Ameren Exhibit 1.0

ILLINOIS COMMERCE COMMISSION

DOCKET No. 10-________

DIRECT TESTIMONY

OF

KENNETH C. WOOLCUTT

Submitted On Behalf

Of

CENTRAL ILLINOIS LIGHT COMPANY
d/b/a AmerenCILCO

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY
d/b/a AmerenCIPS

ILLINOIS POWER COMPANY
d/b/a AmerenIP

(The Ameren Illinois Utilities)

February 2, 2010

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Kenneth C. Woolcutt. My business address is 300 Liberty Street, Peoria, Illinois 61602.

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

A. I am the Managing Supervisor of Illinois Energy Efficiency for 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, (collectively referred to as the "Ameren Illinois Utilities" or "AIU").

Q. Please describe your professional experience and educational background.

A. See my Statement of Qualifications, attached as an Appendix to this testimony.

II. PURPOSE AND SCOPE

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

A. The purpose of my direct testimony is to provide an overview of the AIU's Program Design Document, (the "Plan") for an On-Bill Financing Program, ("OBF Program" or "Program"), and the related Request for Proposal ("RFP") for a financial institution ("FI"), and providing relevant background and details. This filing is intended to be in compliance with Sections 16-111.7 and 19-140 of the Public Utilities Act, ("Act"), which were enacted in May 2009. This filing details the implementation of those requirements, and compliance with the statute. The AIU welcome this opportunity to implement an OBF Program for energy efficiency measures, which have the potential to provide benefits to distribution companies and all retail electric customers.

Q. In addition to your testimony are you sponsoring any additional exhibits?

A. Yes, I'm sponsoring the following exhibits:

Ameren Exhibit 1.1	Program Design Document
Ameren Exhibit 1.2	AIU's On-Bill Financing Financial Institution Request for Proposal
Ameren Exhibit 1.3	List of available Program Measures
Ameren Exhibit 1.4	Sample Measure Methodology
Ameren Exhibit 1.5a	AIU's Energy Efficiency-Demand Response Plan as approved in ICC Docket No. 07-0539
Ameren Exhibit 1.5b	AIU's Gas Energy Efficiency Plan as approved in ICC Docket No. 08-0104
Ameren Exhibit 1.6	Conservation Services Group Memo
Ameren Exhibit 1.7	Conservation Services Group Biography
Ameren Exhibit 1.8	Construction Journal Article
Ameren Exhibit 1.9	Evaluation Management and Verification Program

Ameren Exhibit 1.10	Morgan Measure Library, DS More™ Tool

III. THE ILLINOIS COMMERCE COMMISSION WORKSHOP PROCESS

Q. Please describe the Illinois Commerce Commission Workshop Process for the on-bill financing legislation.

A. The Illinois Commerce Commission ("Commission") workshop process consisted of six workshops over five months, starting August 4, 2009 and concluding December 4, 2009. Attendees included representatives from Commission Staff ("Staff"), the Attorney General's Office ("AG"), Citizens' Utility Board ("CUB"), Midwest Energy Efficiency Alliance, financial institutions, the AIU, Commonwealth Edison Company ("ComEd"), Northern Illinois Gas Company d/b/a NICOR ("Nicor"), and Peoples Gas Light & Coke Company ("Peoples Gas"), among others.

Q. Please describe the AIU's participation in the workshop process.

A. The AIU's representatives were in attendance at all workshops. In addition the AIU were instrumental in sourcing and involving the participation of members of the vendor network, the Illinois State Treasurer's Office, an experienced OBF financial institution from Pennsylvania (AFC First), and an OBF industry expert (Energy Efficiency Financial Corporation ("EEFC")). The AIU's representatives assisted in coordinating the October 9, 2009 workshop, at the request of Staff, with presentations made by AFC First and EEFC. The AIU's efforts also assisted in providing the opportunity for all utilities to engage EEFC for RFP and Program design documents.

IV. SUMMARY OF PROGRAM DESIGN PLAN

Q. Please summarize the proposed OBF Program Design Plan.

A. We present to the Illinois Commerce Commission ("Commission") for review and approval the Plans of the AIU to implement a residential sector energy efficiency on-bill financing program, the OBF Program.

Q. How does this Plan meet the requirements of the Act?

A. The Plan is intended to comply with Section 16-111.7(c) - (e). Following are the pertinent elements concerning the Program design and the AIU's obligations to comply. I will reference sections of the Program Design Document (Ameren Exhibit 1.1):

Target Sectors & Customers. The AIU's Program targets the residential sector: single family and multi-family up to four units, or condominium at which the electric service is being provided. Multi-family housing with greater than four units are not eligible. Customers/borrowers must be property owners and account holders. Renters are not eligible. Rental property is eligible only where the property owner is the account holder and borrower.

