

ILLINOIS COMMERCE COMMISSION

DOCKET No. 12-0244

REBUTTAL TESTIMONY

OF

CRAIG D. NELSON

Submitted on Behalf Of

**AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois**

April 23, 2012

TABLE OF CONTENTS

	Page No.
I. INTRODUCTION.....	1
II. PURPOSE OF TESTIMONY	1
III. RESPONSE TO STAFF WITNESS, DR. SCHLAF	4
IV. RESPONSE TO STAFF WITNESS DR. BRIGHTWELL.....	7
A. Deployment Schedule.....	7
B. Discount Rate	12
V. RESPONSE TO STAFF WITNESS, DR. ZOLNIEREK.....	16
VI. RESPONSE TO CUB/ELPC WITNESS, MS. HORN	17
VII. CONCLUSION	19
APPENDIX.....	1

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6 **Ameren Illinois**

7 **I. INTRODUCTION**

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

9 A. My name is Craig D. Nelson. My business address is 300 Liberty Street, Peoria, Illinois
10 61602.

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

12 A. I am employed by Ameren Illinois Company d/b/a Ameren Illinois (Ameren Illinois or
13 AIC) as Senior Vice President, Regulatory Affairs and Financial Services.

14 **Q. Please describe your education and relevant work experience.**

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

16 **II. PURPOSE OF TESTIMONY**

17 **Q. What is the purpose of your rebuttal testimony?**

18 A. My rebuttal testimony addresses certain criticisms of, and recommendations concerning,
19 Ameren Illinois' Advanced Metering Infrastructure (AMI) Deployment Plan that are raised in the
20 direct testimony of Staff witnesses Dr. Eric Schlaf, Dr. David Brightwell and Dr. James

21 Zolnierek, as well as Citizens Utility Board/Energy Law & Policy Center (CUB/ELPC) witness
22 Ms. Miriam Horn.

23 **Q. Do you have any general observations about the direct testimony you are**
24 **responding to in this proceeding?**

25 A. I do. Staff and CUB/ELPC seem to have lost perspective on the issues in this proceeding.
26 AIC became a “participating utility” on January 3, 2012. It was required to file its AMI Plan by
27 April 1, 2012. (Since April 1 fell on a Sunday, AIC filed its plan on March 30, 2012.) By law,
28 the Illinois Commerce Commission (Commission) has only 60 days to issue a final order. As a
29 consequence of this condensed timeframe, Staff had just over two weeks to review AIC’s filing,
30 develop recommendations and prepare testimony. AIC has six days (four of them business days)
31 to respond; the evidentiary hearing is three days later. Briefing will happen on a similarly-
32 condensed timeline.

33 The legislature directed participating utilities to file AMI plans early in the formula rate
34 process, and the Commission to review those plans quickly, for a reason: it wants plans in place
35 as soon as possible for deployment of AMI technology. In addition, certain of the performance
36 metrics applicable under formula rates are directly tied to deployment of this technology. If the
37 technology cannot be deployed, the AMI-related metrics do not apply.

38 AMI deployment will be a massive undertaking, requiring investment of hundreds of
39 millions of dollars over a decade or more. Did the legislature expect initial AMI plans, put
40 together in only a few months, and reviewed by Staff over only a few weeks, to address each and
41 every detail, contingency or scenario that could arise over the next decade? Did it expect the
42 Commission to fully vet and consider these details, make policy judgments such as whether

43 automating gas meters should be included in AMI plans, consider and pre-approve costs, and
44 inscribe its judgment on stone tablets, never again to be reviewed? Of course it did not. The
45 legislature established a process to keep things simple. It required participating utilities to file
46 AMI plans that “shall contain” a vision statement, strategy statement, deployment schedule and
47 plan, annual milestones and metrics, and a plan for consumer education. Again, the Commission
48 has only 60 days from the filing of the AMI Plan to issue its order approving, or approving with
49 modification, the AMI Plan if the Commission finds it contains the statutorily required
50 information and that implementation of the AMI Plan will be cost-beneficial. The formula rate
51 law gives no discretion to reject an AMI plan that meets these requirements.

