

DIRECT TESTIMONY
OF
RICHARD J. ZURASKI

Economist
Policy Program – Energy Division
Illinois Commerce Commission

Approval of the Energy Efficiency and Demand-Response Plan

Ameren Illinois Company

Docket No. 10-0568

November 5, 2010

1 **I. Witness Qualifications**

2 **Q. State your name and business address.**

3 A. My name is Richard J. Zuraski. My business address is: Illinois
4 Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois, 62701.

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

6 A. I am employed by the Illinois Commerce Commission (“Commission”) as
7 an Economist in the Energy Division’s Policy Program.

8 **Q. What are your responsibilities within the Energy Division’s Policy
9 Program?**

10 A. I provide testimony in Commission proceedings on behalf of the Staff of
11 the Commission (“Staff”). I provide economic analyses and advise the
12 Commission on issues and legislation involving the gas and electric utility
13 industries. I review tariff filings and make recommendations to the Commission
14 concerning those filings. I review compliance filings and various reports from
15 utilities and alternative electric suppliers. I manage contracts with consultants
16 hired by the Commission. I sometimes act as an assistant to Commissioners or
17 to administrative law judges.

18 **Q. State your educational background.**

19 A. I graduated from the University of Maryland with a Bachelor of Arts degree
20 in Economics. I obtained a Masters of Arts degree in Economics from
21 Washington University in St. Louis. I completed other work toward a doctorate in

22 economics from Washington University, but did not complete all requirements for
23 that degree.

24 **Q. Describe your professional experience.**

25 A. Since December 1997, I have been a Senior Economist in the Policy
26 Program of the Commission's Energy Division. I held the same position from
27 February 1990 to December 1997, in the Commission's Office of Policy and
28 Planning (prior to its incorporation into the Energy Division). Before that, I held
29 positions in the Commission's Least-Cost Planning Program and Conservation
30 Program. While employed by the Commission, I have testified in numerous
31 docketed proceedings before the Commission. Prior to coming to the
32 Commission in November 1987, I was a graduate student at Washington
33 University, where I taught various courses in economics to undergraduate
34 students in the Washington University night school and summer school.

35 **II. Purpose of Testimony**

36 **Q. What is the subject matter and purpose of your testimony in this**
37 **proceeding?**

38 A. The subject matter of my testimony is the computation of the natural gas
39 energy savings goals and budget constraints applicable to the energy efficiency
40 plan submitted by the Ameren Illinois Company ("Ameren" or "Company"). First,
41 I explain how the Company performed these computations. Second, I explain
42 how the Company's computations differ from other utilities' computations. Third,
43 I describe yet another way to perform these computations, based on an
44 alternative interpretation of the Public Utilities Act ("PUA"). In the due course of

45 this proceeding, this alternative interpretation of the PUA may be defended
46 through legal argument by Staff counsel. In anticipation of that legal argument, I
47 go through the exercise of computing the energy savings goals and budget
48 constraints consistent with the alternative interpretation. In brief, it is my
49 understanding that the alternative interpretation is based on a legal analysis of
50 the statute, itself, as well as the floor debate of Senate Bill 1918 that took place in
51 the Illinois House on May 28, 2009.¹

52 **Q. How did the Company compute its natural gas savings goals?**

53 A. Based on my review of Ameren Ex. 4.0, p. 6, Ameren Ex. 4.2, and
54 Ameren's response to Staff data request RZ 1.01, the Company appears to have
55 computed the natural gas therm savings goal by multiplying (A) times (B), where:

56 (A) is the percentage savings requirements specified in the PUA for each
57 of the three years of the plan; and

58 (B) is the calendar year 2009 therms that were sold (rather than just
59 delivered) by the Company (exclusive of gas that, pursuant to
60 provisions of 8-104(m) of the PUA, is expressly excluded from the
61 provisions of 8-104(a) through (g)).

62 In this computation, the Company apparently excluded from (B) all gas
63 sold by certified and other alternative gas suppliers. Pursuant to Article XIX of
64 the PUA² and Part 551 of the Commission's rules,³ to serve "residential

¹ State of Illinois, 96th General Assembly, House of Representatives, Transcription Debate, 63rd Legislative Day, 5/28/2009, pp. 181-182, available from <http://www.ilga.gov/house/transcripts/default.asp>.