Procurement of Financial Institution Partner. The AIU will issue an RFP to procure an FI to serve as lender that shall provide financing to customers and serve as a partner in several roles to implement the Program. The FI RFP process will lead to selection of an FI for contract negotiations and, subsequently, a Lending Facility Agreement between the selected FI and the AIU to establish the Lending Facility, the Loan terms and pricing, all fee arrangements including fees payable by the AIU, and procedures for Loan origination and administration. This process is managed in conjunction with other utilities. The FI RFP process is further described in Section 2, below. A draft of the FI RFP is attached as Ameren Exhibit 1.2.

Lending Structure. The Act prescribes the form of the Program lending structure. Main elements of the lending structure are as follows.

- Energy Efficiency ("EE") loans ("Loans") will be made by the FI partner ("Lender") to the eligible borrowers, with collections of finance payments on the utility bill. The Utility's plan for the collections mechanism is further described in Sections 3.6 and 3.7, below.

- The Lender will do the credit analysis of prospective borrowers using underwriting guidelines as agreed with the Utility. The Utility's initial suggested underwriting criteria are discussed in Section 3, below, and in the preliminary EE Loan term sheet and underwriting guidelines attached as Appendix B of the Plan which is attached as Exhibit 1.1. Underwriting guidelines will be finalized in negotiations with the selected FI partner pursuant to the FI RFP process.

- The Utility will aggregate all Loan payments from customers and make an aggregated payment periodically (monthly) to the FI partner, the frequency of which will be determined by the FI. The estimated flow of funds is further described in Section 3.7, below and will be finalized in detail through negotiations with the selected FI partner.

- The customers' obligations to pay the Loan payment will be incorporated into the existing bill and treated commensurate with the obligation to pay the Utility bill. In the event of non-payment, the Utility may suspend utility service, under existing established collections procedures. Further, the Utility can recover any ultimate losses due to default or non-payment through the Utility tariff bad debt rider. Thus, the Utility will be responsible for recovery actions in default events.

- The Utility will remit repayment of all Loans to the FI.

- The AIU may retain a security interest in the installed equipment financed by the Program. The most cost-effective method to achieve this will be negotiated with the FI partner.

- The aggregate amount of all loans financed with AIU customers shall be $5.0 million. As the legislation specifies,

  "(7) The total outstanding amount financed under the program shall not exceed $2.5 million for an electric AIU or electric utilities under a single holding company, provided that the electric AIU or electric utilities may petition the Commission for an increase in such amount."
  (This language is duplicated in the gas version of the legislation as well.)

Customer Payments. As prescribed in the Act no customer upfront payment shall be required to participate in the Program; total estimated energy savings (electric and gas savings) will be sufficient to cover the customer costs of installing the measure including the customers costs for finance charges and any related administrative fees.

Vendor & Contract or Network. The AIU have an established and growing network of EE project, equipment and service contractors ("Vendors") as part of its Energy Efficiency and DSM portfolio (needs reference) to provide marketing and implementation of EE projects for the Program. The AIU will draw from this existing and future network in addition to seeking qualified vendors specifically for the Program. An additional service from the FI partner may include assistance in the further development and management of the Vendor network, using Vendor qualification standards as agreed to with the Utilities

Evaluation. As prescribed in the Act, the AIU will have an evaluation report prepared by an independent evaluator after three years of Program operations. The AIU will follow an RFP process for evaluator selection whereby experienced and qualified contractors will be vetted to participate. The selected vendor will be chosen based on rigorous criteria to include the demonstrated ability to abide by the evaluation requirements of the Act, experience, positive references, industry reputation, and reasonable fees. Data will be collected on financial and loan payment performance and energy savings aspects of the Program. As part of its services, the FI partner will be responsible to collect data regarding lending activity, including, for example: number of applications, approvals, and booked loans; reasons for rejection; customer service matters; approval times; and, loan amounts and tenors. Recommendations on Program improvement and expansion will also be requested.

AIU Program Costs. The Act allows that the AIU's costs for operating the Program to be recoverable via tariffs. Program costs will include: AIU's Program staffing, marketing, Vendor network development and management, evaluation and FI fees paid by the AIU. Program costs may include some fees paid by the AIU to the FI to cover certain FI costs for its services, including Loan program set up, Loan origination and administering the Program. The FI RFP requests proposing FIs to suggest such a budget for Program costs that would be reimbursed by the AIU directly; these amounts will be determined through the FI procurement and negotiation process.

Q. The OBF Act places certain parameters around the Program. Please provide your understanding of the following highlighted sections.

> *Section 16-111.7. On bill financing program; electric utilities. (a) The Illinois General Assembly finds that Illinois homes and businesses have the potential to save energy through conservation and cost effective energy efficiency measures. Programs created pursuant to this Section will allow AIU customers to purchase* ***cost effective energy efficiency measures*** *with* ***no required initial upfront payment,*** *and* ***to pay the cost of those products and services over time on their AIU bill.***
> *(emphasis added)*

A. The AIU interprets "cost effective energy efficiency measures" to include those measures that pass the total resource costs test as described in the Public Utilities Act 220 ILCS 5/8-104, Section 8-104(b), and which are part of the AIU's EE portfolio.

