

ILLINOIS COMMERCE COMMISSION

DOCKET No. 12-0244

REBUTTAL TESTIMONY ON REHEARING

OF

LEONARD JONES

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 Leonard Jones. My business address is One Ameren Plaza, 1901 Chouteau
10 Avenue, St. Louis, Missouri 63103.

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 (“AIC” or the
13 “Company”) as the Manager of Rates and Analysis. I am responsible for supervising the
14 administration of AIC’s tariffs, regulated pricing, the development of AIC’s cost of service
15 studies, administration and maintenance of AIC’s tariffs, and coordinating activity on other
16 regulatory initiatives.

17 **Q. Please describe your educational background and relevant work experience.**

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

19 **II. PURPOSE OF TESTIMONY AND IDENTIFICATION OF EXHIBITS**

20 **Q. What is the purpose of your rebuttal testimony on rehearing in this proceeding?**

21 A. The purpose of my rebuttal testimony is to comment on and respond to Intervenor
22 witnesses' direct testimony. Specifically, I am responding to Comverge witness Mr. Frank
23 Lacey and CUB/ELPC witness Mr. Christopher Thomas.

24 **Q. Are you sponsoring any exhibits with this testimony?**

25 A. No.

26 **III. RESPONSE TO COMVERGE**

27 **Q. Have you reviewed Mr. Lacey's testimony?**

28 A. Yes.

29 **Q. Please summarize Mr. Lacey's conclusions.**

30 A. Mr. Lacey recommends that AIC be required to offer a Critical Peak Pricing ("CPP")
31 tariff. He recommends that AIC also be required to file a cost-benefit analysis associated with
32 enabling a direct load control technology in connection with a Peak Time Rebate ("PTR") tariff
33 and the recommended CPP tariff, and file a tariff for a Direct Load Control program. Finally,
34 Mr. Lacey recommends that the Commission require AIC to include in its AMI milestone annual
35 report, statistics on the number of customers who sign up for demand response programs, the
36 number who have adopted enabling direct load control technology, the amount of capacity that
37 could be potentially curtailed through automated means, the actual reductions in capacity during
38 PTR or CPP periods for customers with and without automation, the capacity and energy cost
39 savings, and other benefits achieved by these programs.

40 **Q. Before you address the specifics of these recommendations, do you have an opinion**
41 **as to whether they are properly before the Commission?**

42 A. Yes, I do. It is my understanding the Commission is only considering whether the revised
43 AMI Plan is cost beneficial. These proposals have expanded the scope of the docket. I am
44 advised by counsel the Commission need not entertain the proposals in this proceeding.

45 **Q. What do you consider to be a CPP program?**

46 A. A CPP program is a rate mechanism that allows prices to increase significantly during
47 several hours in a year when wholesale energy market prices are high or when the power grid is
48 stressed. A CPP program may allow flexibility for the duration of a high price event, and it may
49 allow flexibility in the price set for the high price event.

50 **Q. What do you consider to be a DLC program?**

51 A. A DLC program requires the installation of enabling technology at a customer premises
52 allowing for modification of electric usage of an appliance and/or customer end use. Such
53 enabling technology could be controlled centrally by a supplier or curtailment service provider,
54 or by the customer, depending on the nature of the program. A DLC program may compliment
55 another rate program, such as CPP or real time pricing, or it could be a separate stand-alone
56 program that provides mutual benefit to a supplier and customer. An example of a stand-alone
57 program is an air conditioning load control program.

58 **Q. Why doesn't AIC plan to offer a CPP electric power supply pricing program in the**
59 **near term?**

60 A. First, the metering installed at most customers' premises is insufficient to effectively
61 enable such program. Introduction of AMI will remedy this shortcoming. Second, marketing of
62 power and energy programs by AIC is generally restricted. AIC is an Integrated Distribution

63 Company ("IDC") (see 83 IL Admin Code, Part 452, Subpart B). These rules allow the
64 competitive retail electric supply market to develop by neutralizing the inherent advantage of a
65 competing incumbent utility. Based on the advice of counsel, it is uncertain at this time if an IDC
66 such as Ameren Illinois can offer these programs.

67 **Q. Why doesn't AIC plan to offer a DLC program in the near term?**

68 A. DLC is often complimentary to a time differentiated power supply pricing product. As
69 explained above, metering is insufficient for most customers and so a near term solution is not at
70 hand. Further, AIC's ability to market retail electric supply service may be restricted, as I
71 mentioned above. It is important that a DLC program be administered in a way that does not
72 impede the development of the competitive electric supply market.

73 **Q. Why it is reasonable to assume that demand response programs will be available to**
74 **AIC customers, absent a commitment now by AIC to also offer CPP and DLC programs?**

75 A. For starters, the General Assembly already has ensured certain programs will be
76 available. AIC residential customers already can avail themselves of the existing PowerSmart
77 Pricing ("PSP") program. In addition, AIC residential customers will be able to avail themselves
78 of the Peak Time Rebate ("PTR") program.

