

**ILLINOIS COMMERCE COMMISSION**

**DOCKET No. 12-0244**

**REBUTTAL TESTIMONY ON REHEARING**

**OF**

**CRAIG D. NELSON**

**Submitted on Behalf Of**

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

**September 11, 2012**

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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.    Are you the same Craig D. Nelson who previously provided testimony in this**  
12 **proceeding?**

13 A.    Yes.

14 **II.   PURPOSE OF TESTIMONY**

15 **Q.    What is the purpose of your rebuttal testimony on rehearing?**

16 A.    The purpose of my rebuttal testimony on rehearing is to comment on and respond to  
17 certain Illinois Commerce Commission Staff (“Staff”) and Intervenor witnesses’ direct  
18 testimony, as detailed below.

19 **III.   SCOPE OF REHEARING**

20 **Q.    Are you familiar with the Final Order issued in this proceeding on May 29, 2012?**

21 A.    Yes, I am.

22 **Q. What did the Commission conclude it that Order?**

23 A. The Commission found that Ameren Illinois Company's ("AIC" or "Company") AMI  
24 Plan met all "informational requirements" and "technical criteria" contained in Sections 16-  
25 108.6(c)(1)-(5) of the Public Utilities Act ("Act"). Based on the record established at the time,  
26 however, the Commission found that it "cannot determine that Ameren's AMI Plan meets the  
27 cost-beneficial standard articulated in Section 16-108.6 of the Act." (Id. p. 51.) As a result, the  
28 Order did not approve the Company's AMI Plan.

29 **Q. Did the Commission cite specific concerns with the evidence submitted to**  
30 **demonstrate that implementing the plan would be cost-beneficial?**

31 A. Yes. The Order discusses three issues that led the Commission to conclude there was  
32 insufficient evidence to find the AMI Plan cost beneficial. First, the Company's deployment  
33 scenarios included plans to install AMI beyond a 10 year schedule or to simultaneously automate  
34 gas meters in conjunction with electric AMI deployment. The Commission determined that it  
35 could not approve a plan with a deployment schedule exceeding 10 years or that included  
36 simultaneous automation of gas meters. (Order, pp. 49-50.) Second, the Commission did not  
37 believe the record contained sufficient evidence concerning "manual" costs that AIC may incur  
38 to meet metrics established in Docket No. 12-0089. (Order, p. 50.) Third, and relatedly, the  
39 Commission concluded that it was unreasonable for AIC to use metrics in its AMI cost/benefit  
40 plan that differed from metrics presented in Docket 12-0089. (Order, p. 51.)

41 **Q. Apart from whether the plan was cost beneficial, does the Order cite any other**  
42 **reasons for not approving the AMI Plan?**

43 A. No, it does not.

44 **Q. Are there any affirmative findings in the Order that AIC met all other criteria for**  
45 **approval of an AMI Plan?**

46 A. There are. As I mentioned, the Commission found that AIC’s plan met all  
47 “informational” and “technical” requirements for approval of an AMI Plan under Section 16-  
48 108.6(c) and the various subsections of that statute. Table 1 below lists each requirement the  
49 Commission stated is necessary for approval of an AMI plan, as well as the Commission’s  
50 finding of whether AIC’s AMI Plan satisfied that requirement:

<b>Requirement</b>	<b>Commission Finding</b>
<p><b>Section 16-108.6(c)(1):</b></p> <p>The participating utility's Smart Grid AMI vision statement that is consistent with the goal of developing a cost-beneficial Smart Grid.</p>	<p><b>Final Order, p. 22:</b></p> <p>Upon review of the information contained in Ameren’s AMI Plan and the other record evidence, the Commission finds the AMI Plan contains a sufficient statement of Ameren’s Smart Grid AMI vision, and therefore minimally complies with Section 16-108.6(c)(1) of the Act.</p>
<p><b>Section 16-108.6(c)(2)</b></p> <p>A statement of Smart Grid AMI strategy.</p>	<p><b>Final Order, p. 22:</b></p> <p>The Commission is satisfied that Ameren has filed an AMI plan that sufficiently details its Smart Grid strategy, in minimal compliance with Section 16-108.6(c)(2) of the Act.</p>
<p><b>Section 16-108.6(c)(3)</b></p> <p>A deployment schedule and plan that includes deployment of AMI to all customers for a participating utility other than a combination utility, and to 62% of all customers for a participating utility that is a combination utility.</p>	<p><b>Final Order, p.23:</b></p> <p>The Commission does find that the suggested deployment schedule and plan minimally satisfies the requirements of Section 16-108.6(c)(3) of the Act, in that Ameren's deployment schedule and plan includes deployment of AMI to 62% of its customers over a</p>

