

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company :
d/b/a Ameren Illinois :
: **12-0244 RH**
Verified Petition for Approval of :
Smart Grid Advanced Metering :
Infrastructure Deployment Plan. :

**COMVERGE INC.'S PARTIAL
DRAFT ORDER ON REHEARING**

DATED: October 15, 2012

I. Ameren's PTR Program

A. Ameren Illinois Company

In calculating the benefits of the demand response activities in its revised AMI Plan, Ameren Illinois Company ("Ameren Illinois" or the "Company") includes the benefits (and costs) of the peak time rebate ("PTR") program for which Ameren Illinois is statutorily required to make a tariff filing within 60 days of Commission approval of Ameren Illinois' revised AMI Plan. (Ameren Illinois Exhibit 5.4 RH). Ameren Illinois' calculation of demand response benefits includes benefits from a PTR program both with and without enabling direct load control technology. (Ameren Illinois Exhibit 5.4 RH, Tr. 103 ln. 15-22, Tr. 104 ln. 1-11).

Ameren Illinois argues that the Commission should not order Ameren Illinois to include an analysis of the costs and benefits of providing enabling direct load control technology to PTR participants with its statutorily required PTR tariff filing. Ameren Illinois contends that it is premature to conduct such a cost-benefit analysis at this time and argues that a Commission decision to compel such an analysis should be deferred until closer to the time when AMI is fully functional in Ameren Illinois' service territory. Additionally, Ameren Illinois states that any such cost-benefit analysis done now will be stale in three years when implementation would occur.

Ameren Illinois contends that ordering Ameren Illinois to conduct a cost-benefit analysis with its PTR tariff filing is outside the scope of this docket on rehearing because the decision here is whether implementation of the AMI Plan is cost-beneficial, not whether the introduction of direct load control technology is cost-beneficial. Ameren Illinois also contends that such a cost-benefit analysis is a costly exercise that is neither necessary nor productive at this time. In short, Ameren Illinois suggests that the Commission need not do anything now other than make the required finding that Ameren Illinois' revised AMI Plan is cost-beneficial.

B. Comverge, Inc.

Comverge, Inc. ("Comverge") argues that the inclusion of a cost-benefit analysis of Ameren Illinois providing enabling direct load control technology to PTR participants with Ameren Illinois' statutorily required PTR tariff filing is definitely not premature. Under the statute, Ameren Illinois must file an opt-in PTR tariff that makes PTR available to every retail residential customer with an AMI meter. (220 ILCS 5/16-108.6(g)). Comverge argues that the PTR tariff proceeding is the appropriate forum to determine whether it is cost-effective for PTR participants to be provided enabling direct load control technology by the utility. In fact, Comverge points out that this is exactly what is happening in ComEd's

PTR proceeding as we speak. (ICC Docket No. 12-0298, Order, June 22, 2012, pp. 46-47; ICC Docket No. 12-0298, Commonwealth Edison Company's Petition for Approval of Tariffs Implementing ComEd's Proposed Peak Time Rebate Program, p. 2).

With respect to Ameren Illinois' argument that it should not do the cost-benefit analysis now because it is costly, Comverge argues that this argument does not hold up either when viewed in light of the massive potential benefits to Ameren Illinois' customers. Comverge points out that Ameren Illinois' own expert witness Dr. Ahmad Faruqui testified that provision of enabling direct load control technology resulted in 27-44% peak demand reduction in fifteen residential dynamic pricing programs. (Comverge Cross Exhibit RH 1.0; Tr. 114 ln. 15-22, Tr. 115 ln. 1-2). To put this in perspective, Comverge mentions that Comverge witness Frank Lacey testified as follows: "even a 5% reduction in U.S. demand for generation during 'high peak periods' would result in \$35 billion of benefits." (Comverge Exhibit 1.0 RH, p. 7, ln. 13-15). Comverge also mentions that Dr. Faruqui and Mr. Lacey testified extensively about the benefits of providing for all Ameren Illinois customers enabling direct load control technology to PTR participants. (Tr. 104 ln. 16-22, Tr. 105 ln. 1-6, Tr. 106 ln. 17-18, Tr. 107 ln. 5-16, Tr. 108 ln. 6-8, Comverge Exhibits 1.0 RH, 2.0 RH).