² 220 ILCS 5/19-100, *et seq.*

³ 83 Ill. Adm. Code 551.10, *et seq.*

65 customers”⁴ and/or to serve “small commercial customers” (non-residential
66 customers that use less than 5000 therms of natural gas per year⁵), an
67 alternative gas supplier must be certified by the Commission.⁶ Serving non-
68 residential customers that use **more** than 5000 therms per year does not require
69 certification.⁷ However, a Certified Alternative Gas Supplier can serve both
70 residential and small commercial customers as well as larger non-residential
71 customers. According to Ameren, there are no residential or small commercial
72 customers purchasing gas from Certified Alternative Gas Suppliers in the
73 Ameren service territory.⁸

74 **Q. How does the Company’s natural gas savings goal computation compare**
75 **to the computations of other utilities submitting natural gas efficiency**
76 **plans this fall?**

77 A. They all appear to have used the same basic approach, except that
78 Peoples Gas Light and Coke Company (“Peoples”), North Shore Gas Company
79 (“North Shore”), and Northern Illinois Gas Company (“Nicor”) each have
80 residential and small commercial customers purchasing gas from Certified

⁴ Pursuant to 220 ILCS 5/19-105, a “residential customer” is “a customer who receives gas utility service for household purposes distributed to a dwelling of 2 or fewer units which is billed under a residential rate or gas utility service for household purposes distributed to a dwelling unit or units which is billed under a residential rate and is registered by a separate meter for each dwelling unit.”

⁵ 220 ILCS 5/19-105

⁶ See 220 ILCS 5/19-110(a)(“The provisions of this Section [requiring Commission certification] shall apply only to alternative gas suppliers serving or seeking to serve residential or small commercial customers and only to the extent such alternative gas suppliers provide services to residential or small commercial customers.”)

⁷ Id.

⁸ Response to Staff data request RJZ 1.01.

81 Alternative Gas Suppliers in their territories, while Ameren does not. These third-
82 party sales volumes (in addition to gas volumes sold by the utility) were also
83 included in the other utilities' computations. Pending a response from Nicor to a
84 Staff data request, there is greater uncertainty about whether the Nicor method
85 was as describe above.

86 **Q. How would one compute the Company's natural gas savings goal under**
87 **the alternative interpretation referenced earlier in your testimony?**

88 A. Under the alternative interpretation of the PUA referenced above, one
89 would not exclude **any** gas sales volumes unless subject to exclusion pursuant to
90 Section 8-104(m). That is, unlike Peoples, North Shore, Nicor, and Ameren, one
91 would not exclude any third-party sales volumes, not even those sold to large
92 customers, unless they would otherwise be excluded due to Section 8-104(m).
93 This would be the only deviation from the Company's approach and the
94 approaches of the other utilities that submitted natural gas efficiency plans this
95 fall. The top two tables in Exhibit 4.1 show Staff's alternative interpretation in a
96 graphic and perhaps more readily-grasped manner, and compares it to the
97 utilities' interpretations.

98 **Q. Have you performed these computations of the natural gas savings goal**
99 **under the alternative interpretation of the PUA referenced earlier in your**
100 **testimony?**

101 A. Yes. Staff Exhibit 4.2 shows the end result of the alternative
102 computations, in comparison to the utilities' computations.

103 **Q. How did the Company compute its natural gas plan budget constraint?**

104 A. Based on my review of Ameren Ex. 4.0, pp. 3-5, Ameren Ex. 4.2, and
105 Ameren's response to Staff data request RZ 1.01, the Company appears to have
106 started with forecasted Company revenues for the 36 month period ending May
107 31, 2014, excluding all revenues from therms that were sold by alternative gas
108 suppliers, and all revenues that should be excluded due to Section 8-104(m).
109 These forecasted revenues were then multiplied by 2% (the statutory budget
110 constraint). However, Ameren Ex. 4.0, pp. 3-5, and Ameren Ex. 4.2, on the one
111 hand, and Ameren's response to Staff data request RZ 1.01, on the other hand,
112 show different numbers for the forecasted revenues. The former (the exhibits)
113 show forecasted revenues of \$2,832,071,000, while the latter (the data request
114 response) shows forecasted revenues of \$2,880,496,189 (a difference of 1.7%,
115 which remains unexplained as of the submission of this testimony). Using the
116 former data, the three-year budget constraint would be \$56,641,420 (this is in the
117 Company's testimony)⁹; using the latter data, the three-year budget constraint
118 would be \$57,609,924.