	10-year period.
<p><b>Section 16-108.6(c)(4)</b></p> <p>Annual milestones and metrics for the purposes of measuring the success of the AMI Plan in enabling Smart Grid functions; and enhancing consumer benefits from Smart Grid AMI.</p>	<p><b>Final Order, p. 25:</b></p> <p>Section 16-108.6(c) simply requires that the AMI Plan contain information on Ameren’s proposed annual milestones and metrics. Based on a review of the Plan at issue here and the other record evidence, the Commission finds Ameren’s AMI Plan adequately addresses that statutory requirement.</p>
<p><b>Section 16-108.6(c)(5):</b></p> <p>A plan for the consumer education to be implemented by the participating utility.</p>	<p><b>Final Order, p. 25:</b></p> <p>The Commission agrees that Ameren has provided sufficient detail in its AMI Plan to indicate that its consumer education will be consistent with Section 16-108.6(c)(5) . . . .</p>
<p><b>Section 16-108.6(c):</b></p> <p>The AMI Plan shall be fully consistent with the standards of the National Institute of Standard and Technology ("NIST") for Smart Grid interoperability that are in effect at the time the participating utility files its AMI Plan . . .</p>	<p><b>Final Order, p. 31:</b></p> <p>The Commission believes Ameren’s AMI Plan sufficiently outlines Ameren’s commitment to designing an AMI system that follows the standards for interoperability established by NIST.</p>
<p><b>Section 16-108.6(c):</b></p> <p>[The AMI plan] shall include open standards and internet protocol to the maximum extent possible consistent with cyber security . . . .</p>	<p><b>Final Order, p.31:</b></p> <p>The Commission finds that Ameren’s AMI Plan contains open standards and internet protocol to the maximum extent possible, consistent with cyber security.</p>

<p><b>16-108.6(c):</b></p> <p>The AMI Plan shall secure the privacy of personal information and establish the right of consumers to consent to the disclosure of personal energy information to third parties through electronic, web-based, and other means in accordance with State and federal law and regulations regarding consumer privacy and protection of consumer data.</p>	<p><b>Final Order, p. 31:</b> 59</p> <p>The Commission finds the AMI Plan secures the privacy of customers' personal information and provides them the opportunity to consent to disclosure of that information in accordance with State and federal law and regulations regarding consumer privacy and protection of consumer data. 60 61 62 63 64 65</p>
<p><b>16-108.6(c)</b></p> <p>Implementation of the AMI Plan will be cost- beneficial</p>	<p>66</p> <p><b>Final Order, p. 51:</b> 67</p> <p>Given the problems associated with the AMI Plan filed by Ameren discussed herein, the Commission is unable to conclude that it meets the "cost-beneficial" standard articulated in Section 16-108.6 of the Act. 68 69 70 71 72</p>

65 **Q. What did the Company do in response to the Order?**

66 A. AIC filed a petition for rehearing on June 28, 2012, accompanied by a revised AMI Plan  
67 and supporting testimony. As our rehearing petition explained, the revised plan contains  
68 modifications “carefully tailored to address the Commission’s concerns with regard to the  
69 original Plan.” (Pet. For Rhrhg, p.1.)

70 **Q. Did the Company seek rehearing of any findings other than the finding regarding**  
71 **whether the cost beneficial standard had been met?**

72 A. No. Nor was there any reason to, since the Order finds that AIC met all other statutory  
73 requirements for approval of the AMI Plan.

