Ameren Exhibit

ILLINOIS COMMERCE COMMISSION

DOCKET No. 12-_____

DIRECT TESTIMONY

OF

MICHAEL S. ABBA

Submitted on Behalf

Of

AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois

February 2, 2012

TABLE OF CONTENTS

Page No.

I. INTRODUCTION.....1

A. Witness Identification.....1

B. Purpose, Scope and Identification of Exhibits.....1

II. STATUTORY REQUIREMENTS.....2

III. AIC's METRICS PLAN.....4

A. Reliability-Related Metrics.....5

B. Advanced Meter Infrastructure-Related Metrics.....8

C. Opportunities for Minority-owned and Female-owned Businesses.....10

IV. COMPLIANCE WITH METRICS PLAN.....10

V. CONCLUSION.....11

APPENDIX.....1

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Ameren Illinois

I. INTRODUCTION

A. Witness Identification

Q. Please state your name and business address.

A. My name is Michael S. Abba. My business address is 1800 W. Main St, Marion Illinois, 62959.

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

A. I am Manager – Smart Grid Integration and System Improvement for Ameren Illinois Company d/b/a Ameren Illinois (AIC).

Q. Please describe your education and relevant work experience.

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

B. Purpose, Scope and Identification of Exhibits

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

A. The purpose of my direct testimony is to explain: (1) the performance metrics requirements in Section 16-108.5(f) of the Illinois Public Utilities Act (Act); (2) AIC's plan to meet these requirements through implementation of its Multi-Year Performance Metrics (Metrics

Plan); and (3) AIC's proposal for measuring compliance with the Metrics Plan and statutory requirements.

Q. Are you sponsoring any exhibits with your direct testimony?

A. Yes. I am sponsoring the following exhibit:

- Ameren Exhibit 1.1: Multi-Year Performance Metrics

II. STATUTORY REQUIREMENTS

Q. What does Section 16-108.5(f) generally require?

A. Section 16-108.5(f) requires that within 30 days of filing a performance-based formula rate tariff under Section 16.108.5(c), a participating utility must develop and file with the Commission multi-year metrics designed to achieve, ratably (i.e., in equal segments) over a 10-year period, improvement over baseline performance values as follows:

a) 20 % improvement in the System Average Interruption Frequency Index (SAIFI).

b) 15% improvement in the Customer Average Interruption Duration Index (CAIDI).

c) 75% improvement in the total number of customers who exceed the service reliability targets as set forth in subparagraphs (A) through (C) of paragraph (4) of subsection (b) of 83 Ill. Admin. Code Part 411.140 as of May 1, 2011.

d) 56% reduction in issuance of estimated electric bills.

e) 56% reduction in the amount of consumption on inactive electric meters.

f) $3,500,000 reduction of uncollectible electric expense.

g) Compliance with a performance metric regarding the creation of Opportunities for Minority-owned and Female-owned Business Enterprise consistent with State and federal law.

Q. What are the baseline performance values?

A. Section 16-108.5(f) specifies baseline performance values to measure compliance with each performance metric. SAIFI and CAIDI metrics use a baseline of the average of the data from 2001 through 2010. The service reliability targets metric use 2010 as the baseline year. The estimated electric bills metric uses a baseline of the average number of estimated electric bills for the years 2008 through 2010. Consumption on inactive electric meters metric uses a baseline of the average unbilled kilowatt-hours for the years 2009 and 2010. Uncollectible electric expense metric uses a baseline of the average uncollectible electric expense for the years 2008 through 2010. Opportunities for minority-owned and female-owned business metric uses a base performance value of the percentage of the participating utility's capital expenditures that were paid to minority-owned and female-owned business enterprises in 2010

Q. How are the yearly incremental performance goals determined?

A. Per Section 16-108.5(f), the yearly incremental performance goals are ratably (i.e., in equal segments) determined by proportioning the required 10-year improvement amount equally over the ten year period. Simply, the required 10-year improvement amount is divided by 10 to determine the yearly incremental improvement amount. As an example, the SAIFI metric required 10-year improvement amount is a 20% reduction. Dividing 20% by 10 yields a yearly incremental improvement amount of 2%.

Q. When does AIC propose to begin the 10-year performance period?

A. Section 16-108.5(f) allows a utility to choose when the 10-year performance period begins, provided that metrics for SAIFI, CAIDI, service reliability targets and minority-owned and female-owned business opportunities have a performance period beginning no later than 14 months following the date on which the utility begins investing in its infrastructure investment program as described in Section 16-108.5(b). For metrics that utilize the technology or functionality that will be implemented under an Advanced Metering Infrastructure Deployment Plan (AMI Plan) described in Section 108.6(c) (estimated electric bills, consumption on inactive electric meters, uncollectible electric expense), AIC must elect a start date that is no later than 14 months following the Commission's order approving the AMI Plan.