79 Furthermore, AIC customers will be able to avail themselves of other dynamic rate
80 programs that materialize, as the full functionality of AMI in AIC's service territory is realized –
81 a process that will take years. These could be programs offered by AIC or programs offered by
82 alternative suppliers. Assuming there is customer demand for dynamic pricing structures that
83 allow for more transparency and control over energy consumption, AMI provides the means by
84 which those dynamic pricing structures can operate. It is reasonable to assume suppliers will

85 seize the opportunity to offer and market dynamic rate programs, *once* full AMI functionality is
86 in place. It is premature to commit to additional dynamic rate programs now.

87 **Q. Why is it premature for AIC to develop a CPP or DLC program at the outset of**
88 **AMI deployment?**

89 A. In the Company's opinion, it is too early in the process of implementing AMI for any
90 supplier, including AIC, to develop, offer and market a CPP or DLC program. Full AMI
91 functionality under the Plan will not be achieved for years. The costs of generation capacity are
92 forecasted to continue to rise during this period, making these programs more economically
93 attractive. Also AIC residential customers are expected to continue to switch to alternative
94 suppliers during this period and, thus, their suppliers may offer CPP or DLC programs, thus
95 lessening the need for AIC to be on the forefront of designing and marketing these programs.
96 I agree the programs that are "best for Ameren's rate payers" should be implemented.
97 (Comverge Ex. 1.0RH, p. 9.) But we are not yet in a position to know the "best" programs for
98 AIC's customers and which suppliers will be in the "best" position to offer them. That process
99 will require the input and participation of other parties, as well as market pressures.

100 **Q. Does that mean AIC may never offer a CPP, TOU or DLC program to its power**
101 **supply customers?**

102 A. No, I am not suggesting that. What I am saying is that it is too early for AIC to offer and
103 market those programs now. Market forces will dictate what demand response programs are
104 offered in AIC's service territory, and which suppliers offer those programs, once AMI
105 functionality has been achieved. The Commission should not preempt that process or take action
106 that would manipulate or cause inefficiencies in the market for dynamic supply rates.

107 **Q. You mention that other market participants may choose to offer a CPP or DLC**
108 **program to AIC's customers. Why do you assume other suppliers offer dynamic pricing**
109 **programs to Ameren Illinois' customers?**

110 A. Because we assume the demand will be there. The AMI Plan shows there is expected
111 value to consumers through AMI and dynamic pricing programs. Assuming there is value, there
112 will be suppliers who want to offer and market that value to consumers through dynamic pricing
113 programs. The demand is already there for customers to switch to alternative suppliers to save
114 money. The demand will be there for customers to switch to dynamic pricing structures to save
115 money. As with deregulation of generation, if there is a demand for a product, there will be a
116 market for that product. And if there is a market for a product, there will be suppliers for that
117 product. Consumer demand and potential savings will cause the programs to be offered. And
118 AMI would provide the necessary technology platform to support these programs.

119 **Q. Is there the chance that AIC might not even be the majority supplier by the time full**
120 **AMI functionality is achieved?**

121 A. Yes. Residential and small non-residential switching has greatly increased since the
122 beginning of the 2012, and is showing strong signs of continued growth. Residential switching
123 by July 2012 exceeded 275,000 customers, or 26% of residential customers, in part due to the
124 success of government aggregation initiatives. (As of January 2012, residential switching was
125 only 46,000 customers or about 4.4%.) In fact, in our Rate Zone II, residential switching now
126 exceeded 60% at the end of July, up from about 4% in January 2012. Small non-residential
127 customer switching (customers with estimated demand 25 kW or less) has likewise increased
128 from 26% to 38% of customers from January 2012 to July 2012, respectively. Last March, 75 of

129 88 referenda seeking to initiate governmental aggregation programs passed. This November, 80¹
130 additional referenda are seeking voter approval to initiate a governmental aggregation program.
131 Based on the outlook for additional governmental aggregation activity, AIC is unlikely to be a
132 dominant power supplier after 2012.

133 **Q. Have any alternative suppliers intervened in this docket?**

134 A. The Illinois Competitive Energy Association filed a petition to intervene on September 7,
135 2012.

136 **Q. Shouldn't they be involved in any conversations about the dynamic programs
137 offered and marketed in AIC's service territory?**

138 A. Yes. Their initial absence from this discussion and docket is another reason the
139 Commission should delay taking any action that would impact the supply rate programs offered
140 in their market and their competitive positions. I am suggesting that stakeholders other than
141 ICEA may also have a real interest in this discussion and so core policy issues should not be
142 determined in this docket.