74 **Q. Did any other parties seek rehearing?**

75 A. No. Nor did anyone contest AIC's rehearing petition.

76 **Q. In granting rehearing, did the Commission indicate that it would re-visit any issues  
77 other than the issue for which Ameren Illinois sought rehearing?**

78 A. No. The July 12, 2012 Notice of Commission Action granting AIC's petition for  
79 rehearing simply indicated that the Company's petition for rehearing was granted. The  
80 accompanying memorandum from the ALJs confirms that the issues should be limited to  
81 whether the revised plan meets the cost beneficial standard:

82 We recommend granting the application for rehearing filed by Ameren. *Granting*  
83 *rehearing would allow the Commission to consider additional evidence to*  
84 *evaluate whether the Revised Plan, either as filed or with modifications, meets the*  
85 *cost-beneficial standard contained in the Act.* It would also provide the potential  
86 to secure the benefits of Advanced Metering Infrastructure for Ameren's  
87 customers. (Emphasis added.)  
88

89 **Q. Is the Intervenor direct testimony on rehearing limited to the cost beneficial issue?**

90 A. No. As I will discuss below, the Citizens Utility Board ("CUB") and the Environmental  
91 Law and Policy Center ("ELPC") seek to re-litigate issues that have already been decided. I also  
92 address some positions raised by the Attorney General ("AG").

93 **IV. RESPONSE TO STAFF WITNESSES**

94 **Q. In general, how does the Revised AMI Plan differ from the original plan?**

95 A. Staff witness Dr. David Brightwell’s testimony provides a succinct summary:  
96 “Ameren’s Plan, filed on Rehearing, lays out more detail about the deployment of AMI  
97 meters, and shortens the duration needed to deploy AMI meters to 62% of its customers from 10  
98 years to 8 years. The cost-effectiveness analysis includes certain societal benefits that were not  
99 previously included and corrects an error in the calculation of terminal benefits.” (ICC Staff Ex.  
100 5.0, p.2.)

101 **Q. Does Staff express an opinion concerning whether the Revised Plan is cost**  
102 **beneficial?**

103 A. Yes. Dr. Eric Schlaf critiques certain aspects of Dr. Ahmad Faruqui’s analysis, but agrees  
104 with AIC witness Dr. Faruqui that it is appropriate to consider societal benefits of PEVs and that  
105 the amount of these benefits is likely to be positive. (ICC Staff Ex. 4.0, pp. 1-2.) Likewise, Dr.  
106 Brightwell critiques some of Dr. Faruqui’s assumptions and analyses concerning demand  
107 response, carbon emissions and energy efficiency benefits, but his own sensitivity analysis of Dr.  
108 Faruqui’s study “supports a finding that the plan is cost beneficial as that term is defined in  
109 Section 16-108(a) of the PUA.” (ICC Staff Ex. 5.0, p.3.) Dr. Faruqui’s rebuttal testimony  
110 responds to Staff’s critique of his study.

111 **Q. Based on Staff’s rehearing testimony, are there any contested issues between AIC**  
112 **and Staff?**

113 A. No. Staff agrees that the revised AMI plan is cost beneficial. While there are differences  
114 in opinion between the Company and Staff concerning methodologies and assumptions, these  
115 differences of opinion should not affect the outcome of this proceeding. The Company and Staff  
116 agree that the Revised AMI Plan meets the cost beneficial standard set forth in Section 16-

117 108(a).

118 **V. RESPONSE TO CUB/ELPC WITNESS MR. THOMAS**

119 **Q. What does Mr. Thomas recommend?**

120 A. Mr. Christopher Thomas recommends that the Commission again reject AIC's plan. He  
121 believes AIC should be ordered to modify the plan through a collaborative process facilitated by  
122 the Smart Grid Advisory Council; that this process should include development and approval of  
123 additional dynamic pricing rates and performance tracking measures; and that the proposed  
124 deployment schedule be re-evaluated and reviewed.

125 **Q. Mr. Thomas criticizes various aspects of the AMI plan as lacking sufficient detail.  
126 How do you respond?**

127 A. Mr. Thomas is wrong. As I explain in greater detail below in response to ELPC witness  
128 Mr. Colin Meehan, the Commission has already found that the AMI Plan meets all informational  
129 and technical requirements. CUB's "wish list" of additional detail and proposed program  
130 modifications and "enhancements" are simply not required in order for the Commission to  
131 approve the plan. The Commission explained this at length in the Order. Mr. Michael Abba  
132 addresses Mr. Thomas's specific criticisms and recommendations in greater detail.

