

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

**ILLINOIS POWER AGENCY)
)
Petition for Approval of the)
220 ILCS 5/16-111.5(d) Procurement Plan)**

Docket No. 12-0544

**OBJECTIONS OF C3 ENERGY TO THE ILLINOIS POWER AGENCY'S 2013 ELECTRICITY
PROCUREMENT PLAN**

C3, Inc., d/b/a "C3 Energy" submits these Verified Objections to the "2013 Procurement Plan" ("Plan") filed by the Illinois Power Agency ("IPA") with the Illinois Commerce Commission ("Commission" or "ICC") pursuant to Section 16-111.5(d)(2) of the Illinois Public Utilities Act ("PUA") (220 ILCS 5/16-111.5(d)(2)). These Objections are verified by Joel Gamoran, who is competent to testify as to the facts he attests to. These Objections address cost-effectiveness calculations that have been designated as confidential in the Plan, and therefore C3 Energy is unable to provide a redlined version of the Plan incorporating these Objections. Plan at Appendix I, Part 1, p. 52; and Plan at Appendix II, Part 2, p. 53. Appendix A contains information on the energy saving actions taken by customer engagement program participants as discussed within these Objections.

INTRODUCTION

C3 Energy is an energy efficiency software company dedicated to providing ratepayers in Illinois and other states with a cost-effective software-based energy efficiency and rewards program. In partnership with the Citizens Utility Board ("CUB"), C3 Energy has provided the CUB Energy Saver program for Commonwealth Edison ("ComEd") electric customers since June 2009.

C3 Energy submitted Comments on September 14, 2012 in response to the draft Procurement Plan prepared by the IPA.¹ These Objections respond to the invitation by the IPA in its Petition for Approval of the 220 ILCS 5/16-111.5(d) Procurement Plan (“Petition”) to provide additional comments on proposals that were not included in the final Plan filed with the Commission. Petition at 3 (stating that “[t]he IPA welcomes comments on proposals that were not included in the Plan through the Commission proceeding.”)

C3 Energy’s Objections address Section 7.1 of the Plan regarding incremental energy efficiency. Plan at 57-62. C3 Energy objects to the IPA’s Plan as presented and requests that the IPA modify its Plan to find that both Ameren Illinois Company (“AIC” or “Ameren”) and ComEd misapplied the Total Resource Cost (“TRC”) test used to screen for the procurement of incremental energy efficiency. *See* 220 ILCS 5/16-111.5B(a)(4) (requiring inclusion of cost-effective energy efficiency); 220 ILCS 5/16-111.5B(b) (defining “cost-effective”); 20 ILCS 3855/1-10 (defining “total resource cost” test). While the TRC test calculations performed by Ameren and ComEd are confidential (Plan at Appendix I, Part 1, p. 52; and Plan at Appendix II, Part 2, p. 53), these objections presume that both Ameren and ComEd used a measure life of one year for energy efficiency behavior modification programs, herein referred to as “customer engagement” programs. The proper measure life for customer engagement programs is 3.8 years. Therefore, the TRC test calculations performed by ComEd and Ameren to assess the cost-effectiveness of customer engagement programs should be updated to use the proper measure life of 3.8 years. C3 Energy believes that with a proper measure life of 3.8 years applied in the TRC test, customer engagement programs will have a TRC test result greater than 1, which would render all customer engagement programs “cost-effective” for the purposes of the IPA Plan and the PUA.

¹ Draft Electricity Procurement Plan, Filed for Public Comment on August 15, 2012, Illinois Power Agency.

² <http://www.cpuc.ca.gov/NR/rdonlyres/5A1B455F-CC46-4B8D-A1AF->

ComEd and Ameren should apply a measure life of 3.8 years to all incremental customer engagement, or behavioral, programs, and include those programs with a TRC test result greater than 1 for procurement by the IPA. The IPA should then modify its Plan to include additional energy efficiency from customer engagement programs with a TRC test result greater than 1, and the Commission should approve the Plan as modified.

I. THE PROPER MEASURE LIFE FOR CUSTOMER ENGAGEMENT PROGRAMS IS 3.8 YEARS

As noted in the plan, “the IPA in turn is required to ‘include’ for Commission approval all energy efficiency programs with a TRC score above 1.” Plan at p. 58; *see also* 220 ILCS 5/16-111.B(a)(4); 220 ILCS 5/16-111.B(b); and 220 ILCS 5/8-103(a). Because the TRC test is used to determine which energy efficiency programs are pursued and which are not, it is imperative to perform the TRC test with accurate data.