143 **Q. In your opinion, what action, if any, should the Commission take to further the
144 discussion on potential dynamic rate programs?**

145 A. AIC is interested in designing its meter data management systems and changes to other
146 associated customer systems to accommodate the functionality that competitive suppliers require
147 to offer dynamic pricing products. With that thought in mind, AIC proposes a Commission

¹ PlugInIllinois.org shows 80 confirmed governmental aggregation ballot initiatives in AIC's service area. The reported number may be low, as AIC has been contacted by additional government entities verbally expressing interest in November ballot initiatives, placing the potential total over 100.

148 sponsored workshop to provide ARES with an opportunity to review and request data needs to
149 accommodate their sophisticated product offerings. This would occur during 2013. A second
150 Commission sponsored workshop could be initiated during 2016, once AMI rollout is
151 progressing and the data management systems are functional. The second workshop would
152 assess the retail market offerings for dynamic pricing and whether there are barriers for such
153 products.

154 **Q. Is Mr. Lacey correct that the Commission ordered Commonwealth Edison**
155 **Company ("ComEd") to provide a cost-benefit analysis of enabling DLC technologies**
156 **when it filed its PTR tariff?**

157 A. Yes.

158 **Q. Has ComEd provided some sort of a DLC cost-benefit analysis with its PTR tariff**
159 **filing with the Commission?**

160 A. Yes.

161 **Q. Why shouldn't the Commission order AIC to also provide a similar cost-benefit**
162 **analysis of enabling DLC technologies when it files its PTR tariff?**

163 A. If it is premature for AIC to develop, offer and market additional dynamic pricing
164 programs that use DLC technology, it would be premature for AIC to attempt to measure the
165 costs and benefits of hypothetical price structures that use DLC technology. In my opinion, it is
166 a costly exercise that is neither necessary nor productive in this proceeding. The task of the
167 Commission here is to judge whether implementation of the AMI Plan is cost beneficial, not
168 whether the introduction of DLC technology is cost beneficial. Comverge has not justified the

169 costs that AIC would need to incur, and subsequently pass on to customers, to produce a separate
170 cost benefit study on one aspect of demand response.

171 **IV. RESPONSE TO CUB/ELPC**

172 **Q. CUB/ELPC witness Mr. Thomas recommends the Commission require AIC to offer,**
173 **at least a Time of Use ("TOU") rate but also to consider other pricing structures such as**
174 **CPP. First, what is a TOU rate?**

175 A. A TOU rate contains prices that vary between at least "on" and "off" peak periods. An
176 example of a TOU rate is AIC's Basic Generation Service, BGS-3, where it contains on and off
177 peak prices, further varied between summer and non-summer seasons.

178 **Q. Does AIC plan to offer any additional TOU rates?**

179 A. No, not at this time.

180 **Q. Are the concerns you identified above with respect to CPP and DLC programs the**
181 **same concerns you have about committing now to offering a TOU rate?**

182 A. Yes.

183 **Q. Mr. Thomas states he is not aware of any alternative retail electric supplier who**
184 **currently offers dynamic rate pricing for customers who receive delivery service in AIC's**
185 **territory. He is also not aware of any plans for anyone to deploy home management**
186 **technology. Is this surprising?**

187 A. No. AIC has yet to deploy AMI, thus suppliers generally lack information to render a bill
188 for time variant rates, like TOU or CPP.

189 **Q. What action did the Commission order in ComEd's underlying AMI proceeding**
190 **regarding the development of a TOU rate program?**

191 A. ComEd was ordered to commence a dialogue with interested stakeholders including the
192 Smart Grid Advisory Council concerning a TOU rate, and "consider the extent to which the
193 goals expressed in the Intervenor's proposal can be better met through other means-including
194 rates offered by alternative suppliers, and/or expanding the marketing of the existing RRTP rate.
195 If, after discussion, the Company and stakeholders agree that ComEd should offer a new TOU
196 rate, then the proposal should at a minimum fully explain how this TOU rate intersects with the
197 existing competitive marketplace including complying with (or modification to) the IDC rules,
198 how the program will be adequately promoted, and how the IPA will procure power. As part of
199 the next AMI plan update ComEd should report to the Commission the results of the dialog with
200 stakeholders and if a TOU tariff will be proposed. If a TOU tariff is not proposed, the Company
201 should detail what alternative mechanisms will be adopted to use other dynamic pricing
202 approaches to enhance and enable customers' use of smart grid technology." (Order 12-0298, p.
203 44-45)

204 **Q. Why shouldn't the Commission order the same action here?**

205 A. AIC does not object to the spirit of the directive. Rather than the Company leading the
206 discussions, AIC respectfully requests that the ICC's Office of Retail Market Development
207 ("ORMD") facilitate the effort. I also note that because AIC is within MISO and ComEd is
208 within PJM, conclusions or timing reached concerning the issues above may also be different. It
209 is my understanding that AIC and ComEd are also on different timelines for AMI
210 implementation, with AIC's following ComEd's by several months if not years.