119 **Q. How does the Company's natural gas plan budget constraint computation**
120 **compare to those of other utilities submitting natural gas efficiency plans**
121 **this fall?**

122 A. As described above, Ameren appears to have started with forecasted
123 Company revenues for the 36-month period ending May 31, 2014, excluding all
124 revenues from therms that were sold by alternative gas suppliers and excluding

⁹ Ameren Ex. 4.0, pp. 3-5, and Ameren Ex. 4.2

125 revenues that should be excluded due to Section 8-104(m). This was then
126 multiplied by 2%. Peoples and North Shore started with a similar revenue
127 forecast, except (a) they included estimated revenues from therms sold by
128 Certified Alternative Gas Suppliers to residential and small commercial
129 customers (of which Ameren purports to have none), and (b) they used data from
130 the 12-month period ending May 31, 2012 (the first year of the plan's
131 implementation) and then multiplied by 3 and 2%. Nicor used the same
132 approach as Peoples and North Shore, except Nicor started with actual revenues
133 for calendar year 2009 (rather than a future period forecast).

134 **Q. How would one compute the Company's natural gas plan budget constraint**
135 **under the alternative interpretation referenced earlier in your testimony?**

136 A. As appears to be consistent with what Ameren has presented, one would
137 start with revenues forecasted for the three year planning period (June 2011
138 through May 2014), and this would include: delivery service revenues from all
139 gas delivered by the Company, revenues from gas sold (rather than just
140 delivered) by the Company, and estimated revenues from therms sold by
141 Certified Alternative Gas Suppliers to residential and small commercial
142 customers (although Ameren forecasts none). The alternative computation
143 would be based on the same categories of revenue used by the utilities
144 submitting gas efficiency plans, but, in some cases (but not Ameren's case), it
145 would differ in the time period used. The bottom three tables of Exhibit 4.1 show
146 Staff's alternative interpretation in a graphic and perhaps more readily-grasped
147 manner, and compares it to the utilities' interpretations.

148 **Q. Have you performed these computations of the natural gas plan budget**
149 **constraint under the alternative interpretation of the PUA referenced earlier**
150 **in your testimony?**

151 A. Yes. Staff Exhibit 4.2 shows the end result of the alternative
152 computations, in comparison to the utilities' computations. Since the Company
153 presented different revenue forecasts in its exhibits and its response to Staff data
154 request RZ 1.01, it is not clear if the Ameren value should be the \$56,641,420
155 (from the Company's testimony) or the \$57,609,924 (computed from the
156 Company's data request response). Until shown to be incorrect, I recommend
157 using the former.

158 **Q. Does this complete your direct testimony?**

159 A. Yes.

Staff Exhibit 4.1:
ALTERNATIVE INTERPRETATION OF PUA

Natural Gas Deliveries (Therms) During Calendar Year 2009 Excluding Therms of sub-section 8-104 (m) customers		
associated with ...	and delivered to	
<i>Gas purchased from</i>	Small Customers	Large Customers
<i>Utility (PGA)</i>	T1	T2
<i>Certified AGS</i>	T3	T4
<i>Uncertified AGS</i>	N/A	T5

Period Ending	Savings Goals		
May 31, 2012	0.2%	x	T1 + T2 + T3 + T4 + T5
May 31, 2013	0.4%	x	T1 + T2 + T3 + T4 + T5
May 31, 2014	0.6%	x	T1 + T2 + T3 + T4 + T5
Deviations: All three utilities apparently left out T4 and T5.			