Comverge contends that the Commission should order Ameren Illinois to include a cost-benefit analysis of providing enabling direct load

control to PTR participants as part of its statutorily required PTR filing regardless of the Commission's decision on the other issues raised by Comverge on rehearing.

C. Commission Analysis and Conclusion

Initially, the Commission notes that Ameren's revised AMI Plan and Cost-Benefit Analysis includes the benefits of a PTR program with and without enabling direct load control technologies. Thus, Comverge's discussion of whether the Commission should include a cost-benefit analysis of enabling direct load control technology is relevant and not beyond the scope of this proceeding, especially since it raises concerns as to whether benefits included in Ameren Illinois' Cost-Benefit analysis will occur.

EIMA states that the "utility shall make all reasonable attempts to secure funding for the peak time rebate program through markets or programs at the applicable regional transmission organization." (220 ILCS 5/16-108.6(g)). Consistent with this statutory provision and the testimony of Ameren Illinois witness Dr. Ahmad Faruqui and Comverge witness Frank Lacey, it is appropriate to explore, if not adopt, enabling technology in the PTR process. The Commission is of the opinion and concludes that it is not premature or too costly for Ameren Illinois to perform a cost-benefit analysis of providing enabling direct load control technology to

PTR participants to be filed with Ameren Illinois' statutorily required PTR tariff, as the Commission required Commonwealth Edison Company ("ComEd") to do when the Commission approved ComEd's AMI Plan.

It is not obvious to the Commission why Ameren Illinois should not offer enabling technology if the costs are less than the benefits to be gained. For purposes of obtaining benefits envisioned by EIMA, the harm in exploring a Company-offered load control device to PTR participants is not apparent. Accordingly, Ameren Illinois is directed to include an analysis of the costs and benefits of implementing such a program with its statutorily required PTR filing.

II. Critical Peak Pricing and Direct Load Control Demand Response Programs

A. Ameren Illinois Company

Ameren Illinois Company ("Ameren Illinois") argues that any modifications to its revised AMI Plan are outside the scope of rehearing and are otherwise not warranted to determine the cost beneficial status of the revised AMI Plan. Therefore, Ameren Illinois argues that the Commission should not order Ameren Illinois to file proposed tariffs for Critical Peak Pricing ("CPP") and Direct Load Control ("DLC") programs.

Ameren Illinois focuses on the timing of when full AMI functionality will occur. The Company states that existing metering is insufficient to require a tariff filing now for CPP and DLC. Ameren Illinois has stated that the marketing of the programs is restricted and so should not be ordered by the Commission. According to Ameren Illinois, Commission intervention will cause inefficiencies or manipulate the market because of the assumption that other suppliers will provide these programs in the market place due to the large benefits predicted.

Ameren Illinois further argues that being ordered to file tariffs for CPP and DLC programs will cause Ameren Illinois to incur costs unnecessarily designing tariffs, will flood the market with Ameren Illinois product, and would require installing metering technology that would be replaced with AMI. According to Ameren Illinois, although it may be premature for Ameren Illinois to develop and file tariffs for CPP and DLC programs at the outset of the AMI deployment that does not mean it will never market these programs or other alternative dynamic rate programs.

The Company instead advocates for a collaborative stakeholder workshop process as the proper venue for a discussion of whether CPP and DLC programs should be offered and who should offer these programs. The first proposed workshop would begin in 2013, and would ensure the system functionality, data needs and protocols for suppliers and other interested parties to support their own time variant rate offers. The

second proposed workshop would begin in 2016, and would identify and address retail market offerings for dynamic rates and programs, and if it becomes necessary, market barriers to the development of such rates and programs. According to Ameren Illinois, the benefits from CPP or DLC tariff programs are not dependent on Ameren Illinois being the supplier and do not begin to accrue until 2016. Thus, the Commission should narrowly focus its decision on simply approving or disapproving the revised AMI Plan and should not require Ameren Illinois to file tariffs regarding these programs.

B. Comverge

Comverge supports Ameren's AMI Plan, and believes it should be approved by the Commission, with modification. Specifically, Comverge recommends that the Commission order Ameren to file tariffs implementing the CPP and DLC programs included in its cost-benefit analysis. Additionally, Comverge proposes that with its subsequent CPP tariff filings for CPP (as well as PTR), Ameren Illinois should be ordered to include a cost-benefit analysis of the provision of enabling direct load control technology to CPP participants.