211 **Q. Mr. Thomas suggests this proceeding is the “appropriate place” to detail the**
212 **potential future rate options for AIC’s service territory. What action does AIC**
213 **recommend the Commission take in this docket?**

214 A. To a great extent, potential future rate options enabled with AMI have been identified.
215 The potential for time variant rates, including TOU, CPP and RTP has been identified. As
216 indicated in response to Mr. Lacey, AIC recommends two workshops be facilitated by ORMD,
217 the first to provide ARES with an opportunity to review and request data needs to accommodate
218 their sophisticated product offerings. This would occur during 2013. A second Commission
219 sponsored workshop, also facilitated by ORMD, could be initiated during 2016, once AMI
220 rollout is progressing and the data management systems are functional. The second workshop
221 would assess the retail market offerings for dynamic pricing and whether there are barriers for
222 such products, and how those barriers could be mitigated.

223 **Q. Why is there a three year space between workshops?**

224 A. The first workshop is about ensuring we have the system functionality, data needs and
225 protocols for suppliers to use to support their own time variant rate offers. The second workshop
226 is roughly one year after the first wave of AMI deployment. By then we should know if the RES
227 community intends to offer time variant rates, and if not, what barriers they have encountered
228 that prevent them from offering such rates. We can also identify if there is anything AIC,
229 Commission, or legislature can do to remove such barriers.

230 **V. CONCLUSION**

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

232 A. Yes, it does.

233

APPENDIX

STATEMENT OF QUALIFICATIONS

My name is Leonard M. Jones. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. I am employed by Ameren Illinois Company as Manager, Rates & Analysis.

I graduated from Western Illinois University with a Bachelor of Arts Degree in Economics in 1987. In 1988, I received a Master of Arts Degree in Economics, also from Western Illinois University. From 1988 through 2004 I was employed by Illinois Power Company ("Illinois Power") as a Rate Analyst, Senior Rate Analyst, Rate Specialist, Team Leader - Costing and Economic Services, and Director – Business Planning and Forecasting. Shortly after completion of Ameren Corporation's ("Ameren") acquisition of Illinois Power, I became Managing Supervisor – Restructured Services, Regulatory Policy and Planning. In 2008, I was promoted to my current position.

I previously testified before the Illinois Commerce Commission in Docket No. 91-0335, regarding Illinois Power's electric marginal cost of service study; Docket No. 93-0183, regarding Illinois Power's gas marginal cost of service study; Docket No. 98-0348, regarding Illinois Power's proposed Rider DA-RTP II; Docket No. 98-0680, regarding the investigation concerning certain tariff provisions under Section 16-108 of the Public Utilities Act and related issues; Docket No. 98-0769, regarding requirements governing the form and content of contract summaries for the 1999 Neutral Fact Finder; Docket Nos. 99-0120 & 99-0134 (Cons.) regarding approval of Illinois Power's Delivery Service Implementation Plan and Tariffs; Docket Nos. 00-0259/00-0395/00-0461 (Cons.) regarding proposed Rider MVI and revisions to Rider TC; Docket 01-0432 regarding electric Delivery Service Tariff rate design and related matters; Docket 04-0476 regarding gas rate design;

Docket Nos. 06-0070/06-0071/06-0072 (Cons.) regarding electric Delivery Service Tariff rate design and related matters; Docket Nos. 06-0691/06-0692/06-0693 (Cons.) regarding residential real-time pricing tariffs; Docket 06-0800 regarding an investigation into changes to auction process and the Ameren Illinois Utilities' market value tariffs (Rider MV); Docket 07-0165 regarding an investigation into the Ameren Illinois Utilities' rate design; Docket 07-0527 regarding tariff changes resulting from passage of the IPA Act; Docket 07-0585 – 07-0590 (cons.) regarding electric rate design; Docket 07-0539 regarding electric energy efficiency programs; Docket 08-0104 regarding gas energy efficiency programs; Docket 09-0306 – 09-0311 (cons.) regarding electric rate design; Docket 09-0535 regarding Rider EDR and GER reconciliation; Docket 10-0095 regarding tariff changes required for on-bill financing programs; Docket 10-0517 regarding a petition for an accounting order; Docket Nos. 11-0279 and 11-0282 (Cons.) regarding electric Delivery Service Tariff rate design and related matters; Docket 11-0358 regarding purchase of uncollectible receivables tariff provisions; Docket 11-0383 regarding Rider TS-Transmission Service reconciliation; Docket 11-0687 regarding Rider EDR and GER reconciliation; Docket 12-0001 regarding initiation of electric formula ratemaking through Rate MAP-P – Modernization Action Plan – Pricing; and Docket 12-0293 regarding Rate MAP-P annual update filing.