Estimated Utility Revenues (\$) During the 36 Months Ending May 31, 2014 Excluding revenues from sub-section 8-104 (m) customers		
associated with ...	and delivered to	
<i>Gas purchased from</i>	Small Customers	Large Customers
<i>Utility (PGA)</i>	R1	R2
<i>Certified AGS</i>	R3	R4
<i>Uncertified AGS</i>	N/A	R5

Alternative Gas Supplier Estimated Revenues (\$) During the 36 Months Ending May 31, 2014 Excluding revenues from sub-section 8-104 (m) customers		
associated with ...	and delivered to	
<i>Gas purchased from</i>	Small Customers	Large Customers
<i>Utility (PGA)</i>	N/A	N/A
<i>Certified AGS</i>	R6	Not in budget
<i>Uncertified AGS</i>	N/A	Not in budget

Three-Year Budget Limit For the 36 Months Ending May 31, 2014		
2%	x	R1 + R2 + R3 + R4 + R5 + R6
Deviations: Nicor apparently computed the budget as 2% times 3 times the 2009 sum of R1 through R6. Peoples and North Shore apparently computed the budget as 2% times 3 times the forecasted June 2011-May 2012 sum of R1 through R6.		

Staff Exhibit 4.2:
End Result of Savings Goal and Budget Constraint Calculations

	PY	Company's Computation		Alternative Computation	
		Therm Goal	Budget Constraint	Therm Goal	Budget Constraint
Ameren	1	1,788,394	\$56,641,420	2,351,808 [#]	\$56,641,420 ^{##}
	2	3,576,788		4,703,615 [#]	
	3	5,365,183		7,055,423 [#]	
Nicor	1	6,026,081	\$140,823,038	^	^^
	2	12,052,161		^	
	3	18,078,242		^	
North Shore	1	497,357	\$16,065,180	695,981 [*]	\$16,065,180 ^{**}
	2	994,714		1,391,962 [*]	
	3	1,492,071		2,087,943 [*]	
Peoples	1	2,278,618	\$81,352,074	3,507,336 [*]	\$81,352,074 ^{**}
	2	4,557,237		7,014,673 [*]	
	3	6,835,855		10,522,009 [*]	

Notes:

- # Based on Ameren Exhibit 4.2 (Rev.) and Ameren response to Staff data request RZ 1.01.
- ## Based on Ameren Exhibit 4.2 (Rev.), the number should be \$56,641,420, as shown in the table. Using calculations based on Ameren's response to Staff data request RZ 1.01, however, the number would be \$57,609,924.
- ^ Unknown, pending receipt of a Staff data request to Nicor.
- ^^ Unknown, pending receipt of a Staff data request to Nicor.
- * Based on NS-PGL Ex. 2.6 and NS-PGL response to Staff data request RZ 1.01.
- ** Based on NS-PGL Ex. 2.6, which reflects revenues purportedly forecasted for the twelve months ending May 31, 2012 times 3 (rather than on a forecast for the 36 months ending May 31, 2014). Unless a better three year forecast becomes available, this tripling of the one year approach represents a reasonable approximation.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Central Illinois Light Company d/b/a
Ameren CILCO

Central Illinois Public Service Company
d/b/a Ameren CIPS

Illinois Power Company d/b/a
AmerenIP

Verified Petition for Approval of Integrated
Electric and Natural Gas Energy Efficiency
Plan

10-0568

STATE OF ILLINOIS

)

COUNTY OF SANGAMON

)

)

SS

AFFIDAVIT OF RICHARD J. ZURASKI

I, Richard J. Zuraski, first duly being sworn upon oath, depose and state as follows:

1. My name is Richard J. Zuraski. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701. I am an economist in the Policy Program within the Energy Division of the Illinois Commerce Commission.

2. On November 5, 2010, the following documents were prepared by me and filed within one electronic file via the e-Docket system: ICC Staff Exhibit 4.0, titled "Direct Testimony of Richard J. Zuraski," consisting of a cover page and eight pages of narrative testimony, followed by ICC Staff Exhibit 4.1, titled "Alternative Interpretation of

PUA," consisting of one page of formulas, and ICC Staff Exhibit 4.2, titled "End Result of Savings Goal and Budget Constraint Calculations," consisting of one page of computational results.

3. The above documents were prepared by me for introduction into evidence in Illinois Commerce Commission Docket No. 10-0568 as an Illinois Commerce Commission Staff witness. Today, if I were asked the same questions contained in the above documents, my answers would be the same.

4. I hereby swear and affirm and state that my direct testimony was prepared by me or under my direction and control; that I have personal knowledge of the information stated in my direct testimony; and that the testimony is true, correct and complete to the best of my knowledge and belief.

Richard J. Zurawski

SUBSCRIBED AND SWORN to before me
this 5th day of November, 2010.

Lisa Bowman
NOTARY PUBLIC