A TRC test weighs the benefits of an energy efficiency program against the total costs of the program. 20 ILCS 3855/1-10. Benefits arise primarily from the electricity supply cost that is avoided when consumption of electricity is reduced through energy efficiency measures. 20 ILCS 3855/1-10. The lifetime over which a reduction in consumption will occur is thus an essential data input for the TRC test. For example, if a program will reduce consumption by 25,000 MWh in Year 1 then the benefits of the program would be approximately \$1.25 million (depending on the avoided electricity cost). But if for the same cost the program will reduce consumption by 25,000 MWh in Year 1 and another 25,000 MWh in Year 2, benefits would essentially double (subject to the discount rate). Whether the TRC test uses a measure life of one year or two years in this hypothetical example, or a measure life of 3.8 years as is proper to assess the cost-effectiveness of customer engagement programs, is critical to the accuracy of the test.

Both theory and empirical data support a measure life for customer engagement programs that is greater than one year (the measure life assumed by ComEd and Ameren in their calculations as reflected in the IPA's Plan). Customer engagement programs motivate customers to take numerous energy-saving actions. Some of those actions are technology installations that generate persistent savings over a long time period. Empirical analysis supports this theory. Based on estimates by the independent evaluation firm Navigant (in an analysis of energy efficiency potential commissioned by the California Public Utilities Commission²), combined with C3 Energy's actual program data in Illinois, 3.8 years is the most accurate measure life for a TRC test assessing customer engagement programs. This analysis is included as Appendix A.

II. TRC TESTS PERFORMED BY COMED AND AMEREN FOR CUSTOMER ENGAGEMENT PROGRAMS SHOULD BE UPDATED TO USE A MEASURE LIFE OF 3.8 YEARS

It will not be possible for the IPA to meet its statutory requirement to include all cost-effective energy efficiency programs unless accurate data are used in the TRC tests by the utilities assessing incremental energy efficiency programs. To ensure that proposed customer engagement programs are accurately assessed, ComEd and Ameren should apply a measure life of 3.8 years to all incremental customer engagement, or behavioral, programs, and include those programs with a TRC test result greater than 1 for procurement by the IPA. The IPA should then include in its Plan for Commission approval all cost-effective energy efficiency programs.

In order to provide ratepayers with the economic and societal benefits of pursuing incremental energy efficiency, and to meet the statutory requirement to include all cost-effective energy efficiency in the Plan, ComEd and Ameren should re-assess incremental

² <http://www.cpuc.ca.gov/NR/rdonlyres/5A1B455F-CC46-4B8D-A1AF-34FAAF93095A/0/2011IOUServiceTerritoryEEPotentialStudyFinalReport.pdf>.

energy efficiency customer engagement programs with a measure life of 3.8 years for the purposes of the TRC test. All programs with a TRC result greater than 1 should then be resubmitted to the IPA for review and inclusion in the final 2013 Procurement Plan.

CONCLUSION

In conclusion, as demonstrated herein, the proper measure life for customer engagement programs is 3.8 years. To accurately assess the cost-effectiveness of customer engagement programs for inclusion in the Plan, TRC tests must use a measure life of 3.8 years for the energy savings generated by these programs. ComEd and Ameren should use this new measure life and recalculate "cost effective" incremental energy efficiency programs for the purposes of the 2013 procurement cycle. The IPA should then in turn include any incremental energy efficiency programs, including customer engagement programs, with a TRC result greater than 1.

Dated: October 3, 2012

Respectfully submitted,



Cary Platkin
Lead Counsel, Legal Affairs
C3 Energy
1300 Seaport Boulevard, Suite 500
Redwood City, CA 94063

CERTIFICATE OF SERVICE

I, Cary Platkin, hereby certify that on October 3, 2012, I served the above-mentioned documents upon all active parties of record by electronic mail to the individuals on the Commission's Service List for Docket 12-0544.

A handwritten signature in cursive script, appearing to read "Platkin", written over a horizontal line.

Cary Platkin
Lead Counsel, Legal Affairs
C3 Energy
1300 Seaport Boulevard, Suite 500
Redwood City, CA 94063
(650) 503-2200
cary.platkin@c3energy.com

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NOTICE OF FILING

To: See Attached Service List.

