

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Ameren Illinois Company)	
d/b/a Ameren Illinois)	
)	12-0001
Rate MAP-P Modernization)	
Action Plan - Pricing Filing.)	

**REBUTTAL TESTIMONY OF CHRISTOPHER C. THOMAS
ON BEHALF OF THE CITIZENS UTILITY BOARD**

CUB Exhibit 4.0

June 5, 2012

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

2 A. My name is Christopher C. Thomas. My address is 222 South Racine, #202, Chicago,
3 Illinois, 60607.

4 **Q. Are you the same Christopher C. Thomas who previously filed direct testimony in
5 this case on behalf of the Citizens Utility Board (“CUB”)?**

6 A. Yes, I am.

7 **Q. What is the purpose of your Rebuttal Testimony?**

8 A. I respond to Ameren Illinois Company (“Ameren” or “the Company”) witness Craig
9 Nelson’s rebuttal testimony. In response to Mr. Nelson, I elaborate on the concerns
10 expressed in my direct testimony, particularly in light of the Illinois Commerce
11 Commission’s (“ICC” or “the Commission”) recent rejection of Ameren’s Smart Grid
12 Advanced Metering Infrastructure Deployment Plan (“AMI Plan”).

13 **Q. Have your recommendations changed since you filed your direct testimony?**

14 A. No. In fact, the Commission’s rejection of Ameren’s AMI Plan substantiates the
15 concerns I raised previously. I continue to be concerned with the possibility that
16 consumers will not realize the benefits to which they are entitled under the statute if the
17 Commission does not take additional steps at this time beyond simply evaluating the
18 FERC form 1 inputs submitted by the Company.

19 **Q. How did Mr. Nelson characterize your recommendations?**

20 A. He states that I am attempting to “solve a problem that does not exist.”¹ He believes the
21 Commission retains substantial authority to determine the prudence and reasonableness
22 of expenditures under the Public Utilities Act (“PUA”), and so it is not necessary or
23 appropriate in his mind to “create new regulatory infrastructure and protocols to ensure

1 Ameren Ex. 11.0 at 19.

24 that the Commission can and will exercise its authority.”² Mr. Nelson also opined that
25 the Commission should not impose any additional requirements, as they would frustrate
26 the General Assembly’s intent to spur investment that improves reliability and service
27 and creates jobs.³

28 **Q. Do you agree with Mr. Nelson’s characterization of your testimony?**

29 A. No, though I agree with some points. I agree the ICC has an ongoing responsibility to
30 ensure utility investments, including Ameren’s, are prudent and reasonable before any
31 cost recovery is allowed from ratepayers. I also agree that the objectives of the Energy
32 Infrastructure Modernization Act (“EIMA”) are an important touchstone for the
33 Commission as it undertakes the initial formula rate setting process. However, Mr.
34 Nelson is missing the link between each of my recommendations. Each of my
35 recommendations is aimed at avoiding piecemeal approvals. Approvals made without
36 full perspective are risky, opening the door to utility investments which do not maximize
37 the utility’s use of ratepayer dollars.

38 **Q. How can the Commission avoid risky, piecemeal approvals?**

39 A. The Commission should view utility filings made under the EIMA as a whole. Mr.
40 Nelson states that “Rate Map-P meets the criteria and objectives set forth in the
41 Legislation.”⁴ Whether or not that is true is a question I leave to the Commission. My
42 point is that the Legislation should be viewed more comprehensively than simply
43 checking off boxes within each subsection of the law. There are multiple, related ICC
44 filings Ameren has made under the EIMA, and the decisions made in each of those
45 individual dockets necessarily affect each of the other dockets. That is one reason why I

2 *Id.*

3 *Id.*

4 Ameren Ex. 11.0 at 20.

46 emphasized the importance of using long-term planning, and requiring Ameren to
47 connect proposed expenditures to projects that promise benefits.