"No required initial up front payment" is interpreted to mean customers are not required to make a down payment in order to participate in the Program. However, up front or down payments by the customer are voluntary, are not prohibited and may be encouraged.

The phrase "to pay the cost of those products and services over time on their AIU's bill" is interpreted to mean customers are allowed to pay the Loan associated with the products and services in the same manner as they pay other charges on their AIU's bill.

The phrase "over time" is defined as the duration of the loan. The reduced usage and reduced charges associated with an energy efficiency measure is assumed to occur over the period of time in which the measure is in service or in effect. In other words, it is assumed customers receive the benefits of the measure over the useful life of the measure.

Q. Please address the following highlighted sections.

> *(c) Not later than 60 days following completion of the workshop process described in subsection (b-5) of this Section, each electric utility subject to subsection (b) of this Section shall submit a proposed program to the Commission that contains the following components:*
>
> *(1)* ***A list of recommended electric energy efficiency measures that will be eligible for on-bill financing.*** *An eligible electric energy efficiency measure ("measure") shall be defined by the following:*
>
> *(A)* ***the measure would be applied to or replace electric energy using equipment; and***
>
> *(B)* ***application of the measure to equipment and systems will have estimated electricity savings (determined by rates in effect at the time of purchase), that are sufficient to cover the costs of implementing the measures, including finance charges and any program fees not recovered pursuant to subsection*** *(f) of this Section. To assist the electric AIU in identifying or approving measures, the AIU may consult with the Department of Commerce and Economic Opportunity, as well as with retailers,*

> *technicians, and installers of electric energy efficiency measures and energy auditors (collectively "vendors"). (emphasis added*)

A. A list of available program measures is attached as Ameren Exhibit 1.3. The phrase “measure would be applied to or replace electric (or gas) energy using equipment”[1] in subsection (A) is interpreted to mean an energy efficiency measure that is physically connected to, or makes an impact on, or replaces equipment thereby resulting in improved energy efficiency. One example of an “applied to” measure is the proper sizing of new energy efficient HVAC equipment. Application of “Manual J” methods is a measure that utilizes training, software and/or third-party services to assist HVAC contractors appropriately size HVAC equipment for meeting the heating and cooling demand of a building or home. The Manual J standards are endorsed by the Air Conditioning Contractors of America (“ACCA”) and Refrigeration Institute (“ARI”).

Subsection B is interpreted to mean:

A) Energy cost savings will be calculated as follows. First, energy cost savings will be estimated for the EE measure(s) to be installed for the customer. The Net Present Value of the energy cost savings will be calculated over the useful life of the EE measure(s), using current energy prices without applying any estimated inflation factor to the value of the energy estimated savings. This becomes the maximum loan amount (including interest). Cumulative cost savings will be used, without discounting.

B) Customer cost of implementing the measures, including finance charges will be calculated as follows. Total measure cost will be determined based on the Vendor’s turnkey cost proposal. The AIU rebates, other applicable rebates or incentives and applicable federal income tax credit rebate which the customer will receive will be estimated. Total measure cost(s) minus the applicable rebates and tax credits equals the Customer’s net capital cost and the net amount financed via the Loan. Then, total Loan payments over the applicable Loan term will be calculated given the Lending

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[1] The subsection is the same within Section 16-111.7, which pertains to electric utilities, and Section 19-140, which pertains to gas utilities

Facility terms, interest rate and fees. Cumulative Loan payments will be used.

C) Cost-effectiveness and hence eligibility of the EE measure(s) for Program financing will be determined by the following formula: Net present value of (A) must be greater than or equal to the net present value of (B) for the proposed EE measure(s) to qualify.

D) The AIU further proposes that the net present value of (A) will determine the maximum loan amount that can be provided under the Program and the customer may voluntarily choose to pay a portion of the capital costs of the measures directly, as a capital contribution, in order to proceed with implementing the EE measure(s). Customers may choose to do this to reduce the loan amount or length, and because of other values which the EE measure(s) provide, including meeting energy system replacement needs and improving home comfort and energy services. Because this would be voluntary on the part of the customer, meet customer demand, help open the important replacement market, and keep the AIU responsibility for the subject loan proportional to energy savings, the AIU recommends that this approach to determining eligibility be approved as part of the Program.

Q. Why does AIU interpret the "costs of implementing the measure" to include the loan amount plus interest.

A. AIU believes the net present value costs of the loan principal and interest cost is reasonable and is the appropriate measure by which to compare savings, and is reasonable and consistent with other sections of the Act which suggest the net present value of long-term energy savings and related reduced energy charges should be offset by the increase to the bill resulting from the loan.

Q. Are you including small commercial business customers in the Program?

A. No. The AIU do not have a commercial rate class in its current tarrif structure that isolates or defines the "small commercial customer". The AIU's electric Delivery Service ("DS") rates have threshold kilowatt levels, and gas DS rates have threshold use/day levels. It could be very well be the case that a "small commercial customer" is a

DS-2 or GDS-2 customer, but such definition could also include other rate classes, further complicating administration of the Program. Further, we interpret from the statute that offering the Program to this group of customers is not mandated. In addition, this Program is limited to being a three year pilot which does not warrant the comprehensive changes required to re-structure our rate classes consistent with specifically defined small commercial customer as referenced in the Act.