52 AIC is asking the Commission to approve an AMI Plan that provides a basic vision and
53 framework for cost-effective, system-wide AMI deployment over 15 years. In the words of Ms.
54 Horn, the plan is “a step in the right direction.” There is no question that many details of the plan
55 still need to be addressed, and certain decisions made. AIC is not asking for approval of these
56 details or decisions. It only seeks approval of the Plan. The formula rate law acknowledges and
57 accommodates updates and changes to the AMI Plan through collaboration with the Smart Grid
58 Advisory Council. AIC is required to report to the Commission annually about its progress
59 under the plan, and to also advise of any changes or updates. Given the process and procedure
60 for ongoing monitoring of the AMI Plan, most of the issues that Staff and CUB/ELPC raise do
61 not even need to be considered in this proceeding, let alone decided. I address some of these
62 issues below.

63 **Q. What is AIC asking the Commission to approve in this proceeding?**

64 A. Ameren Illinois has presented an AMI Plan to the Commission that contains a plan for
65 deployment to 62% of AIC's electric customers within 10 years and to 100% if those customers
66 within 15 years. As explained in its AMI Plan, AIC also plans to deploy gas AMI in overlapping
67 areas, but there is no need to address in this proceeding whether gas AMI would be cost-effective
68 for gas customers or, for that matter, whether it is prudent for Ameren Illinois to deploy gas AMI
69 meter technology simultaneously with deployment of the electric AMI network.

70 **III. RESPONSE TO STAFF WITNESS, DR. SCHLAF**

71 **Q. Does Dr. Schlaf have any recommendations concerning the AMI Plan?**

72 A. Yes. Dr. Schlaf has two recommendations that he believes AIC should address in rebuttal
73 testimony. The first is to explain whether AIC "believes that the deployment information listed
74 above is not essential for the Commission's understanding of its plans and a Commission
75 decision in this proceeding." (ICC Staff Ex. 1.0, lines 192-94.) The second is "whether [AIC]
76 intends to update its plan with the absent deployment information, and, if so, when it would do
77 so." (ICC Staff Ex. 1.0, lines 194-196.)

78 **Q. With respect to Dr. Schlaf's first recommendation, is it your belief that the**
79 **deployment information he finds lacking "is not essential for the Commission's**
80 **understanding of [AIC's] plans and a Commission decision in this proceeding"?**

81 A. No. The deployment information that Dr. Schlaf believes is lacking is not essential at
82 this time. Section 16-108.6(c) establishes a requirement for cost-effective AMI deployment and
83 a process by which the Commission and Advisory Council will monitor deployment. The statute
84 does not require the utility's initial AMI plan to address each and every aspect of deployment in

85 painstaking detail, or provide a “roadmap” of exactly what will happen, where and how during
86 each year of deployment. Considering the condensed, 60-day time period allotted for the
87 Commission to approve or modify the plan, these details cannot be sufficiently vetted in this
88 proceeding in any event. All the statute requires is that AIC submit a plan addressing five
89 specific topics, and AIC’s plan does.

90 **Q. Are you suggesting that the details and decisions identified by Dr. Schlaf are not**
91 **important?**

92 A. Not at all. I am simply saying that these details are not important at this time, in this
93 proceeding. For example, among the lack of “firm” details and decisions discussed by Dr. Schlaf
94 are the “identification of the operating areas in which AMI will be deployed and whether
95 deployment will occur first in the areas in which Automated Meter Reading (AMR) has not been
96 deployed or areas in which AMR has already been deployed.” (ICC Staff Ex. 1.0, lines 162-65.)
97 This is certainly an important decision that will have to be made. But it has not been made, and it
98 is not reasonable to force AIC – or the Commission – to make this decision now.