48 **Q. How do those filings relate to the issue of achieving benefits for customers under this**
49 **new rate framework?**

50 A. Under the new rate framework of the EIMA, Ameren must make significant investments
51 to improve its infrastructure, including, for example, investments in modernizing its
52 transmission and distribution infrastructure, including Smart Grid electric system
53 upgrades. This commitment was reviewed by the ICC in Docket No. 12-0244, Ameren's
54 Smart Grid Advanced Metering Infrastructure Deployment Plan. In that case, the
55 Commission concluded that Ameren's plan lacked so much detail the Commission could
56 not conclude that those investments would result in benefits to customers which
57 outweighed the costs to customers.

58 **Q. How does this affect the instant case?**

59 A. It provides an example of the very risks I warned about in my direct testimony, which
60 essentially boils down to the risk that customers will not receive benefits from this new
61 ratemaking option. My direct testimony contained recommendations for the Commission
62 on how best to maximize the opportunities for new and innovative customer benefits, and
63 how best to minimize the risks of overspending. In short, I recommended that the
64 Commission needed to link cost recovery and performance, including creating procedural
65 schedules with sufficient space to allow for credible assessment of costs and
66 performance.

67 I think that the failings of Ameren's plan for its smart grid investments
68 substantiates my concern that the Commission prevent spending money for the sake of

69 meeting statutory targets without focusing on what those monies will achieve for Ameren
70 customers.

71 I am not a lawyer, and cannot offer any legal opinion. However, I note that
72 without a plan in place to provide for the required Smart Grid investments, I question
73 how Ameren can fulfill its obligations as a participating utility under 16-108.5. The
74 Commission should carefully consider whether a utility that cannot meet all of its 16-
75 108.5 obligations should receive the benefit of setting rates under a formula intended for
76 utilities that make large Smart Grid investment commitments.⁵

77 **Q. Is Mr. Nelson correct that you are trying to “alter the General Assembly’s very
78 clear roadmap?”⁶**

79 A. No. The General Assembly likely did not envision the scenario Ameren now faces.
80 Though I did not know that Ameren’s AMI Plan would be rejected by the Commission at
81 the time of my direct testimony, this new development simply confirms the points I
82 made. The Commission should consider the General Assembly’s objectives in enacting
83 Section 16-108.5, and its reasons for allowing participating utilities to use formula rate
84 recovery in this context. Though the formula rate option provides Ameren with
85 extraordinary benefits in the form of virtually automatic rate increases with substantially
86 reduced regulatory oversight, the purpose of regulation in Illinois remains unchanged: to
87 ensure that customers in Illinois receive adequate, efficient, reliable, environmentally safe
88 and least-cost public utility services.⁷

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⁵ For further discussion of this issue, also see my direct testimony, CUB Ex. 2.0 at 18:441-443 and fn 10.

⁶ Ameren Ex. 11.0 at 21.

⁷ 220 ILCS 5/1-102(a).

90 **Q. What do you conclude?**

91 A. I continue to recommend that the Commission avoid a piecemeal approach in evaluating
92 Ameren's investments and strive to ensure that maximum customer benefits result from
93 investments made under the new legislation. The Commission should consider the
94 General Assembly's objectives in enacting Section 16-108.5, particularly its reasons for
95 allowing participating utilities to use formula rate recovery, and should determine
96 whether Ameren can fulfill the objectives of the EIMA.

97 For those reasons, the ICC should adopt the steps I recommend in my direct
98 testimony: (1) require each cost proposal to state all costs, and the expected benefits, and
99 require the utility to commit to achieving those benefits; (2) approve expenditure levels
100 based on the costs of the best available performer; (3) approve a project as prudent only
101 after gaining the necessary time perspective; (4) using long-term planning to require
102 Ameren to connect proposed expenditures to projects that promise benefits, to avoid
103 piecemeal approval of major, long-term capital investment; and (5) establish ongoing
104 monitoring outside of the reconciliation procedures authorized by the Act.⁸ I also
105 recommend that the Commission condition cost recovery on the realization of the
106 General Assembly's goals.⁹

107 **Q. Does this conclude your rebuttal testimony?**

108 A. Yes.

⁸ See Ameren Ex. 11.0 at 18-19.

⁹ See CUB Ex. 2.0 at 5.