PLEASE TAKE NOTICE that I submitted for filing the attached Request to Appear Pro Hac Vice, Verified Petition to Intervene of C3 Energy, Objection of C3 Energy to the Illinois Power Agency's 2013 Electricity Procurement Plan, and Affidavit of Cary Platkin in the above-captioned matter, to the Chief Clerk of the Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois, 62701.

Dated: October 3, 2012



Cary Platkin
Lead Counsel, Legal Affairs
C3, Inc., d/b/a "C3 Energy"
1300 Seaport Boulevard, Suite 500
Redwood City, CA 94063
(650) 503-2200
cary.platkin@c3energy.com

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Cary Platkin
Lead Counsel, Legal Affairs
C3 Energy
1300 Seaport Boulevard, Suite 500
Redwood City, CA 94063
(650) 503-2200
cary.platkin@c3energy.com

Service List

Kyle C. Barry
Atty. for FutureGen Industrial Alliance, Inc.
McGuireWoods LLP
One Old State Capitol Plz., Ste. 410
Springfield, IL 62701
E-Mail: kbarry@mwellc.com

Stephen Bennett
Manager
State Government Affairs
Exelon Energy Company
300 Exelon Way
Kenneth Square, PA 19348
E-Mail: stephen.bennett@exeloncorp.com

Wayne Bollinger
General Manager
Electric
Nordic Energy Services, LLC
625 Plainfield Rd., Ste. 226
Willowbrook, IL 60527
E-Mail: wbollinger@nordicenergy-us.com

Roy L. Boston
Manager
Strategic Planning & Policy, East
Sempra Energy Solutions LLC
1901 Butterfield Rd., Ste. 660
Downers Grove, IL 60515
E-Mail: rboston@semprasolutions.com

Jessica L. Cardoni
Office of General Counsel
Illinois Commerce Commission
160 N. LaSalle St., Ste. C-800
Chicago, IL 60601
E-Mail: jcardoni@icc.illinois.gov

Ron Cerniglia
Director - National Advocacy
Governmental & Regulatory Affairs
Direct Energy Services, LLC
40 Columbine Dr.
Glenmont, NY 12077-2966
E-Mail: ron.cerniglia@directenergy.com

Brenda Crockett
Vice President
champion Energy Services
1500 Rankin Rd., Ste. 200
Houston, TX 77073
E-Mail: bcrockett@championenergyservices.com

Louis D'Alessandris
FirstEnergy Solutions Corp.
395 Ghent Rd.
Akron, OH 44333
E-Mail: ldAlessandris@firstenergycorp.com

James C. Deering
President
Nordic Energy Services, LLC
One Tower Ln., Ste. 300
Oakbrook Terrace, IL 60181
E-Mail: jdeering@nordicenergy-us.com

Erika Dominick
Illinois Regulatory Paralegal
Ameren Services Company
1901 Chouteau Ave.
PO Box 66149
St. Louis, MO 63166-6149
E-Mail: edominick@ameren.com

John Feeley
Office of General Counsel
Illinois Commerce Commission
160 N. LaSalle, Ste. C-800
Chicago, IL 60601
E-Mail: jfeeley@icc.illinois.gov

David I. Fein
Vice President
State Government Affairs - East
Exelon Corporation
10 S. Dearborn St., 50th Fl.
Chicago, IL 60603
E-Mail: david.fein@constellation.com

Edward C. Fitzhenry
Managing Associate General Counsel
Ameren Illinois Company
1901 Chouteau Ave.
PO Box 66149 (M/C 1310)
St. Louis, MO 63166-6149
E-Mail: efitzhenry@ameren.com

Cynthia Fonner Brady
Asst. General Counsel
Exelon Business Services Company
4300 Winfield Rd.
Warrenville, IL 60555
E-Mail: cynthia.brady@constellation.com

Gerard T. Fox
Atty. for RESA
Law Offices of Gerard T. Fox
Two Prudential Plaza
180 N. Stetson St., Ste. 3500
Chicago, IL 60601
E-Mail: gerardtfox@aol.com

Keith Goerss
Ameren Illinois Company
300 Liberty St.
Peoria, IL 61602
E-Mail: kgoerss@ameren.com

John P. Gomoll
Atty. for ICEA
John P. Gomoll, Attorney at Law
PO Box 211
Saint Charles, IL 60174
E-Mail: john@johngomoll.com