Q. How do you anticipate complying with Section 16-111.7(5)(g) regarding an independent evaluation?

A. The AIU will convene an appropriate RFP process whereby contractors who are experienced in the field of evaluating energy efficiency on-bill financing programs will be invited to bid, with the evaluator to be selected based on a variety of standard criteria to include but not limited to, a demonstrated ability to address the requirements of the Act, reputation, related experience and cost. The AIU may collaborate with other Illinois utilities to contract with the evaluator to achieve Program consistency and reduced costs.

Q. Do the AIU have any concerns regarding the timing of the evaluation?

A. Yes, the AIU are concerned with the timing of the evaluation process and the subsequent determination of Program continuance. The Act specifies that the Commission issue a report of recommendations after the conclusion of the three year pilot period which, in essence, requires the Program to be suspended prior to that point in time. In the event a recommendation and decision is made to continue the Program after the three year period has expired, Program momentum will be lost, consumer and vendor confusion may ensue and additional costs could be incurred to re-start the Program. Accordingly, the AIU request the evaluation take place whereby the results are concluded by the beginning of the third program year and whereby the Commission issues its report, and to determine in a timely manner if the Program is to continue.

Q. How did you choose the available measures to be included in the Program?

A. Available measures for the Program are those measures that are part of the AIU EE portfolio of services (Ameren Exhibit 1.3). The reasons for using the measures that are in the AIU EE portfolio are as follows:

- As prescribed by the legislation governing the AIU energy efficiency program, the portfolio of measures must pass a cost-effectiveness test and be independently evaluated for energy savings and cost-effectiveness on an email basis. Therefore, it is considered that such measures are most prudent for OBF Program inclusion.

- The AIU EE program started in 2008 and is anticipated to continue past the term of this OBF Program. Therefore, by virtue of the existence of the EE program, there has already been development of, and will continue to be, a growing development of a network of qualified installers, program implementation logistics and promotion for the respective measures that would be available for the OBF Program.

- Installation of measures in the EE program must be performed according to EE program quality criteria where installation and vendor quality are routinely regulated by the EE program staff.

- Measures in the EE program are subject to an ongoing independent evaluation, measurement and verification with resulting impact evaluations, process evaluations and cost-effectiveness evaluation which is then reported to the Commission.

Q. Will the list of available measures change?

A. Yes. The available measures will change in accordance with the measures included in the EE portfolio. This will ensure that appropriate infrastructure, vendor network, quality of installations and available rebates coincide with the Program's available measures.

Q. How is a measure eligible for the Program?

A. The basis for the available list of measures will be the same as the list of measures that exist at any given time in the AIU EE portfolio of measures. The net present value of the loan amount (principal plus interest) must be equal to or less than the net present value of the measure's useful life. The eligibility of a measure (or bundle of measures) is, therefore, subject to the applied interest rate, loan length, prevailing rebates, incentives and tax credits, consumer's voluntary contribution to the loan amount, and the avoided cost of energy. All of these variables are subject to change and therefore individual measure eligibility can not be determined until these variables are known, some of which result from negotiations with the FI. A sample application of this methodology to some measures with assumed values for these variables is attached as Ameren Exhibit 1.4.

Q. What is your description of "equipment and services" as that term is used in subsection (c)(1)(B) of the statute?

A. The description of equipment and services would be all measures included in the AIU EE portfolio, as reported to the Commission in the AIU three-year EE plan and its subsequent annual reports is provided in Ameren Exhibits 1.5a and 1.5b. The available measures for the OBF Program will include weatherization measures such as insulation and duct/air sealing. Weatherization measures are EE and construction industry accepted system measures by virtue of being part of the building envelope. The building envelope system is intended to retard the transfer of heat from inside to the outside and vice versa; whereby insulation and sealing measures are integral parts of such system. This is further explained in Ameren Exhibit 1.6 by Conservation Services Group, ("CSG"), a well recognized, national expert EE implementer. CSG qualifications and background are included as Ameren Exhibit 1.7. Also attached as Ameren Exhibit 1.8 is a construction journal article explaining the building shell as a system.

Q. Describe the methodology used to estimate electricity and gas savings.

A. There are several methods employed to estimate savings; The AIU is using its existing EE portfolio as its list of available measures for the Program. The method for determining savings will be the same as used in the EE portfolio which is as follows: The EE plan for this Program was initially filed in November 2007 in Dockets Nos. 07-0539 and 08-0104 whereby it referenced various acceptable and prevailing sources for the allocation of energy savings. These savings estimates are revised as a result of the EE portfolio’s annual independent evaluations which determine the amount of energy savings values that were experienced and should be appropriately used in the AIU EE portfolio for its measures. An example of such evaluation is attached as Ameren Exhibit 1.9. Using verified values ensures that the savings values are accurate for the AIU market, weather and customer usage. As new measures are added to the AIU EE portfolio, and prior to available evaluation results, the AIU uses the Morgan Measure Library combined with the use of the DSMore™ tool. This measure library encompasses a majority of “best practice” energy efficiency measures and associated values, including Energy Star values, and is being used by multiple utilities across the nation. Demand Side Management Option Risk Evaluator (DSMore™) is a powerful financial analysis tool designed to evaluate the costs, benefits, and risks of demand side management (“DSM”) programs and services. Further explanation of this resource is attached as Ameren Exhibit 1.10.