99 **Q. With respect to Dr. Schlaf’s second recommendation, does AIC intend to update the**
100 **AMI Plan with the “absent” information, and if so, when?**

101 A. Yes. As I previously explained, Ameren Illinois acknowledges that the details and
102 decisions currently “absent” from the plan will be addressed as the plan evolves. Mr. Michael
103 Abba discusses this in greater detail. I would add that contrary to the “magnitude and duration of
104 the AMI investments” (ICC Staff Ex. 1.0, line 182) dictating that these decisions be made now, it
105 is the magnitude and duration of these investments that AIC believes dictate a measured,

106 deliberative process as discussed by Mr. Abba, and not an arbitrary rush to judgment that Staff
107 seems to advocate.

108 **Q. Do you agree that the lack of specificity about certain aspects of deployment means**
109 **that the Commission’s ability to modify the AMI Plan is “compromised”?**

110 A. Not at all. AIC has requested Commission approval of a plan. I underscore the word
111 “plan” because that is all the Commission is being asked to approve. The AMI Plan represents
112 an overall vision and a very good starting point. Once approved, Ameren Illinois will continue
113 to consult with the Smart Grid Advisory Council, which it is required to do by law. The
114 Advisory Council may recommend changes to the plan throughout the deployment process, or
115 Ameren Illinois may make changes on its own. AIC is required to submit a report to the
116 Commission on April 1 of each year that provides, among other information, the investments
117 made in the previous twelve months, progress made toward meeting the metrics and milestones
118 identified in the plan, and “any updates to the AMI Plan.” The statute therefore plainly
119 contemplates, and accommodates, evolution of the AMI Plan throughout the deployment
120 process. Additionally, after filing each annual report, the Commission has the ability “either
121 upon complaint or its own initiative . . . to enter upon an investigation regarding the utility’s
122 progress in implementing the AMI Plan” If Ameren Illinois falls short in implementing the
123 plan during any given year, the Commission has the authority to order AIC to “devise a
124 corrective action plan, subject to Commission approval and oversight, to bring implementation
125 back on schedule consistent with the AMI Plan.” The Commission’s ongoing oversight and
126 authority to require AIC to modify its AMI Plan will not be “compromised” in any way simply
127 because certain details concerning deployment must still be developed.

128 **IV. RESPONSE TO STAFF WITNESS DR. BRIGHTWELL**

129 **A. Deployment Schedule**

130 **Q. Does Dr. Brightwell have any recommendations?**

131 A. Dr. Brightwell recommends that the Commission modify AIC's AMI Plan to require
132 Ameren Illinois to deploy AMI to 62% of its electric customers within 10 years and also
133 automate the meters of gas customers in overlapping areas, "provided that there are positive net
134 benefits to gas customers" (ICC Staff Ex. 2.0, lines 313-14.)

135 **Q. Does AIC agree with this recommendation?**

136 A. No. As stated in its AMI Plan, AIC is not willing to make an absolute "commitment" to
137 automate gas meters in overlapping areas unless there is a clear path to cost recovery. Although
138 Section 16-108.6 states that "a decision to invest pursuant to an AMI Plan approved by the
139 Commission shall not be subject to prudence reviews," Ameren Illinois expects the Commission
140 will review the prudence and reasonableness of costs incurred by AIC's gas operations associated
141 with the automation of gas meters in a proceeding to recovery costs through gas delivery rates,
142 not electric formula rates. The cost to automate gas meters cannot be recovered in electric
143 formula rates. Too much uncertainty exists for Ameren Illinois to agree with Dr. Brightwell's
144 recommendation at this time.

145 **Q. Does it matter under Section 16-108.6 how cost beneficial a deployment scenario is?**

146 A. No. If there are net benefits under the statutory formula, the Commission must approve
147 the plan. Dr. Brightwell's analyses showing that various scenarios are more or less cost effective

148 than others under various assumptions are of theoretical interest, but ultimately of no practical
149 significance in this case.