133 **Q. Do you agree it is necessary for AIC to demonstrate that its chosen deployment  
134 schedule "maximizes the customer benefits the Company identifies"?**

135 A. No. The chosen deployment schedule plainly fits within the 10 year limitation specified  
136 in Section 16-108.6(c). And, the Company and Staff agree that the plan is cost beneficial under  
137 the planned schedule. Whether the plan would also be cost-beneficial under a different

138 deployment schedule of CUB's choosing is, in my opinion, irrelevant to the question of whether  
139 the plan will be cost beneficial under the deployment scheduled presented by AIC on rehearing.

140 **Q. Mr. Thomas also testifies the Company has not demonstrated a sufficient**  
141 **commitment to consumer education. Is he correct?**

142 A. No, he is not. The Commission has already determined that the plan sufficiently  
143 addresses customer education. "The Commission agrees that Ameren has provided sufficient  
144 detail in its AMI Plan to indicate that its consumer education will be consistent with Section 16-  
145 108.6(c)(5) . . . ." (Order, p. 25.)

146 **Q. What is the Company's position concerning the collaborative process and**  
147 **workshops CUB recommends?**

148 A. As we have maintained all along, the Company will work with the Smart Grid Advisory  
149 Council, as it is required to do by law. It is up to the Advisory Council, not AIC, to determine  
150 the extent to which various other stakeholder groups should be involved in the Advisory  
151 Council's activities. The Company is opposed, however, to a separate but parallel process of  
152 Smart Grid Advisory Council stakeholder meetings and a different set of meetings recommended  
153 by CUB and ELPC. The Company also opposes *any* process that would lead to the type of  
154 delays experienced in California and Texas in the deployment of Smart Grid technology. While  
155 CUB and ELPC point to these jurisdictions as models for Illinois, the Commission should also  
156 know about the lengthy delays experienced.

157 **VI. RESPONSE TO CUB/ELPC WITNESS MR. MEEHAN**

158 **Q. What does Mr. Meehan recommend?**

159 A. Mr. Meehan more or less restates the testimony submitted by Ms. Miriam Horn in the  
160 initial AMI proceeding. He claims that the plan “lacks detail” in areas such as the cost/benefit of  
161 energy efficiency and demand response, consumer education, deployment milestones and metrics  
162 and AMI benefits in general. He recommends that the Commission not approve the plan until  
163 AIC completes a stakeholder process and an “independent facilitator” issues a report.

164 **Q. Does the revised AMI plan contain the details submitted with the original plan?**

165 A. Yes. All of the details contained in the original plan remain in the revised plan. The  
166 primary difference in the two plans is that the revised version expands upon the original, in many  
167 instances containing even *more* detail concerning cost/benefits, consumer education, deployment  
168 milestones and metrics, and many other aspects of the plan, than the original.

169 **Q. Did the Commission find that the original AMI plan contained sufficient detail for**  
170 **approval?**

171 A. Yes. While somewhat critical of the paucity of certain details concerning the plan, “the  
172 Commission finds that Ameren's AMI plan has minimally satisfied the five informational  
173 requirements identified in Section 16- 108.6(c) of the Act.” (p. 25.) The Commission also  
174 rejected claims by parties who argued that the lack of detail on matters not listed as statutory  
175 requirements was sufficient grounds to reject the plan. “To the extent that Staff and CUB/ELPC  
176 propose that more details be included in the AMI plan now to gain Commission approval, those  
177 proposals are therefore rejected.” (p. 24.) The Commission recognized that Section 16-108.6(c)  
178 contemplates “a continued evolution of the AMI Plan throughout the deployment process.”  
179 (p.24.)

