren Illinois
317 Utilities' proposed approach to deeming net-to-gross ratios.

318 **Q. Do you agree with this recommendation?**

319 A. I agree that the gross savings values for the lighting measures included in my
320 direct testimony should be deemed. I disagree with Mr. Mosenthal's
321 recommendation that the Ameren Illinois Utilities' proposed net-to-gross ratios
322 not be deemed.

323 **Q. Why do you disagree with his recommendation regarding net-to-gross**
324 **ratios?**

325 A. I believe that my rebuttal testimony on this issue as it was raised by Staff Witness
326 Zuraski applies to Mr. Mosenthal's recommendation as well. Mr. Mosenthal
327 presents a number of arguments as to why adoption of deemed net-to-gross ratio
328 values or, the adoption of the values proposed by the Ameren Illinois Utilities,
329 would be inappropriate. In particular he takes issue with the use of California net-
330 to-gross values, arguing that net-to-gross ratios in California might be expected to
331 be higher due a longer history of program activity. I believe that he is selective in
332 his examples and, in fact, one could come up with plausible reasons why the
333 values should be higher in Illinois than California, particularly as the Ameren
334 Illinois Utilities benefit from the California experience and the input from their
335 stakeholders. He notes that program design can affect the net-to-gross ratio,
336 another important point with which I agree. But his arguments, while well-
337 formed do not address the central issue that the estimation of net-to-gross ratios is
338 an imprecise business subject to all manner of methodological flaws. The

339 Ameren Illinois Utilities’ point is simply that they should not initially be exposed
340 to what is truly a risk that cannot be mitigated. Mr. Mosenthal argues that the
341 Ameren Illinois Utilities should be responsible for showing that they achieved
342 real savings and not simply that they performed activities. I agree. However, a
343 single point estimate of a net-to-gross ratio produced by an evaluator is hardly
344 determinative of what is “real”, and it is not helpful to receive that estimate after
345 the programs have been completed. The Commission should recognize that
346 evaluator-produced estimates of net-to-gross ratios often are disputed, and with
347 good cause. There is sentiment among some in the evaluation community for
348 doing away with net-to-gross estimates altogether given the methodological issues
349 associated with them. And without too much searching one can find examples of
350 net-to-gross estimates for the same program changing significantly from one
351 evaluation to the next simply by virtue of the evaluator changing methodologies
352 or as the result of a change in evaluators. I believe that it is both fair and
353 reasonable to deem these net-to-gross values at last initially. As evaluation results
354 emerge, parties can review them and determine if the initially deemed values
355 should be changed. But the Ameren Illinois Utilities should not be penalized if
356 this after-the-fact determination results in a lower net-to-gross estimate than is
357 deemed, particularly, when the methods used to arrive at these estimates are so
358 susceptible to methodological flaws.

359 **Q. Does Mr. Mosenthal offer an alternative to the Commission deeming these**
360 **net-to-gross values, and do you agree?**

361 A. Yes. He recommends on pages 34 and 35 that the collaborative work out
362 appropriate net-to-gross values and, if appropriate, deem them. He acknowledges
363 that in some case, parties might wish to apply these deemed values only going
364 forward. I continue to believe that the position outlined in my direct testimony
365 and by the Ameren Illinois Utilities in their plan is the right approach at this time.

366 C. **Discussion of Testimony by CUB Witnesses**

367 Q. **Did you review the direct testimony of CUB Witness Thomas, CUB Exhibit**
368 **1.0?**

369 A. Yes I did.

370 Q. **Do you agree with his recommendations?**

371 A. My testimony only addresses Mr. Thomas' observation that program cost
372 assumptions for the proposed residential direct load control program are unclear
373 and that the proposed budget for the Ameren Illinois Utilities' direct load control
374 program is inconsistent. Mr. Thomas correctly pointed out an inconsistency that
375 resulted from a computational error by ICF. Mr. Thomas notes that, by his
376 estimate the Ameren Illinois Utilities have under-budgeted costs in 2008 and
377 over-budgeted in 2009 and 2010 (CUB Exhibit 1.0 at page 5).

378 Q. **Please explain the nature of this error.**

379 A. The incentive cost for the load control program is defined for purposes of the
380 analysis as the sum of equipment costs and a customer rebate. The rebate is paid
381 to the customer each year that customer participates, but the equipment cost is
382 incurred only once for each customer. The error resulted from multiplying the

383 equipment costs by total program participants rather than by incremental
384 participants. Because non-incentive program costs were calculated as an assumed
385 25% of incentive costs, these programs costs similarly were over-stated.