150 **Q. Are you saying that Ameren Illinois has changed its mind and decided not to**
151 **automate gas meters?**

152 A. That is not what I am saying. AIC has developed a plan and fully intends to deploy
153 automated gas metering technology throughout its overlapping gas service territory. But a “plan”
154 and an “intention” are not an “absolute commitment.” AIC cannot make an “absolute
155 commitment” to install AMI technology to its gas meters in areas where it is deploying electric
156 AMI without adequate assurances that such a commitment would not be subject to future
157 prudence reviews. Until then, any investment AIC makes in AMI technology is subject to a risk
158 of disallowance. The business and economic reality of the situation is that AIC must be able to
159 recover its costs in order to maintain investment grade bond ratings so that it can obtain
160 financing to install and maintain AMI technology.

161 **Q. Given the uncertainty concerning cost recovery, why did AIC bother to include in**
162 **its AMI Plan alternative deployment scenarios that address automation of gas meters?**

163 A. Automating gas meters would provide many of the same benefits as installing electric
164 AMI, such as eliminating the need for estimated reads and a reduction in O&M expense
165 associated with manual meter reading. Because AIC is a combination utility, most of its
166 customers have both gas and electric meters. Automating gas meters at the same time it installs
167 AMI would effectively allow AIC to “kill two birds with one stone.” Rather than deploy electric
168 AMI and gas AMI technology separately, the opportunity exists for Ameren Illinois to deploy

169 these technologies in a coordinated manner. There is an obvious cost advantage for doing so.
170 This is why Ameren Illinois presented scenarios reflecting simultaneous deployment.

171 **Q. Do you believe AIC needs to demonstrate that automating gas meters must be cost-**
172 **beneficial to gas customers?**

173 A. Not under Section 16-108.6; the statute simply does not address gas AMI. It is
174 imperative to keep in mind that most electric customers are also gas customers. Whatever
175 iteration of the AMI Plan that the Commission approves will require AIC to visit each and every
176 electric operating center and install the AMI communication network and metering equipment.
177 Ameren Illinois will be making site visits regardless of any decision to install gas AMI. The
178 question then becomes should Ameren Illinois plan for gas AMI deployment in conjunction with
179 electric deployment? This is more a question of logic than mathematics. If the AMI Plan is
180 deemed cost effective, the most efficient means of automating gas meters is to plan and develop
181 simultaneously with deployment of the electric AMI network. .

182 **Q. What deployment schedule should the Commission approve?**

183 A. Ameren Illinois recommends the Commission approve deployment to 62% of AIC's
184 electric customers within 10 years and 100% within 15 years. Dr. Brightwell agrees that this
185 scenario is cost effective. As explained in its AMI Plan, AIC also plans to deploy gas AMI in
186 overlapping areas, but there is no need to address whether gas AMI would be cost-effective for
187 gas customers or, for that matter, whether it is prudent for Ameren Illinois to deploy gas AMI
188 simultaneously with electric AMI.

189 **Q. Dr. Brightwell opines that the Commission is not authorized to approve an AMI**
190 **Plan with a deployment schedule exceeding 10 years. Do you agree?**

191 A. No. Although I am not a lawyer, Dr. Brightwell’s reading of Section 16-108.6 does not
192 strike me as reasonable. The statute says that an AMI Plan “shall provide for *investment* over a
193 10-year period that is sufficient to implement the AMI Plan across its entire service territory . . .
194 .”. (Emphasis added.) Subsection (c)(2) requires the plan to include “a deployment schedule and
195 plan that includes deployment of AMI . . . to 62% of all customers for a participating utility that
196 is a combination utility.” The statute does not restrict deployment beyond the 10-year period. I
197 can think of no reason (and Dr. Brightwell offers none) why the legislature would authorize the
198 Commission to approve an AMI plan that includes deployment to 100% of Commonwealth
199 Edison Company’s (ComEd) electric-only customers, but not allow AIC to continue deployment
200 of the remaining 38% to its electric customers beyond the 10-year period.