V. SUMMARY OF THE FINANCIAL INSTITUTION REQUEST FOR PROPOSAL

Q. Describe the AIU activities regarding the procurement of a financial institution.

A. The AIU is cooperating with the other utilities to conduct a joint FI RFP process. The Illinois Energy Association ("IEA"), of which all the utilities are members, is facilitating this cooperation and will issue the FI RFP and coordinate the FI RFP process on behalf of all the utilities. The rationale for conducting a single FI RFP for all subject utilities is as follows:

FI Recruitment. The Act caps the size of each AIU OBF program loan fund size at $2.5 million in total financing principal. The $2.5 million program size per AIU is relatively small, thereby limiting the number of potential FIs interested in participating in the Program. By joining together, the utilities can aggregate their OBF program requirements and present a $12.5 million total financing requirement to interested FIs.[2] This larger size will be more attractive for prospective FIs and aid in recruitment and procurement of an effective FI partner. Further, a joint FI RFP will simplify the tasks and process for FIs to respond to the several utilities.

Customer Perspective, Making the Program User-Friendly for Customers and Contractors. Having a single FI partner will make the Program easier to implement and understand for those customers and contractors served by, or

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[2] Five utilities are subject to SB 1918: AIUAIU, ComEd, Peoples Gas and Nicor Gas. The $12.5 million total finance program value equals $2.5 million per AIU multiplied times the five utilities.

working with, different utilities. Instead of multiple loan programs, a single FI could offer loans for EE projects promoted by the respective utilities.

Commission Process. The joint FI RFP supports the harmonization of the various AIU program designs and FI RFP processes and simplifies the Commission's review and approval process.

Implementation Efficiencies. A common financing program adopted by the utilities can yield implementation efficiencies in marketing and administration, including FI fees.

Q. Please summarize the proposed FI RFP.

A. The AIU, through the joint FI RFP process, will procure a Lender for the Program to provide the following services:

- assist in final financial structuring of the Program, in collaboration with the utilities;
- establish a lending facility (the "Facility") of up to $12.5 million ($2.5 million per utility) and originate and provide EE loans ("Loans") to eligible residential energy users.
- perform credit analysis of prospective borrowers and make Loan credit decisions, applying underwriting guidelines as agreed upon with the utilities;
- notify each AIU upon approval of a Loan and disbursement of funds, using information exchange protocols to be established;
- administer the Loans, with Loan collections being performed by the utilities;
- provide quarterly reports from the FI to the AIU regarding lending activity and the Loan portfolio;
- collecting data as needed for the completion of the Program evaluation.

Additional potential FI roles and services, to be determined through the RFP and negotiation process, may include:

- marketing EE loans
- assistance to the Utilities to develop and manage the Vendor network; and
- potentially, on terms to be developed, provide additional lending over and above the amount guaranteed by the Utilities.

FI RFP Process. The AIU, coordinating through the IEA with the other utilities, will issue the FI RFP following Commission approval of this Program Design Document. The FI RFP provides: Program background; structure and terms of the proposed lending Facility and Loans; a prescribed format and content for the FI proposals; and, a description of the RFP process, including evaluation criteria, and a timeline that will lead to selection of the FI partner and negotiation and execution of implementing agreements for the facility. Selection of an FI will be a selection for negotiation. The utilities will proceed to negotiate an implementing Lending Facility Agreement with the selected FI, and will proceed to a second candidate if negotiations fail with the first.

Proposal Evaluation & Selection Criteria. An Evaluation Committee will be formed and coordinated by the IEA to evaluate FI proposals qualitatively. The AIU will be represented on the Evaluation Committee. Evaluation criteria are indicated below:

- *Loan interest rates & pricing*. Attractiveness of the proposed Loan pricing, including fees charged to borrowers.
- *Loan Terms*. Attractiveness and suitability of proposed Loan tenors, prepayment options and other terms.
- *Loan origination processes*. Thoroughness and ease of administration of Loan origination procedures and coordination with Program partners.

Clarity and suitability of proposed Loan underwriting criteria and ability to meet the Program goals. Plan for obtaining AIU security interest.