386 Ameren Exhibit 9.2 is a revised program template that should replace the template
387 found on page 103 of Ameren Ex. 1.0. The budget numbers in this correct
388 template match, within several dollars, the budget that Mr. Thomas shows as the
389 result of his calculation in Table in his testimony. Ameren Exhibit 9.3 is a
390 summary of how these changes flow through the rest of the plan. In this Exhibit I
391 note where each change occurs in the Plan.

392 **Q. Please address Mr. Thomas' contention that the Ameren Illinois Utilities'**
393 **cost estimates for the residential direct load control program are only**
394 **estimates.**

395 A. Simply put, they are estimates, based generally on the costs that we had modeled
396 for the ComEd direct load control program. Our intent was to develop an
397 approximate budget, as was done with every other program, which enabled us to
398 develop what we considered a reasonable portfolio budget. I believe that the
399 Ameren Illinois Utilities acknowledged that all programs will be subject to further
400 detailed design at which time program budget estimates will be improved.
401 Unfortunately, the time allowed for the complete portfolio development process
402 did not allow us to develop precise program cost estimates and, in any case, I
403 believe that it is prudent to base such final estimates on firm bids received from
404 program implementation contractors.

405 **D. Discussion of Testimony by ELPC Witnesses**

406 **Q. Did you review the direct testimony of ELPC Witness Crandall, ELPC**
407 **Exhibit 1.0?**

408 A. Yes I did.

409 **Q. Do you agree with his recommendations?**

410 A. I have some concerns. First, Mr. Crandall contends that the Ameren Illinois
411 Utilities' proposal to retain authority to dismiss the evaluation contractor, "is a
412 fatal flaw." (ELPC Exhibit 1.0 at 5). In my view it is anything but fatal and is, in
413 fact, necessary unless the Commission itself elects to choose the contractor.
414 Second, Mr. Crandall takes issue with the Ameren Illinois Utilities' proposal to
415 retain authority to reallocate funds across the portfolio. Although I suspect that
416 his position is not, in fact, different than the Company's, I believe it is important
417 to clarify this issue. Third, Mr. Crandall recommends that accommodation be
418 made within the planning process and contracts with third party implementers to
419 avoid program interruptions. Fourth, Mr. Crandall recommends creation of a
420 uniform energy efficiency program that is easily identifiable to consumers
421 throughout the state. It appears that what he actually is calling for is a consistent
422 statewide energy efficiency brand. While this uniform branding idea has merit in
423 concept, it does not rise to level of a requirement from the perspective of program
424 design or implementation. Finally, he recommends that the Residential Lighting
425 and Appliance, and new HVAC incentive program elements be ready to go as
426 soon as the Commission issues its order. That simply is impractical.

427 **Q. Please explain Mr. Crandall’s contention that the Ameren Illinois Utilities’**
428 **proposal to retain authority to dismiss the evaluation contractor, “is a fatal**
429 **flaw.”**

430 A. Mr. Crandall raises a very reasonable point with which I agree, i.e. it is essential
431 for the independent evaluator to retain independence. His point is that if the
432 Ameren Illinois Utilities are allowed to unilaterally dismiss the evaluation
433 contractor, the crucial firewall between the evaluator and the evaluated is
434 breached. He specifically recommends that the Ameren Illinois Utilities’
435 proposal be rejected and that dismissing an EM&V contractor must only be done
436 for just cause and with the prior consent of the ICC or the unanimous consent of
437 several designated entities (Ameren, Com Ed, DCEO).

438 **Q. Do you agree with this recommendation?**

439 A. I cannot address the legal issue of the Ameren Illinois Utilities’ authority under
440 the Statute. However, to use Mr. Crandall’s analogy of a bank firing its
441 independent auditor, I would argue that if the bank determines that the auditor
442 cannot perform basic accounting tasks, is overspending its budget, or is not
443 delivering required reports, the bank would be imprudent if it did not fire the
444 auditor. As Mr. Crandall notes, the Ameren Illinois Utilities request authority to
445 dismiss the contractor “under the terms of the contracts signed with that
446 contractor.” (ELPC Exhibit 1.0 at 5) This means that if the contractor does not
447 satisfy the terms of its contract with the Ameren Illinois Utilities, they must retain
448 the right to dismiss the contractor. As I understand the Company’s proposal, this
449 is dismissal for cause which Mr. Crandall acknowledges is legitimate. I would

450 not disagree that if the Ameren Illinois Utilities hold an evaluation contract that is
451 supplying evaluation services to DCEO and ComEd, all parties ideally should
452 agree with a proposed dismissal. Moreover, the Company would certainly want
453 to discuss the issue with other parties as well, since a perception that a dismissal is
454 driven by dislike for results would certainly create a credibility issue. However, it
455 is a legal matter as to whether entities not formally a party to a contract can
456 exercise veto power over such a decision.