201 **Q. Is there an alternative interpretation of Section 16-108.6 that you believe is more**
202 **reasonable?**

203 A. Yes. In my opinion (again, as a non-lawyer), Section 16-108.6 requires Ameren Illinois
204 to deploy AMI to at least 62% of its electric customers within 10 years, but does not preclude the
205 Commission from approving a plan for a broader deployment over a longer period. In other
206 words, the statute specifies what AIC must do within 10 years, but does not limit the
207 Commission’s authority to approve a plan encompassing a longer period needed to achieve full
208 deployment across a combination utility’s “entire service territory.”

209 **Q. How do you reach this interpretation?**

210 A. The first part of Section 16-108.6, which discusses “investment over a 10-year period” to
211 implement AMI across “its entire service territory” is, effectively, directed at ComEd. In Docket
212 No. 09-0263, the Commission addressed an AMI Pilot in ComEd’s service territory. As a
213 consequence of that pilot program, it is fair to conclude that ComEd has more experience with
214 AMI technology than Ameren Illinois. ComEd will be able to apply “lessons learned” from its
215 pilot program during a system-wide deployment. Clearly, the legislature expects ComEd to
216 expand its pilot program to a system-wide program within 10 years. Subsection (c)(2) makes it
217 clear, however, that the legislature does not expect AIC to deploy AMI system-wide within 10
218 years. As a combination utility, AIC is required to submit a plan wherein it will deploy AMI to
219 62% of its customers over 10 years. I find it hard to believe that the legislature intended Ameren
220 Illinois to deploy AMI to 62% of its customers over 10 years – and then just stop. The remaining
221 38% of customers will be paying formula rates that reflect the cost of AMI. To suggest that
222 100% of customers should pay for AMI but only 62% receive all of the functionality of AMI
223 strikes me as unfair and unreasonable.

224 **Q. Doesn’t Ameren Illinois have to file a certification with its annual report for the**
225 **tenth year of the AMI Plan that deployment is “complete”?**

226 A. A certification is required for year 10, but I do not agree with Staff’s conclusion about
227 what AIC must certify. Section 16-108.6 states that “[t]he participating utility's annual report
228 regarding AMI Plan year 10 shall contain a statement verifying that the implementation of its
229 AMI Plan is complete” What does “implementation of its AMI Plan” mean? As I
230 understand Staff’s position, Staff claims that the Commission may only approve a 10-year plan,
231 and the utility must certify in year 10 that it has completed the plan. This goes back to the

232 question I raised earlier: Is it reasonable for Ameren to deploy AMI to 62% of its customers
233 within 10 years and then stop? A more reasonable interpretation is that a participating utility
234 must certify in year 10 that it has fulfilled its year 10 requirement. In the case of ComEd, this
235 means 100% deployment. In Ameren Illinois' case, it means 62% deployment. Again, these are
236 my non-lawyer opinions.

237 **Q. Is the Commission able to continue to monitor an AMI Plan after the tenth year?**

238 A. Yes. Section 16-108.6 states, “[i]f the utility is subject to a corrective action plan that
239 extends the implementation period beyond 10 years, the utility shall include the verification
240 statement in its final annual report.” So, to the extent a 10-year plan is not implemented within
241 10 years, the Commission may continue to monitor the plan until implementation is complete.
242 Section 16-108.6 also says, “Following the date of a Commission order approving the final
243 annual report or the date on which the final report is deemed accepted by the Commission, the
244 utility's annual reporting obligations under this subsection (d) shall terminate, provided,
245 however, that the utility shall have a continuing obligation to provide information, upon request,
246 to the Commission and Smart Grid Advisory Council regarding the AMI Plan.” (Emphasis
247 added.) Regardless of whether one considers the “final annual report” the report filed in year 10
248 or a subsequent year in which implementation is completed, the Commission has ongoing
249 authority to request information regarding an AMI Plan.