Comverge witness Frank Lacey testified that to his knowledge competitive suppliers do not offer demand response programs to residential customers anywhere in the United States. He stated, based upon his experience working at competitive electricity suppliers, that he does not expect any competitive suppliers to offer CPP and DLC programs in

the future due to the economics of such a program from the perspective of a competitive supplier. (Tr. 210 ln. 21-22, Tr. 211 ln. 1-18). Comverge points out that no evidence has been submitted on the record which indicates that any competitive supplier would provide a CPP or DLC program to Ameren Illinois customers. The record is undisputed as well that it would be beneficial for all Ameren Illinois customers if Ameren Illinois offers these programs, as Ameren Illinois' own expert witness Dr. Ahmad Faruqui testified. (Tr. 104-105, ln. 16-22, 1-6).

Comverge advocates for CPP and DLC programs to be available to customers only after Ameren Illinois has actually installed an AMI meter at the customer's location. Comverge points out that Ameren Illinois does not dispute that it has included CPP and DLC demand response programs in the Cost-Benefit Analysis of its revised AMI Plan. Ultimately, Comverge concludes that Ameren Illinois has included a CPP and DLC program in its revised AMI Plan due to its inclusion in the Cost-Benefit Analysis of the revised AMI Plan. Comverge then that in any filing approving the AMI Plan, the Commission must find that Ameren Illinois must follow up approval with subsequent filings for implementation of CPP and DLC programs.

Comverge also argues that DLC technology is the key to the effectiveness of any CPP tariff. Comverge agrees with Ameren Illinois witness Dr. Faruqui's assessment that the significant benefits outlined by Ameren Illinois cannot be realized without the programs listed in

Ameren's revised AMI Plan including CPP with enabling DLC technology. Comverge introduced a study done by Dr. Faruqui previously that showed that CPP reduced peak demands from 27-44% when enabling direct load control technology was provided by the utility to the participants. (Comverge Cross Exhibit 1.0 RH).

Comverge further contends that the opposition of IPA to utility-offered CPP and DLC programs is based on extra-record evidence. Moreover, Comverge argues that the opposition of ICEA and IPA is based on an incorrect analogy with the Commission's ruling in its order approving ComEd's AMI Plan that ComEd should not be required to file a TOU tariff because, unlike ComEd with the TOU tariff, Ameren Illinois included the CPP and DLC demand response activities in its revised AMI Plan.

Comverge asks the Commission to approve the AMI Plan with the modification that Ameren Illinois be required to file tariffs to implement the CPP and DLC demand response programs included in its cost-benefit analysis, and include with the CPP filing a cost-benefit analysis of Ameren Illinois providing enabling direct load control technology to CPP participants.

C. ICEA

The Illinois Competitive Energy Association (“ICEA”) supports Ameren Illinois’ AMI Plan, and asks that it be approved based solely on whether the plan meets the statutorily mandated cost-beneficial requirement.

ICEA argues that the PUA does not provide for new products and services to end use customers that are to be offered by the utility. ICEA suggests that the Commission and Ameren Illinois should defer taking action on the CPP and DLC programs proposed by Comverge because an Ameren Illinois-led workshop process concerning the CPP and DLC program proposals is preferable.

ICEA agrees with Ameren Illinois that it is premature for the Commission to consider these programs at the outset of Ameren Illinois’ AMI deployment. ICEA reiterates similar arguments made by Ameren Illinois that the CPP and DLC demand response programs are outside the scope of this docket and should not be implemented until Ameren Illinois’ AMI Plan is introduced and fully functional. ICEA believes that if Ameren Illinois offers and promotes a CPP and DLC program, Ameren Illinois would be subject to the Integrated Distribution Company (“IDC”) rules. (83 Ill. Adm. Code Part 452). ICEA makes other arguments against the CPP and DLC programs but none of the other arguments are based on the record in this proceeding.

In sum, ICEA concludes that the Commission should approve the revised AMI Plan without modification.

D. IPA

Illinois Power Agency (“IPA”) filed a Petition to Intervene on the day it filed its brief in this proceeding. IPA makes several arguments against the filing of tariffs for CPP and DLC programs but they are not based on the record in this proceeding and therefore will not be set forth in the Commission Order.