Accordingly, the 10-year performance period for SAIFI, CAIDI, service reliability targets and minority-owned and female-owned business metrics must commence no later than March 1, 2013. The performance period for estimated electric bills, consumption on inactive electric meters and uncollectible electric expense must begin no later than August 1, 2013. Rather than establish two separate performance periods, AIC is electing to begin the 10 year performance period for all metrics on January 1, 2013, provided the Commission approves the Metrics Plan and AMI Plan without substantial modification and within a schedule that accommodates a January 1, 2013 start date.

III. <u>AIC'S METRICS PLAN</u>

Q. Please summarize the Metrics Plan.

A. The Metrics Plan was developed to comply with Section 16-108.5(f), which requires a participating utility to prepare and file multi-year metrics designed to achieve, ratably (i.e., in

equal segments) over a 10-year period, improvement over baseline values in the applicable service categories listed in Sections 16-108.5(f)(1) through (9). The metrics in subsections (f) (3), (3.5) and (7) pertain to a participating utility "other than a combination utility" and are therefore inapplicable to AIC. The Metrics Plan sets out the baseline values for the relevant metrics and the incremental performance goals for each year of the 10-year period. These incremental performance goals are designed to measure whether AIC is on track to achieve the performance goal in each category at the end of the 10-year period.

Q. Please describe the metrics included in AIC's Metrics Plan.

A. Section 16-108.5(f) requires AIC to achieve specified improvements over baseline values by the end of the 10-year period for the following metrics:

a) Reliability-Related Metrics: SAIFI, CAIDI, and service reliability targets (Section 16-108.5)(f)(1), (2) and (4));

b) Advanced Meter Infrastructure-Related Metrics: estimated electric bills, consumption on inactive electric meters and uncollectible electric expense (Section 16-108.5(F)(5), (6) and (8); and

c) Opportunities for minority-owned and female-owned business enterprises (Section 16-108.5(f) (9)).

A. Reliability-Related Metrics

Q. Please describe the SAIFI metric and baseline.

A. This metric requires a 20% improvement over a 10-year period in the SAIFI. SAIFI is defined by the Illinois Administrative Code as "the average number of interruptions per customer

during the year." 83 Ill. Admin. Code 411.20. SAIFI is calculated by dividing the total annual number of customer interruptions by the total number of customers served during the year. The baseline for measuring SAIFI performance for the 10-year period is 1.28, which is the average SAIFI for AIC and its predecessor companies for the years 2001 through 2010.

Q. Does the SAIFI baseline account for severe weather events?

A. Yes. Section 16-108.5(f) requires that AIC exclude up to nine Extreme Weather Event Days when calculating each year of the baseline period to the extent there are nine such days in a given year that qualify as an Extreme Weather Event Day. Extreme Weather Event Days are defined as a 24-hour calendar day beginning at 12:00 a.m. and ending at 11:59 p.m. during which any weather event caused interruptions of electric delivery service for 10,000 or more of the participating utility's customers for three or more hours. The SAIFI baseline was established using the total Customer Interruptions (CI) and the total Customers Served as reported in the Part 411 Reliability Reports from 2001 through 2010, excluding up to nine extreme weather days each year.

Extreme weather days excluded from the baseline were determined by combining daily CI and Customer Minutes Interrupted (CMI) data from each legacy company. Any day in which total CI exceeded 10,000 and total CMI exceeded 1,800,000, was flagged for exclusion. If more than nine days were flagged, the nine days which had the greatest number of CI were excluded. Once the extreme weather days were removed, SAIFI was calculated as described in Part 411.

Q. Please describe the CAIDI metric and baseline.

A. This metric requires a 15% improvement over a 10 year period in the CAIDI. CAIDI is defined by the Illinois Administrative Code as "the average interruption duration for those customers who experience interruptions during the year." 83 Ill. Admin. Code 411.20. CAIDI is calculated by dividing the annual sum of all customer interruption durations by the total number of customer interruptions. The baseline for measuring CAIDI performance for the 10-year period is 157, which is the average CAIDI for AIC and its predecessor companies for the years 2001 through 2010.

Q. Does the CAIDI baseline account for severe weather events?

A. Yes. Section 16-108.5(f) requires that AIC exclude up to nine Extreme Weather Event Days when calculating each year of the baseline period to the extent there are nine (9) such days in a given year that qualify as an Extreme Weather Event Day. Extreme Weather Event Days are defined as a 24-hour calendar day beginning at 12:00 a.m. and ending at 11:59 p.m. during which any weather event caused interruptions of electric delivery service for 10,000 or more of the participating utility's customers for three (3) or more hours. The CAIDI baseline was established using the total CI and the total CMI as reported in the Part 411 Reliability Reports from 2001 through 2010, excluding up to nine extreme weather days each year.