250 **B. Discount Rate**

251 **Q. What opinions does Dr. Brightwell offer concerning the appropriate discount rate**
252 **for the Cost/Benefit Analysis?**

253 A. Dr. Brightwell finds the most subjective assumption in the cost-effectiveness analysis to
254 be the appropriate discount rate to use. He believes that "a case can be made" for the 3.62%
255 discount rate used in Ameren Illinois' AMI Cost / Benefit Analysis based on his non-legal
256 reading of Section 16-108.6, given the reference to societal benefits and avoided societal costs in
257 the definition of cost-beneficial. (ICC Staff Ex. 2.0, lines. 81-103.) Based on those references,
258 he thinks a case could be made that a societal discount rate is appropriate for the analysis.
259 However, he calculates the proper discount rate as falling somewhere between 3% and 12.58%,
260 based on AIC's weighted average cost of capital (WACC) and what he considers proxies for the
261 customer's discount rate (e.g., credit card interest and stock market returns).

262 **Q. Do you agree Ameren Illinois' WACC is appropriate for use as a discount rate for**
263 **the Cost Benefit Analysis presented in Ameren Ex. 2.1?**

264 A. No, it would not be appropriate to use Ameren Illinois' cost of capital for the purposes of
265 assessing the costs and benefits to customers for AMI in this docket. A customer's cost of
266 money and the utility's cost of money are not the same. To use Ameren Illinois' WACC would
267 be inconsistent with the customer point of view contemplated under Section 16-108.6, inclusive
268 of total bill impacts and other benefits to the customer outside the context of delivery service
269 rates. The customer perspective would require the use of a discount rate with a consumer cost of
270 money for a comparable investment to AMI. The customer's cost of money is not the same and
271 is not comparable to a publicly traded utility selling corporate bonds and issuing stock to finance
272 the construction and maintenance of utility infrastructure.

273 **Q. Does WACC bear any usefulness in the Cost/Benefit Analysis or AMI Plan?**

274 A. Yes it does, and it is incorporated in the Cost/Benefit Analysis. The cost side of the
275 analysis includes incremental costs facing the customer, due to the inclusion of AIC's cost of
276 capital in the rates paid by the customer. However, it is included only as a component of costs,
277 and is not used as the cost of money attributed to the customer in terms of calculating a net
278 present value of total costs and total benefits. A form of cost-benefit analysis that includes the
279 use of WACC may also be used as part of AIC's process for evaluating the results of its RFPs as
280 the AMI Plan is implemented, to assist in evaluating alternative proposals. But again, this is
281 evaluating competing uses of Ameren Illinois-supplied capital, not the cost of money by which
282 both costs and benefits of AMI are reduced to a net present value from a customer point of view.

283 **Q. Do you agree with Dr. Brightwell that there are a range of discount rates and the**
284 **use a of 20-year Treasury bond would be at the bottom of that range?**

285 A. No, I do not agree. Dr. Brightwell posits that the customer could use the funds otherwise
286 spent in furtherance of AMI deployment and put those monies to use in the stock market, interest
287 on a home loan, or to pay down a credit card balance. Dr. Brightwell's analysis is problematic
288 because it is inherently speculative and also fails to properly address the comparability of other
289 possible uses of consumer dollars in comparison to other similar investments.

290 **Q. Please explain why you believe Dr. Brightwell's discount rate analysis is speculative.**

291 A. We don't know what customers might spend the incremental short-term savings that
292 would flow from a no-AMI alternative. Some customers might simply leave those funds in a
293 non-interest bearing checking account. Some might spend the money on non-essential consumer
294 goods, such as eating at a restaurant or buying other consumer goods, and thus receive no return

295 (or long-term stream of benefits). Some customers might even gamble the extra money or
296 speculate on commodities and win, yielding high, speculative returns. Some may even use the
297 cash flow to do the opposite of what Dr. Brightwell suggests; instead of paying down credit
298 cards, they might use the incremental dollars saved in furtherance of leveraging themselves into
299 more consumer debt. The point is, the range of any and all alternative uses of the money is a
300 very wide range, and Dr. Brightwell's commentary is both speculative and lacks empirical
301 support. As Dr. Brightwell states the cost of government money is societal because government
302 represents society and thus provides a basis for a societal level cost of money. This is a logical
303 rather than speculative rationale that supports the discount rate used in Ameren Illinois'
304 Cost/Benefit Analysis.