180 **Q. Did CUB/ELPC seek rehearing of this finding?**

181 A. No.

182 **Q. Mr. Meehan complains that AIC's program metrics and milestones are not tied to**  
183 **goals or timelines, and that additional metrics or trackers are required as a result. Is he**  
184 **right?**

185 A. No. Again, the Commission already addressed this issue, and no party sought rehearing  
186 of the Commission's finding. More specifically:

187 The Commission notes that the fourth informational requirement, described in  
188 Section 16-108.6(c)(4) of the Act, is the establishment of annual milestones and  
189 metrics for the purposes of measuring the success of the AMI Plan in enabling  
190 Smart Grid functions, and enhancing consumer benefits from Smart Grid AMI.  
191 The Commission agrees with Ameren that the appropriate forum for consideration  
192 of Staff and CUB/ELPC's proposed additional metrics and milestones would be  
193 in consultations with the Council, not in this expedited proceeding. (p. 24)

194 **VII. RESPONSE TO AG WITNESS MR. HORNBY**

195 **Q. Has Mr. Hornby prepared analyses showing whether the Revised Plan is cost**  
196 **beneficial?**

197 A. He has. Like Staff, Mr. J. Richard Hornby challenges certain of Dr. Faruqui's inputs and  
198 assumptions, but ultimately concludes that even using his own inputs and assumptions, the plan  
199 is cost beneficial. (AG Ex. 1.0, p. 4.) The only scenario in which the revised plan is not cost  
200 beneficial under Mr. Hornby's analysis is under a Total Resource Cost test, which excludes  
201 societal benefits. (Id.) But given that the statutory definition of "cost-beneficial" *requires* the  
202 Commission to consider societal benefits, Mr. Hornby's suggestion that the Commission ignore  
203 these benefits must be disregarded.

204 **Q. Does AG offer recommendations in the event the Commission approves the revised**  
205 **AMI plan?**

206 A. Yes. AG recommends that Commission approval of the AMI Plan should have three  
207 conditions: (1) that future ratemaking proceedings consider the societal benefits and “financial  
208 risk” allegedly imposed on customers related to AMI; (2) that the Company work with  
209 stakeholders to identify additional initiatives to increase the value of AMI to the majority of AIC  
210 customers; and (3) that the Company adopt the same metrics and stakeholder outreach as the  
211 Commission recently order in the Commonwealth Edison Company ("ComEd") proceeding.

212 **Q. Will the Company agree to the first recommendation?**

213 A. No. First of all, it is not at all clear what Mr. Hornby means when he says that the  
214 Commission should “consider” societal benefits and risks in future ratemaking proceedings.  
215 Nonetheless, the formula rate process will dictate what issues are addressed in formula rate  
216 proceedings.

217 **Q. Will the Company agree to the second recommendation?**

218 A. The Company does not object to consulting with stakeholders throughout the deployment  
219 process to try to ensure that the greatest number receive the greatest benefit from AMI. In fact,  
220 we enthusiastically support this goal. Our only caveat, as explained previously, is that this  
221 stakeholder process occur through the statutorily-established Smart Grid Advisory Council.

222 **Q. What about the third recommendation?**

223 A. The Company will obviously abide by the Commission’s final order, but we do not  
224 believe it is necessary to order the Company to adopt the same metrics and stakeholder outreach

225 as ordered for ComEd. In this proceeding, the Commission has already ruled: “Section 16-  
226 108.6(c) simply requires that the AMI Plan contain information on Ameren’s proposed annual  
227 milestones and metrics. Based on a review of the Plan at issue here and the other record  
228 evidence, the Commission finds Ameren’s AMI Plan adequately addresses that statutory  
229 requirement.” (Order, p. 25.) No party sought rehearing of this finding. The finding need not  
230 and should not be re-litigated here. And, as AIC witness Abba explains, AIC cannot adopt some  
231 of the metrics because it does not even understand what they are and/or how they would be  
232 measured.

233 **VIII. CONCLUSION**

234 **Q. What is your recommendation to the Commission?**

235 A. I recommend that the Commission find the Revised AMI Plan cost beneficial and  
236 approve the plan. The Revised AMI Plan addresses the concerns raised in the May 29, 2012  
237 Order, and Staff agrees the manner in which these concerns are addressed now establishes that  
238 the Plan is cost beneficial. There is no need for the Commission to consider extraneous issues  
239 that have already been decided and have no nexus to whether the revised plan is cost beneficial.

240 **Q. Does this conclude your rebuttal testimony on rehearing?**

241 A. Yes, it does.