- *FI Experience & Qualifications*. FI experience and qualifications in similar programs such as retail lending, home improvement lending, vendor finance and EE lending, demonstrated commitment to the Program and the results of the reference checks.
- *Experience & Qualifications of specific staff proposed*. Skills of specific staff proposed.
- *Loan Marketing & Geographic Coverage*. FI's marketing plan, geographic coverage, ability to serve State-wide and ability to market to FI's existing customers. Note that OBF is available to residential customers without regard to their electric or gas supply provider.
- *Proposed Additional Services*. Ability to provide additional services.
- *Program Fee Proposal*. Amount and reasonableness of proposed Program fees to be paid by the Utilities.
- *Potential to expand lending*. While this service is not requested presently, the ability to expand lending and willingness to consider doing so on a limited recourse basis, will be considered.
- *Stability*. Demonstrated FI organization stability.

Q. Provide detail regarding the Structure and Terms of the OBF Lending Facility and EE Loans.

A. The structure and terms of the proposed OBF Program Lending Facility and EE Loans to be established with the FI partner will be consistent with the AIU Program design and the prescriptions of the Act. This financing structure is subject to modification and negotiation with the selected FI partner. In the RFP process, FI's are asked to propose and recommend modifications as needed to meet Program goals and the FI's business interests. The proposals will be the basis for negotiating the Lending Facility Agreement and final Loan terms.

Source of Funds & Lending Responsibilities. EE Loans will be made by the FI partner as Lender. The source of funds will be the Lender's own liquidity. The Lender will be responsible for Loan origination, coordinating with the Vendors and the AIU, respectively.

Geographic Coverage. EE Loans will be available to all eligible borrowers in the service territory of the AIU.

Loan terms. The AIU will seek to arrange a Lending Facility with Loan terms up to 10 years for residential customers, Loan payment schedule of level monthly payments of principal and interest, in arrears, and prepayment options. The Loan interest rates will be determined through the competitive FI RFP process and will be a major factor in the FI proposal evaluation. Fixed interest rates will be sought, with the rate fixed at the time of Loan commitment based on a published index agreed with the selected FI. No borrower down payment will be required. Further, as regards Loan dispute resolutions, according to the Act, "any dispute that may arise concerning the loan's terms, conditions, or charges shall be resolved between the participant and lender." This dispute resolution process will include the FI's abidance of prevailing customer protection laws.

Loan Underwriting Guidelines. The utilities will seek advice from the FI partner on Loan underwriting guidelines. The underwriting guidelines are subject to review, modification and negotiation with the selected Lender. The FI RFP requests FIs to propose underwriting guidelines that will be reasonable and prudent for credit risk management and easy to administer. Customer AIU bill payment performance history is proposed to be used as one means of credit analysis and decision, subject to negotiation with the FI. In Loan origination, the Lender will do the credit analysis of prospective borrowers using the agreed underwriting guidelines. The Lender will be asked to report on its credit decisions, applications, rejections and approval rates. Loan underwriting guidelines can also be modified during Program operations, as experience dictates.

A main goal of the Program is to establish a preferential and easy-to-use EE lending program; a secondary goal is to broaden access to finance for residential customers to make EE investments. These goals must be balanced with the need to manage credit risk.

Loan Marketing. The Loan Program will be marketed by Vendors, the AIU and the Lender. Vendors will market the EE Loans at the point of sale with customers. Vendors are interested to sell their EE products and services and are effective agents to drive the marketing. Loan product information, approved by the utilities and the Lender, will be provided to the Vendors. The AIU will also market the Program through its DSM/EE programs, billing information and other channels. The Lender can also market the Loan product to its existing customers and make referrals to the AIU and qualified Vendors; the FI RFP requests FIs to propose marketing activities they can undertake.

Loan Origination Procedures. The Lender will be responsible for Loan origination, coordinating with the AIU and Vendors. Vendors will distribute Loan application materials and provide referrals to the Lender’s offices for origination. The AIU will confirm eligibility of the project and provide the customer’s AIU account number to the Lender. If agreed with the Lender for credit analysis purposes, the AIU bill payment information may also be provided, if/as agreed with the customer. Standard loan application and Loan agreement materials will be provided by the Lender, to be approved by the AIU. Once the borrower credit is approved by the Lender, the Loan agreement can be executed. Following Loan agreement execution, the Vendor will proceed to install the EE measures.

Q. Please explain the disbursement process of loan funds.

A. To assure proper application of Loan proceeds and timely payment to Vendors, the AIU proposes that the Lender will make disbursements of Loan proceeds directly to the Vendor following completion of the installation and acceptance of the installation by the borrower.

Security Interest. Pursuant to the Act, the AIU shall consider obtaining a security interest in equipment. Cost-effective methods to achieve this, e.g., UCC-1 filing, will be negotiated with the Lender. In the FI RFP, the utilities request that the Lender propose to take the agreed security filing action as part of its services. Costs associated with the security filing are treated as Program costs, to be reimbursed to the Lender by the AIU. However the AIU reserve the right to consider this as an optional activity based on program stability, need and effectiveness.

Information Sharing. Periodically, proposed monthly, the Lender will report to the AIU summary information on all Loans originated during the applicable period. The AIU may use electronic data integration ("EDI") standards for information sharing. There exists EDI standards for different types of transactions with specified file layouts as to header information, field length, position in the file for specific info, etc. The AIU will agree with the selected FI proposals on the information sharing protocols and formats, which will be finalized during negotiations with the selected FI.