457 **Q. Please explain Mr. Crandall’s issue with the Company’s proposal to retain**
458 **authority to reallocate funds across the portfolio.**

459
460 A. Despite stating that he has concerns with the Ameren Illinois Utilities’ request to
461 be able to reallocate funds, it appears Mr. Crandall actually agrees with the
462 Company. As he notes, “[i]t is appropriate to consider that the amounts assigned
463 to each program be considered an operational budget. If a particular program
464 performs better or worse than anticipated, then more or fewer dollars should be
465 able to be allocated to that program, provided that the TRC for the program
466 receiving additional funding continues to be greater than 1.0. Alternatively, if a
467 program is getting a larger or smaller market response than anticipated, the utility
468 should be able to adjust the incentive levels up or down as appropriate, again
469 under the condition that the program still must meet the TRC test.” (ELPC Exhibit
470 1.0 at 6) Mr. Voytas discusses this point further.

471 **Q. Please address Mr. Crandall’s recommendation for creation of a uniform**
472 **energy efficiency program that is easily identifiable to consumers throughout**
473 **the state.**

474 A. It appears that what he actually is calling for is a consistent statewide energy
475 efficiency brand that would be communicated via a statewide marketing
476 campaign, and a shared website and call center. While this uniform branding idea
477 has merit in concept, it does not rise to level of a requirement from the perspective
478 of program design or implementation. What matters is motivating consumers to
479 take action that will yield persistent energy savings. That message might be the
480 same for a consumer in Carbondale as it is for a consumer in Lincoln Park or
481 Peoria or it might not. I suspect that while program managers at PG&E might
482 agree that Flex Your Power has helped build general consumer awareness around
483 energy efficiency in California, it is not necessarily responsible for driving
484 participation in PG&E programs. In fact, it can be confusing in the sense that
485 Flex Your Power does not offer incentives, PG&E does; a customer cannot really
486 participate in Flex Your Power. It is not clear to me, nor have I seen any evidence
487 to suggest that a statewide marketing campaign, joint website and call center will
488 boost participation and savings above what the utilities and DCEO can achieve on
489 their own through well-executed outreach. Finally, a statewide brand is not
490 inexpensive to build. That said, I do agree that is important that, particularly
491 where markets are contiguous, messages be consistent and contribute to building
492 consumer awareness of energy management options.

493 **Q. Please address Mr. Crandall’s recommendation that the Residential Lighting**
494 **and Appliance, and new HVAC incentive program elements be ready to go as**
495 **soon as the Commission issues its order.**

496 A. It simply is not feasible to have these programs ready to go by February 15th
497 unless the Ameren Illinois Utilities began actual detailed implementation planning
498 and implementation services procurement months ago. It is my understanding
499 that the Ameren Illinois Utilities intend to move ahead with contractor selection
500 and implementation planning for the lighting and appliances program element as
501 soon as the Commission issues a decision, but even so, the program will not be
502 ready to launch until June 1. Further, if this program is not designed to fit within
503 the stocking and promotional schedules of retailers, distributors and
504 manufacturers it will fail. These stocking and promotional activities for the
505 spring most likely were finalized months ago. HVAC programs tend to have their
506 greatest participation in the lead-up to a cooling season (April, May and June). I
507 do not believe that it is feasible to have this program ready by March, again
508 because this program needs to be developed in consultation with HVAC dealers
509 and distributors and it very likely is too late to accomplish that by the start of the
510 2008 HVAC buying season. Finally, I would note that the fact that other utilities
511 have designed and implemented similar programs does not materially reduce the
512 time it takes to launch the program. Timing is a function of how long it takes to
513 issue an RFP, allow bidders time to respond, evaluate the bids, negotiate a
514 contract, develop an implementation plan, finalize incentives, develop program
515 collateral, and put in place an auditable system for rebate payments. This isn’t a

516 process that necessarily takes six months. However, the fastest I have seen this
517 work from program conception to launch was two months and that did not include
518 time to procure the implementation contractors.

519 **III. CONCLUSION**

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

521 **A. Yes. It does.**