

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 07-_____

DIRECT TESTIMONY

OF

LEONARD M. JONES

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)

February 11, 2008

TABLE OF CONTENTS

	Page
I. INTRODUCTION AND QUALIFICATIONS.....	1
II. PURPOSE AND SCOPE.....	1
III. DESCRIPTION OF RATE DESIGN ASSOCIATED WITH RIDER GER.....	1
IV. CONCLUSION	5
APPENDIX – STATEMENT OF QUALIFICATIONS.....	I

1
2 **ILLINOIS COMMERCE COMMISSION**

3 **DOCKET NO. 07-____**

4 **DIRECT TESTIMONY**

5 **OF**

6 **LEONARD M. JONES**
7

8 **I. INTRODUCTION AND QUALIFICATIONS**

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

10 A. My name is Leonard M. Jones. My business address is One Ameren Plaza, 1901
11 Chouteau Avenue, St. Louis, Missouri 63103.

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

13 A. I am employed by Ameren Services Company as Manager – Rates and Analysis. A list
14 of my qualifications is attached as an Appendix to my testimony.

15 **II. PURPOSE AND SCOPE**

16 **Q. What is the purpose of your direct testimony in this proceeding?**

17 A. My testimony will address the Ameren Illinois Utilities' proposed Rider GER – Gas
18 Energy Efficiency Cost Recovery. I will discuss the purpose behind the rider and its rate
19 design features, as well as certain of its terms and conditions. The proposed Rider GER
20 is attached as Ameren Exhibit 3.1.

21 **III. DESCRIPTION OF RATE DESIGN ASSOCIATED WITH RIDER GER**

22 **Q. Please explain the manner by which costs associated with the gas energy efficiency**
23 **programs are to be recovered from customers via Rider GER.**

24 A. Rider GER recovers costs of energy efficiency programs from residential and small non-
25 residential customers through a single usage based charge. The proposed tariff also
26 operates as a virtual Ameren Illinois Utilities rider, meaning that customers in the
27 aforementioned categories in AmerenIP, AmerenCIPS, and AmerenCILCO will each be
28 assessed the same rate. The estimated cost of energy efficiency programs, divided by
29 forecasted delivered therms, will be used to establish a base cost recovery factor. The
30 rider provides for a mechanism to true-up actual cost of programs and revenue collected
31 over a program year. To the extent program costs differ from cost recovery (i.e., Rider
32 GER revenue), the true-up mechanism would adjust up or down to ensure customers are
33 only assessed actual program costs.

34 **Q. Why are program costs recovered only from residential and small non-residential**
35 **customer classes?**

36 A. The Ameren Illinois Utilities propose to implement energy efficiency measures targeting
37 residential and small non-residential customer classes. Accordingly, it is fair to recover
38 costs only from these customer classes. Additionally, in Docket Nos. 07-0588, 07-0589,
39 and 07-0590 (cons.), the Ameren Illinois Utilities' pending gas rate cases, we proposed a
40 decoupling rider, Rider VBA – Volume Balancing Adjustment, applicable to Rate GDS-1
41 – Residential Gas Delivery Service (GDS-1) and Rate GDS-2 – Small General Gas
42 Delivery Service (GDS-2). That is important for this proceeding because the Ameren
43 Illinois Utilities only propose to voluntarily implement gas energy efficiency measures if
44 the Commission approves the Ameren Illinois Utilities' request for gas decoupling in
45 those Dockets. Since revenue decoupling is limited to the GDS-1 and GDS-2 rates,

46 energy efficiency measures and cost recovery are likewise proposed to be limited to
47 GDS-1 and GDS-2.

48 **Q. You previously mentioned that the cost recovery factor will be a single usage-based**
49 **charge and will be the same for each of the Ameren Illinois Utilities. Why is this**
50 **appropriate?**

51 A. The Commission has recognized and encouraged uniformity in rates and rate elements for
52 the Ameren Illinois Utilities where possible. In recent electric delivery services
53 proceedings, the Commission approved common Customer and Meter Charges for each
54 of the Ameren Illinois Utilities. The Commission has also approved use of a single cost
55 recovery factor for Rider PSP – Power Smart Pricing, an electric residential real-time
56 pricing program. Each residential customer of each of the Ameren Illinois Utilities pay
57 the same cost recovery rate. Many of the costs for Rider PSP are common among each of
58 the Ameren Illinois Utilities, and each residential customer has an equal opportunity to
59 participate. Similarly, many of the development, administration, and measurement and
60 valuation costs of energy efficiency programs are common across each of the Ameren
61 Illinois Utilities.

62 **Q. Why is it proposed that GDS-1 and GDS-2 customers pay the same cost recovery**
63 **factor?**

64 A. There is much similarity in natural gas end uses for customers within these rate
65 classifications, with the predominant usage associated with space-heating. Therefore,
66 program initiatives are expected to overlap between GDS-1 and GDS-2 customers. Also,
67 the rates paid by GDS-1 and GDS-2 customers are very similar. The Purchased Gas
68 Adjustment applied to GDS-2 customers taking gas from the Ameren Illinois Utilities is

69 identical to that applied to GDS-1 customers. The variable Delivery Charge proposed in
70 Docket Nos. 07-0588, 07-0589, and 07-0590 (cons.) are also very comparable. The
71 difference in proposed GDS-1 and GDS-2 Delivery Charge are no more than 2.58
72 cents/therm apart¹. Thus, since usage characteristics are similar, rates are similar, and
73 programs are expected to overlap, the GDS-1 and GDS-2 rate groups are considered a
74 single class within Rider GER.