AIU Collections & Flow of Funds. Collections of Loan payments will be performed by the AIU as part of the customers' AIU bill. The customers' obligations to pay Loan payments will be treated commensurate with the obligation to pay the AIU energy bill. The AIU may suspend AIU service in the event of non-payment. The payment obligation will not, however, transfer with the property. The AIU will aggregate all Loan payments from customers and make aggregated payment monthly payments to the FI partner, the frequency of which will be determined by the FI. The timing of Loan disbursements and Loan payments relative to the AIU billing cycles for the various customers will be coordinated with the FI to reflect all interest accruals due to the Lender. The flow of funds will be further detailed in negotiations with the selected FI.

AIU Guarantee. The AIU will repay all Loans to the FI, regardless of customer payment timing and performance. This is a provision of the Act and effectively means that each AIU guarantees repayment of the Loans to the Lender. The utilities expect the Loan pricing offered by and agreed with the FI to be commensurate with this arrangement and credit structure.

Loan Administration & Recoveries. In the event of non-payment, the AIU may suspend AIU service, under existing established collections procedures. Further, the AIU can recover any ultimate losses at the point of a write off due to default or non-payment through the AIU tariff bad debt rider[3], identical to its current bad debts cost recovery method. Thus, the AIU will be responsible for recovery actions in default events.

VI. <u>THE ROLE OF THE VENDOR NETWORK</u>

Q. Describe the role of the Program's Vendor network.

A. The AIU will develop a network of EE project, equipment and Vendors to provide marketing and turnkey development and implementation of EE projects as part of the Program. The AIU existing Vendor network established for its existing EE programs will be drawn upon and augmented for this Program. An additional service from the FI partner may include assistance in the further development and management of the Vendor network, using Vendor qualification standards as agreed to with the utilities. Vendors will have an important role in Program and EE project marketing, including marketing the EE Loan products. Nationally, the most successful residential financing programs, as measured by volume, take advantage of existing AIU trade allies and vendor networks. Vendors will play a key role in marketing the OBF Program because they are on the front line with the customers. As such, Vendors need to fully understand the finance program, as they will be explaining it to the customers. In addition to helping customers choose products, trained Vendors will explain available rebates, help capture federal tax credits and other available incentives and rebates, and complete the loan application forms. Furthermore, working with a qualified Vendor network helps keep transaction costs low, ensures that customers are satisfied with equipment installations, and that projected energy savings are achieved.

[3] Rider EUA – Electric Uncollectible Adjustment (Rider EUA) and Rider GUA – Gas Uncollectible Adjustment (Rider GUA) have been proposed in Docket No. 09-0399

Vendor Qualifications & Training. Qualification and training of Vendors are important functions for Program success. In order to qualify to participate in the Program, Vendors must provide the AIU with qualifying information, to be assessed by the AIU or its outsourced Program contractor performing this function, which may be the Lender. Qualifying information may include: specifications on EE services and products offered, EE specifications and warranties on equipment offered, time in business, staffing, experience in the field of EE, customer references, financial data including bonding capacity and insurance, and acceptance of Program business terms and methods. Vendors may also be required to take a AIU approved training program. Vendors will have to take an assignment of any applicable rebates to insure that the customer has no up-front costs as the financed Loan amount will be for the project cost net of the rebate. The utilities intend that the Lender will make disbursements of Loan proceeds to the Vendor upon completion of projects and acceptance by customers.

Q. Please provide an explanation as to how the Commission can be assured that the Vendors implementing your plan will conform to the requirements of the statute.

A. Several activities will be performed to ensure that Vendors conform to the requirements of the statute, which are similar, and in many instances identical, to the same activities being performed today for the AIU EE program:

- The requirements of the statute that pertain to vendors is the installation of energy efficient measures. There are several inherent features of the OBF Program that ensures this occurs. Before a person can be approved for a loan, the measure and its cost-effectiveness will need to be approved by the FI. Before a vendor can receive disbursement of the loan funds, the customer has to provide approval of the installation.

- The requirements to abide by program rules, including the statute, will be included in a Vendor participation agreement. EE program managers and implementers monitor Vendor activity and quality to ensure they abide by program rules and guidelines. Vendors will be disciplined or removed as a participating Vendor if there is an infraction. The FI will also have role in managing and educating the vendors in the requirements of the statute.

VII. PROGRAM BUDGET AND TIMELINE

Q. Please describe the estimated Program budget and time line

A. The AIU estimates a budget to implement the Program as follows: AIU notes this budget is presented as an estimate only and based on knowledge at this time. Budget figures will change according to the results of negotiations with the selected FI, IT requirements for electronic data transfer of funds and billing changes, and program dynamics and growth, among other factors.