Extreme weather days excluded from the baseline were determined by combining daily CI and CMI data from each legacy company. Any day in which total CI exceeded 10,000 and total CMI exceeded 1,800,000 was flagged for exclusion. If more than nine (9) days were flagged, the nine days which had the greatest number of CI were excluded. Once the extreme weather days were removed, CAIDI was calculated as described in Part 411.

Q. Please describe the service reliability targets metric and baseline.

A. This metric requires a 75% improvement over a 10-year period in the total number of customers who exceed the service reliability targets specified in 83 Ill. Admin. Code Part 411.140(b) (4) (A) through (C), which generally describes the level of controllable and uncontrollable outages that should not be exceeded based on the voltage level serving the customer. The baseline is calendar year 2010. The number of customers exceeding the targets in the baseline year is 984.

B. Advanced Meter Infrastructure-Related Metrics

Q. What are the Advanced Meter Infrastructure-related metrics?

A. Three metrics are dependent on the deployment of Advanced Meter Infrastructure (AMI) technology. The Metrics Plan is designed to achieve the following improvements with AMI technology: (1) 56% reduction in the number of estimated electric bills using a baseline of the average number of estimated electric bills for the years 2008 through 2010; (2) 56% reduction in the amount of consumption on inactive electric meters, using a baseline of the average unbilled kilowatt-hours for the years 2009 and 2010; and (3) a $3,500,000 reduction in the amount of electric uncollectable expense, using a baseline of the average electric uncollectible expense for the years 2008 through 2010.

Q. Please describe the estimated electric bills metric and baseline.

A. This metric requires a 56% reduction over a 10-year period in the issuance of estimated electric bills using a baseline of the average number of estimated electric bills for the years 2008 through 2010. An electric bill is considered "estimated" any time a meter reading is estimated,

an actual reading is adjusted, or that increment of an interval reading used to determine billing is not an actual read. The 2008 to 2010 average number of estimated bills was 590,905.

Q. Please describe the consumption on inactive electric meters metric and baseline.

A. This metric requires a 56% improvement over a 10-year period in consumption on inactive electric meters using a baseline of the average unbilled kilowatthours (KWh) for the years 2009 through 2010. Consumption on an inactive electric meter occurs when usage is registered on an electric meter for which there is no customer of record to bill. The 2009 to 2010 average KWh consumption on inactive electric meters is 12,100,806.

Q. Please describe the uncollectible electric expense metric and baseline.

A. This metric requires a $3,500,000 reduction over a 10-year period in uncollectible electric expense using a baseline of the average uncollectible electric expense for the years 2008 through 2010. The uncollectible electric expense represents those debts owed AIC that are not capable of being collected after reasonable collection efforts have been undertaken, less any recoveries, as reported by Ameren Illinois on the Federal Energy Regulatory Commission (FERC) Form 1, Account 904, adjusted to exclude uncollectible gas expense. The 2008 to 2010 average uncollectible electric expense is $17,773,333.

Q. Are the AMI-related metrics and performance goals based on certain assumptions?

A. Yes. As provided in Section 16-108.5(f), each of the AMI-related metrics and performance goals is based on the assumptions that AIC may fully implement AMI-related technology, including the full functionality of the technology and that there is no on-site notification requirement prior to disconnection. Accordingly, the annual performance goals

associated with these metrics are dependent on the Commission's approval of AIC's AMI Plan pursuant to Section 16-108.6 of the Act and on the Commission declining to otherwise impose an on-site disconnection requirement.

C. Opportunities for Minority-owned and Female-owned Businesses

Q. Has AIC designed a metric to measure improvement in providing opportunities for minority and female-owned businesses?

A. Yes. AIC has designed a performance metric regarding the creation of opportunities for minority-owned and female-owned business enterprises consistent with State and federal law using a base performance value of the percentage of AIC's capital expenditures that were paid to minority-owned and female-owned business enterprises in 2010. This metric is discussed by Ameren witness Mr. James P. Keating in Ameren Exhibit 3.0.

IV. COMPLIANCE WITH METRICS PLAN

Q. How will AIC measure performance under the Metrics Plan?

A. AIC will comply with all statutory reporting requirements. Under Section 16-108.5(f-5), the Commission is to enter an order within 120 days of this filing approving, or approving with modification, AIC's Metrics Plan and accompanying tariff. On June 1 of each subsequent year, AIC will file a report with the Commission describing performance under each metric for the prior year and identify any extraordinary events that adversely impacted AIC's performance.