305 **Q. Please explain why you believe Dr. Brightwell's discount rate analysis does not**
306 **consider comparability to other similar investments, and why such lack of consideration is**
307 **important.**

308 A. An appropriate customer perspective discount rate would be derived mindful of an
309 alternative use of money that is comparable to an investment in AMI. The problem with
310 considering high return uses of money is that those investments, such as stock investments,
311 (including default credit and equity risk that is part of Ameren's WACC) come with relatively
312 higher risk. The investment in AMI comes with an associated annual prudence review and
313 oversight process. In an equity investment or corporate bond investment, the result of
314 management prudence is not subject to regulatory review or oversight, but rather any imprudence
315 is typically not remedied at all and results in loss to the investor. Certainly the investment in
316 AMI comes with some level of risk, as there are risks with any use of money, but the risk is not

317 comparable to an investment risk in a security. To look for a comparable use of the money, a
318 good comparison is to examine a relatively low risk investment with a similar long- term
319 perspective. This is precisely why the 20-year Treasury bond rate is the appropriate discount
320 rate; it matches the comparable alternative cost over the same time horizon.

321 **Q. Are there any other examples of a customer perspective cost of money used in utility**
322 **rates?**

323 A. Yes, the Commission-approved interest rate paid on customer deposits, which is currently
324 zero, would be an example of a customer perspective cost of money.

325 **Q. Did Ameren Illinois consider a zero discount rate or lower deposit rate discount**
326 **rate?**

327 A. No, it did not. AIC believes the 20-year Treasury bond rate is the appropriate interest
328 rate to use for this analysis. It is relatively low risk. The time horizon matches that of the useful
329 life of the AMI meter. And, the 20-year Treasury rate is the same as the discount rate used to
330 calculate the net present value for customers in the Cost/Benefit Analysis from the Commission
331 approved ComEd AMI Pilot.

332 **V. RESPONSE TO STAFF WITNESS, DR. ZOLNIEREK**

333 **Q. Dr. Zolnierек believes Section 16-108.6(c) requires the Commission to ensure in this**
334 **proceeding that AIC deploys AMI in a manner that does not result in unreasonable cost**
335 **expenditures. Do you agree?**

336 A. No, I do not. The language of the Act quoted by Dr. Zolnierек specifically states,
337 "Nothing in this subsection (c) is intended to limit the Commission's ability to review the

338 reasonableness of the costs incurred under the AMI Plan." I do not read that language to require
339 the Commission to make any reasonableness determinations on AMI deployment costs in this
340 proceeding. It is Ameren Illinois' expectation that the Commission will review the
341 reasonableness of AMI deployment costs allocated to AIC's electric operations and properly
342 recoverable as electric delivery costs in connection with its review of updated cost inputs to the
343 performance-based formula rate.

344 **VI. RESPONSE TO CUB/ELPC WITNESS, MS. HORN**

345 **Q. What does Ms. Horn want the Commission to do?**

346 A. Ms. Horn wants the Commission to “conditionally reject the AMI Plan as premature and
347 lacking enough details to ensure that the deployment will meet the EIMA goals and objectives.”
348 She asks that the Commission order AIC (i) to engage in discussions with stakeholders over a
349 six-month period following entry of a final order in this docket; and (ii) modify the Plan over
350 that six-month period to address areas where she believes the Plan falls short in demonstrating
351 that customers will realize benefits.

352 **Q. If the Commission rejects AIC’s AMI plan, is AIC required to meet performance**
353 **metrics related to consumption on inactive meters or uncollectible expense?**

354 A. It is not. “The metrics and performance goals set forth in subparagraphs (5) through (8)
355 of this subsection (f) are based on the assumptions that the participating utility may fully
356 implement the technology described in subsection (b) of this Section” AIC cannot
357 implement AMI technology until the Commission approves an AMI plan.