75 **Q. Can you provide an estimate of the level of the first year cost recovery factor?**

76 A. Yes. The cost recovery factor relies upon the expected level of expenditures and
77 expected delivered therms for the program year. Ameren Illinois Utilities' witness Keith
78 Martin is proposing first year program spending of approximately \$4 million. Using test-
79 year delivered therms data for GDS-1 and GDS-2 customers from the Ameren Illinois
80 Utilities' pending gas Delivery Services rate cases (686,832,048 therms), I expect the
81 cost recovery factor to be approximately 0.58 cents/therm. For a residential customer
82 using 750 annual therms, the additional cost due to Rider GER would be \$4.35 per year,
83 or \$0.36 per month.

84 **Q. Is there an annual reconciliation of the costs recovered with actual expenditures?**

85 A. Yes. As mentioned earlier, proposed Rider GER is designed to ultimately recover only
86 actual costs spent on gas energy efficiency programs. Rider GER requires setting an
87 initial or base annual factor based on expected program costs and expected delivered
88 therms for the program year. To the extent program costs differs from cost recovery (i.e.,
89 Rider GER revenue), the true-up mechanism would adjust up or down to ensure

¹ Value is based on AmerenCIPS proposed Delivery Charges of \$0.1633/therm and \$0.1891/therm for GDS-1 and GDS-2, respectively.

90 customers are only assessed actual program costs. This provision is shown as factor
91 ARA within Rider GER (see Ameren Exhibit 3.1).

92 **Q. Does the tariff contain provisions for an annual audit review and an annual report**
93 **summarizing the operation of the automatic adjustment mechanism for the previous**
94 **year?**

95 A. Yes. The audit and annual report provisions are similar to those proposed for Rider EDR,
96 the Ameren Illinois Utilities' proposed electric energy efficiency cost recovery
97 mechanism. In addition, the tariff contains a provision in the event the Commission
98 orders a reconciliation adjustment. Again, these provisions are shown in proposed Rider
99 GER.

100 **Q. Why does proposed Rider GER contain a provision for uncollectible expenses?**

101 A. This provision is intended to compensate the Ameren Illinois Utilities for the portion of
102 expense charged to customers under Rider GER, but not collected. The Uncollectible
103 Factor will be set in the Ameren Illinois Utilities currently pending gas delivery services
104 rate cases, and will be updated in subsequent rate cases. The uncollectible expense
105 associated with Rider GER cost recovery is expected to follow the overall uncollectible
106 experience for GDS-1 and GDS-2 service. A combined factor for the Ameren Illinois
107 Utilities' GDS-1 and GDS-2 classes, based on data from the currently pending gas
108 delivery service rate cases, is 1.62%.

109 **IV. CONCLUSION**

110 **Q. Does this conclude your Direct Testimony?**

111 A. Yes.

APPENDIX – STATEMENT OF QUALIFICATIONS

I graduated from Western Illinois University with a Bachelor of Arts Degree in Economics in 1987. In 1988, I received a Master of Arts Degree in Economics, also from Western Illinois University. From 1988 through 2004 I was employed by Illinois Power Company (“Illinois Power”) as a Rate Analyst, Senior Rate Analyst, Rate Specialist, Team Leader – Costing and Economic Services, and Director – Business Planning and Forecasting. Shortly after completion of Ameren Corporation’s acquisition of Illinois Power, I accepted a position as Managing Supervisor – Restructured Services, Regulatory Policy and Planning. In February 2008, I was promoted to my current position.

I previously testified before the Illinois Commerce Commission in Docket No. 91-0335, regarding Illinois Power’s electric marginal cost of service study; Docket No. 93-0183, regarding Illinois Power’s gas marginal cost of service study; Docket No. 98-0348, regarding Illinois Power’s proposed Rider DA-RTP II; Docket No. 98-0680, regarding the investigation concerning certain tariff provisions under Section 16-108 of the Public Utilities Act and related issues; Docket No. 98-0769, regarding requirements governing the form and content of contract summaries for the 1999 Neutral Fact Finder; Docket Nos. 99-0120 & 99-0134 (Cons.) regarding approval of Illinois Power’s Delivery Service Implementation Plan and Tariffs; Docket Nos. 00-0259/00-0395/00-0461 (Cons.) regarding proposed Rider MVI and revisions to Rider TC; Docket No. 01-0432 regarding electric Delivery Service Tariff rate design and related matters; Docket No. 04-0476 regarding gas rate design; Docket Nos. 06-0070/06-0071/06-0072 (Cons.) regarding electric Delivery Service Tariff rate design and related matters; Docket Nos. 06-0691/06-0692/06-0693 (Cons.) regarding residential real-time pricing tariffs; Docket 06-0800 regarding an investigation into changes to auction process and the Ameren Illinois Utilities’ market value tariffs (Rider MV); Docket 07-0165

Ameren Ex. 3.0

regarding an investigation into the Ameren Illinois Utilities' rate design, Docket 07-0527 regarding cost recovery and other tariff changes in conjunction with the Ameren Illinois Utilities' initial procurement plan, Docket 07-0539 regarding cost limits and cost recovery tariffs associated with an energy efficiency and demand-response plan, and Docket Nos. 07-0585, 07-0586, 07-0587 regarding electric Delivery Service Tariff rate design and related matters.