Q. What are the consequences of not meeting the performance goals in the Metrics Plan?

A. If AIC does not achieve the performance goal for an applicable metric and is not otherwise excused from achieving the metric as provided in Section 16-108.5(f), the Company is subject to financial penalties in the form of a specified basis point reduction to return on equity. Rider Rider MAP-M will apply the penalties (if any) for the 12-month period in which the deficiency occured beginning with the next rate year. The penalties are explained in greater detail in the testimony of AIC witness Ms. Jacqueline K. Voiles.

V. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
MICHAEL S. ABBA

Employment

☐ **Ameren / Ameren Illinois Company** (January 1996 – Present)

- **Manager – Smart Grid Integration & System Improvement** (January 2012 – Present)
  Responsible for identifying and coordinating the implementation of smart grid and other system improvement projects within Ameren Illinois Company (AIC) in accordance with applicable Illinois law and regulations.
- **Project Manager – Smart Grid** (February 2009 – December 2011)
  Project Manager for all smart grid related activities at the Ameren Illinois Utilities (AIUs). Responsibilities include developing AIUs' smart grid related strategies, policies, and procedures, management of AIUs' participation in the Illinois Statewide Smart Grid Collaborative, supporting engineering and field operations personnel with smart grid related activities, responding to public smart grid related inquiries, and coordinating AIUs' smart grid stimulus applications.
- **General Supervisor – Administration and Business Services** (April 2004 – February 2009)
  Responsibility for all human resource, staffing and procedure, and systems development and support for Ameren Illinois Division VII and later Division VI. Also supervision of up to 9 clerical employees in up to 5 offices. Handled special projects and initiative implementation including WPS, EMPRV, ILJUNS, and ACO system implementation. Field checked, engineered, and supervised electric crews during storm recovery.
- **Region Coordinating Supervisor** (October 1998 – April 2004)
  Responsible for human resource, staffing, procedure, and systems development and support for the Shawnee Division, as well as supervision of clerical staff. Also served on numerous Ameren-wide initiative teams including team leader for CSS Phase 1 implementation for AmerenCIPS, and AmerenCIPS representative for CSS Phase 2 implementation for all of Ameren.
- **Business Improvement Consultant** (February 1996 – October 1998)
  One of four Business Process Re-Engineering Team members retained to further implement new field operations organizational structure and new Ameren systems and procedures. Reported directly to a Vice President. Traveled extensively throughout AmerenCIPS implementing new organization, designing and implementing new procedures, and adjusting Ameren systems to fit the needs of AmerenCIPS.

☐ **Central Illinois Public Service Company** (July 1990 – December 1995)

- **Business Process Re-Engineering Team** (February 1995 – February 1996) Was part of a cross functional team studying CIPS field operations organizational structure and procedures to streamline operations, improve customer service, and improve efficiency. The team developed and began implementation of an entirely new

organization structure, new positions, and new set of procedures.

- **Electric Field Worker** (June 1993 – January 1994)
  Performed electric line work from June 1993 – January 1994 due to union lockout and subsequent work actions. Directly set and climbed poles, strung wire, hung transformers, investigated outages, repaired wire, operating bucket and line trucks, trenched underground wire, set underground transformers and completed terminations, located underground wire, changed meters, and performed other electric operations and outage recovery duties.
- **Industrial Services Engineer** (March 1991 – February 1995) Responsible for the business relationship with large industrial, institutional, and commercial electric and gas customers. Handled all gas and electric new business, expansion, and rate inquiries from these customers. Investigated customer Power Quality and EMF inquiries.
- **Distribution Engineer** (July 1990 – March 1991)
  Field checked electric distribution systems, completed voltage studies, made recommendations for system changes and voltage conversions, designed conversion projects, and ensured work was completed as designed. Also designed and reviewed new business expansions.

Education

- ☐ Masters of Business Administration – Southern Illinois University at Edwardsville – August 1994.
- ☐ Masters of Science in Electrical Engineering – Southern Illinois University at Carbondale – August 1990.
- ☐ Bachelor of Science in Electrical Engineering – Southern Illinois University at Carbondale – May 1989.

Professional Memberships

- ☐ IEEE – Senior Member
- ☐ National Society of Professional Engineers. Past President of Egyptian Chapter of Illinois Society of Professional Engineers.
- ☐ Board Member – SIU-C EE Industrial Advisory Council
- ☐ Board Member – SIU-C EET Industrial Advisory Council

Other Proficiencies

- ☐ Licensed Professional Engineer – State of Illinois
- ☐ Ameren Management Development Forum – October 2007 - May 2008
- ☐ SafeStart Trainer – March 2008
- ☐ 7 Habits of Highly Effective People – March 2007
- ☐ MARC Labor Relations Training – October 2000