358 **Q. What detail does Ms. Horn believe is missing from the AMI Plan?**

359 A. Basically everything. She has no criticism of AIC's vision statement, but does not
360 believe sufficient information has been provided to satisfy the other four requirements or
361 demonstrate cost effectiveness.

362 **Q. What is your response?**

363 A. To suggest that AIC has not provided sufficient information to meet any of the
364 substantive provisions of Section 16-108.6(c) is not credible. No matter how much information
365 and explanation AIC could or did provide, anyone could claim that whatever was provided
366 wasn't enough. Ms. Horn seems to agree that AMI holds great potential benefits for Ameren
367 Illinois' customers. Her recommendation to reject the plan, convene a stakeholder process, and
368 then prepare, file and litigate a new plan would not only delay the implementation of these
369 benefits, but require AIC, the Commission and other stakeholders to incur duplicative and
370 unnecessary expense, which in AIC's case means expense that will be borne by ratepayers.

371 **Q. Do you have any comment on any of the specific topics Ms. Horn raises in her**
372 **testimony?**

373 A. The only part of her testimony that deserves any specific mention is this: "The
374 Company's proposed Plan provides a start in the right direction . . ." (Line 75). That is the
375 whole point of this exercise: to establish an AMI plan that is "a start in the right direction." I
376 have already discussed all of the reasons why the Commission does not need to address details
377 and decisions that will be made on a going-forward basis, and will not repeat myself here. A
378 process is already in place to address these details and decisions through the Advisory Council
379 process and annual filings with the Commission. The stakeholder group that Ms. Horn advocates

380 would not have any statutory authority. The Advisory Council established by the legislature is a
381 legally sanctioned body tasked with consulting with participating utilities regarding AMI.
382 Delaying the approval of AIC's AMI Plan and then requiring AIC to come back to the
383 Commission to litigate a new plan would be a useless exercise that the Commission should reject
384 in the strongest possible terms.

385 **VII. CONCLUSION**

386 **Q. Do you have anything further to add at this time?**

387 **A. No. This concludes my rebuttal testimony.**

APPENDIX

STATEMENT OF QUALIFICATIONS
CRAIG D. NELSON

I am Senior Vice President of Regulatory Affairs & Financial Services for the Ameren Illinois Company. I earned a bachelor's degree in accounting in 1977, graduating with highest honors, and earned a master's degree in business administration in 1984. Both degrees were awarded by Southern Illinois University – Edwardsville. I am a Certified Public Accountant.

I worked for Arthur Andersen & Co. from 1977 to 1979, when I joined Central Illinois Public Service Company as a Tax Accountant. In 1979, I was promoted to Income Tax Supervisor. I served in various tax and accounting positions until 1985 when I was appointed Assistant Treasurer. In 1989, I became Treasurer and Assistant Secretary, a position I held for seven years. In 1996, I was elected Vice President of Corporate Services. After Union Electric Company and CIPSCO Incorporated merged, I was named Vice President, Merger Coordination for Ameren Services Company effective December 31, 1997. In 1998, I assumed the additional responsibility of Vice President of Regulatory Planning. Effective June 1, 1999, I was appointed Vice President, Corporate Planning. Effective October 15, 2004, I was appointed Vice President – Strategic Initiatives for Ameren Services Company. Effective September 1, 2006, I was also appointed Vice President – Power Supply Acquisition for AmerenCILCO, AmerenCIPS, and AmerenIP. Effective August 16, 2007, I was appointed Vice President – Regulatory Affairs & Financial Services.

In my current position, as Senior Vice President – Regulatory Affairs & Financial Services, effective December 15, 2009, my role is to direct power procurement, implementation of SB 1652/HB 3036, asset and risk management, community and public relations, budgeting,

financial analysis/reporting, legislative affairs, and regulatory affairs for Ameren Illinois Company.