Ameren Illinois Utilities
Estimated OBF Budget

	2010-2011 (June-May) (Development)	**2011-2012** (June-May) (Implementation)	**2012-2013** (June-May)
Labor and Benefits (2)	$90,000	$225,000	$225,000
Program IT Costs (3)	$150,000	$5,000	$5,000
Outside Services (4)	$200,000	$20,000	$20,000
Marketing	$150,000	$125,000	$100,000
Vendor network (5)	$50,000	$50,000	$50,000
Installation Verification	$100,000	$100,000	$100,000
Program Evaluation (3rd	$25,000	$25,000	$100,000
Loan Servicing (6)	$33,000	$40,000	$60,000
TOTAL Administrative Costs*	**$798,000**	**$590,000**	**$660,000**
Bad Debt Estimate (7)	$100,000	$100,000	$100,000

(1) Assuming $5 million loan program ($2.5 million gas + $2.5 million electric)
(2) Estimating 1.5 FTEs for Y1, and 4 FTEs for Y2-3
(3) IT system design and Programming

(4) Consultation services (program design, RFP, implementation, etc.)
(5) Recruitment, training, monitoring of vendors
(6) Financial Institution loan fees
(7) Assuming 2% of loan funds

Program Timeline. AIU notes that it is most efficient for the OBF Program to start at a time that coincides with the next AIU three year EE program, and which coincides with the implementation of the gas utilities EE program, which is June 2011, thereby ensuring a comprehensive statewide approach to the offering of EE programs and OBF programs. This timeframe also allows appropriate timing for necessary related activities to be performed as follows:

Program Step	**Estimated Schedule**
Submittal of Program Design Document by AIU to Commission	February 2, 2010
Commission Order	May 2010
Revised PDD	June 2010
FI RFP issued	July 2010
FI RFP and Contract Execution process	June 2010 – December 2010
AIU Program operations planning to achieve start-up readiness	January – June 2011
Program operations start	June 2011

This timeline is subject to change; however, the current proposal is reasonable.

Q. What would you determine to be program fees and how would they be allocated in the program budget?

A. The AIU interprets program fees as all fees required to administer the program and the loans. These costs are not included in the cost of the measure or passed on to the program participant as a cost. These costs would be recovered in the appropriate rider as discussed by Mr. Leonard Jones.

VIII. SAMPLE CONTRACTS AND AGREEMENTS NECESSARY TO IMPLEMENT THE MEASURES AND PROGRAM

Q. Please provide sample contracts and agreements necessary to implement the measures and the program.

A. Attached to the Plan document as Ameren Exhibit 1.1 are four sample Vendor network application forms from the AIU EE portfolio program. These are provided as samples only and may change according to OBF program dynamics. Other Program contracts and agreements may include loan application and related program participation forms. These forms are not yet available and are subject to the FI’s recommendations and expertise. However, (and as stated in the RFP) the AIU will have control over these documents and will ensure that they are consumer friendly, abide by the applicable terms of the legislation including an explanation of prepayment opportunities without penalty, and abide by consumer protection laws as required by law.

IX. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
KENNETH C. WOOLCUTT

My name is Kenneth Woolcutt. My business address is 300 Liberty Street, Peoria, IL 61602. My current title is Managing Supervisor of Energy Efficiency with duties that support the Ameren Illinois utilities.

I graduated from McKendree College in 1986 receiving a bachelor's of business administration degree. In 1999 I obtained a masters degree in business administration from Bradley University. My gas and electric utility experience began in August of 1987 with Illinois Power Company (IP) and included the following positions and assignments.

Through June of 1989 I held the position of Assistant Customer Service Supervisor where I performed various customer service duties in IP's Danville, IL office. Those duties included supervision of meter readers, meter changers, customer service representatives and the overall front office operation of customer service activities including payment handling, customer inquiries and billing disputes.

For the period of June of 1989 through October of 1992 I held the position Supervisor of Materials Management and Garage where I performed various duties related to the logistics and supply of materials and vehicles for the Galesburg service area.

Beginning in October of 1992 through August of 1995 I held the position of Supervisor of Customer Service in Illinois Power's Jacksonville office. There I served a combined role as Customer Service Supervisor, Consumer Service Advisor, and Customer Assistance Advisor in the Jacksonville region. My role included managing existing customer relationships, and representing Illinois Power to the community. I supervised employees in customer service and metering functions.

From August of 1995 through November of 2004 I held the positions of Regional Manager for the Kewanee and Galesburg areas. My duties included developing and implementing strategies and account plans to insure the company maximized its opportunities to retain and increase sales of gas and electricity to assigned accounts in the Galesburg/Kewanee region. I represented the interests of Illinois Power to legislators, elected officials, and economic development organizations within the region.

In November of 2004 through February of 2008 I held the position of Supervisor of Business Administration and Customer Service. My duties included the administration of business office operations in AmerenIP's Galesburg & Kewanee operating areas. I represented the interests of AmerenIP to the public on utility issues in the region and acted as account representative for municipal customers in the nine county area.

In February of 2008 I was promoted to Managing Supervisor of Energy Efficiency. My duties include oversight of the implementation of the energy efficiency and demand response programs for the Ameren Illinois Utilities.