Amy Hamilton
Exelon Energy Company
300 Exelon Way
Kennett Square, PA 19348
E-Mail: amy.hamilton@cxelconcorp.com

Sharon M. Hillman
MC Squared Energy Services, LLC
10 S. Riverside Plaza, Ste. 1800
Chicago, IL 60606
E-Mail: sharonhillman@mc2energyservices.com

Larry Jones
Administrative Law Judge
Illinois Commerce Commission
527 E. Capitol Ave.
Springfield, IL 62701

E-Mail: ljones@icc.illinois.gov
Henry T. Kelly
Atty. for The Illinois Power Agency
Kelley Drye & Warren LLP
333 W. Wacker Dr., Ste. 2600
Chicago, IL 60606
E-Mail: hkelly@kelleydrye.com

John F. Kennedy
Atty. for ICEA
Shefsky & Froelich Ltd.
111 E. Wacker Dr., Ste. 2800
Chicago, IL 60601
E-Mail: jkennedy@shefskylaw.com

Melissa Lauderdale
Integrus Energy Services, Inc.
549 Bluehaw Dr.
Georgetown, TX 78628
E-Mail: mflauderdale@integrusenergy.com

Tom Leigh
Ameren Energy Marketing
MC 902
1701 Gratiot
St. Louis, MO 63103
E-Mail: tleigh@ameren.com

Erin K. Lynch
Atty. for ICEA
Shefsky & Froelich Ltd.
111 E. Wacker Dr., Ste. 2800
Chicago, IL 60601
E-Mail: elynch@shefskylaw.com

Richard L. McCartney
Ameren Illinois Company
PO Box 66149 (M/C 1310)
1901 Chouteau Ave.
St. Louis, MO 63166-6149
E-Mail: rmccartney@ameren.com

Mark J. McGuire
Executive Vice President & General Counsel
MC Squared Energy Services, LLC
2 N. Riverside Plz., Ste. 1350
Chicago, IL 60606
E-Mail: markmcguire@mc2energyservices.com

Elias Mossos
Atty. for FutureGen Industrial Alliance, Inc.
McGuireWoods LLP
77 W. Wacker Dr., Ste 4100
Chicago, IL 62601
E-Mail: emossos@mwllc.com

Bridgett Neely
Green Mountain Energy Company
300 W. 6th St.
Austin, TX 78701
E-Mail: bridgett.neely@greenmountain.com

Susan Poll-Klaessy
Atty. for ICEA
Shefsky & Froelich Ltd.
111 E. Wacker Dr., Ste. 2800
Chicago, IL 60601
E-Mail: sklaessy@shefskylaw.com

Alan L. Potts
Ameren Energy Marketing
1701 Gratiot, MC 902
St. Louis, MO 63103
E-Mail: apotts2@ameren.com

Teresa L. Ringenbach
Manager
Government & Regulatory Affairs (Midwest)
Direct Energy, LLC
9605 El Camino Lane
Plain City, OH 43064
E-Mail: teresa.ringenbach@directenergy.com

Eric Robertson
Atty. for IIEC
Lueders, Robertson, Konzen
1939 Delmar Ave.
P.O. Box 735
Granite City, IL 62040
E-Mail: erobertson@lrklaw.com

Michael R. Strong
Chief Legal Officer
Illinois Power Agency
160 N. LaSalle St., Ste. N-506
Chicago, IL 60601
E-Mail: michael.strong@illinois.gov

Richard Suchant
Direct Energy Services, LLC
1001 Liberty Ave.
Pittsburgh, PA 15222
E-Mail: richard.suchant@directenergy.com

Matthew R. Tomc
Ameren Illinois Company
PO Box 66149, MC 1310
1901 Chouteau Ave.
St. Louis, MO 63166
E-Mail: mtomc@ameren.com

Derek Waite
Ameren Energy Marketing
1701 Gratiot, MC 902
St. Louis, MO 63103
E-Mail: dwaite@ameren.com

Kevin Wright
President
Illinois Competitive Energy Association
1601 Clearview Dr.
Springfield, IL 62704
E-Mail: wright2192@sbcglobal.net

Richard Zuraski
Case Manager
Illinois Commerce Commission
527 E. Capitol Ave.
Springfield, IL 62701
E-Mail: rzuraski@icc.illinois.gov