E. CUB / ELPC

Citizens Utility Board (“CUB”) and Environmental Law and Policy Center (“ELPC”) jointly support the offering of dynamic pricing to Ameren Illinois customers who receive AMI meters. CUB / ELPC urge the Commission to use its authority to modify Ameren Illinois’ AMI Plan to ensure implementation of the plan results in the maximum benefits to Ameren Illinois’ customers rather than simply achieving basic functionality. CUB / ELPC would like the Commission to follow recent Commission practice which aims to maximize customer benefits from implementation of AMI plans. In particular, citing the Commission’s order

in the ComEd AMI docket, CUB / ELPC reiterate their position that dynamic rate structures will allow ratepayers to reduce their bills as soon as their AMI meter is installed.

CUB / ELPC identified that the General Assembly intended for Smart Grid investments, like Ameren Illinois' AMI Plan, to promote several goals related to dynamic pricing including the development and incorporation of demand-response. (220 ILCS 5/108.6(a)). CUB / ELPC assert that the Commission should require Ameren Illinois to offer a TOU rate and consider offering other dynamic rate pricing schemes because Ameren has included in its Cost-Benefit Analysis significant benefits from a Peak Time Rebate program, Critical Peak Pricing Rate, Direct Load Control Program, and other dynamic rate structures. CUB / ELPC assert that, based on the record evidence, it is unlikely that third party suppliers will offer dynamic rates in Ameren Illinois' service territory, and thus the AMI plan is not cost-beneficial as those benefits will not be realized as laid out in Ameren Illinois' Cost-Benefit Analysis.

F. Commission Analysis and Conclusion

Initially, the Commission notes that Ameren Illinois' AMI Plan and Cost-Benefit Analysis include the benefits (and costs) of a Critical Peak Pricing rate, with and without enabling direct load control

technology, and a separate direct load control program in order to support Ameren Illinois' contention that the revised AMI Plan will be cost-beneficial. Thus, Intervenor's discussion of these issues is relevant, especially because it raises concerns as to whether these benefits will occur. Ameren Illinois, IPA and ICEA are backing a workshop process to resolve if and by whom CPP and DLC programs will be offered to Ameren Illinois' AMI customers.

It is undisputed in the record that a CPP tariff and a DLC program are part of the Cost-Benefit Analysis offered by Ameren Illinois in support of its revised AMI Plan. The contention is over whether Ameren Illinois should offer these programs itself or wait to see if they are offered by competitive suppliers.

Comverge introduced significant evidence that it is most appropriate for an incumbent supplier like Ameren Illinois to offer these programs in part because they will not be offered by competitive suppliers due to the economic issue presented by the significant societal benefits which cannot be monetized by competitive suppliers.

EIMA states that the AMI Plan should include a plan to enhance and enable customers' ability to take advantage of Smart Grid functions beginning at the time an account has billed successfully on the AMI

network. Smart Grid functions include direct load control and dynamic pricing such as Critical Peak Pricing (“CPP”). (220 ILCS 5/160-108.6). It is consistent with this legislative mandate to give customers the CPP and DLC options that Ameren Illinois has shown will provide benefits in its revised AMI Plan at the time their AMI meters are installed. These programs will allow customers to take advantage of Smart Grid functions in a cost-beneficial manner.

The Commission is of the opinion and concludes that CPP and DLC programs are both an integral part of Ameren Illinois’ revised AMI Plan because of the significant benefits identified from these programs by Ameren Illinois. The Commission finds it appropriate to order Ameren Illinois to file tariffs for CPP and DLC programs because these activities are a part of Ameren Illinois’ revised AMI Plan. The tariff filing and review process will allow for stakeholders to participate in a more productive manner than a workshop process.

So the Commission concludes that it is appropriate to require Ameren Illinois to file a CPP rate tariff and a DLC program tariff within 180 days of the Commission’s Order on Rehearing. Moreover, there is substantial evidence in the record to suggest that significant peak demand reductions can be achieved with a CPP tariff when enabling direct load control technology was provided by the utility to the participants.

Therefore, it is appropriate that Ameren Illinois provide a cost-benefit analysis of providing enabling DLC technology to CPP participants with its CPP tariff filing, consistent with our finding that Ameren Illinois must file a cost-benefit analysis of including enabling direct load control technology with its statutorily required PTR tariff.

III. Findings and Ordering Paragraphs

The Commission, having reviewed the entire record, is of the opinion and finds that:

- (1) Ameren Illinois Company is an Illinois corporation engaged in the transmission, sale and distribution of electricity to the public in Illinois, and is a public utility as defined in Section 3-105 of the Act;
- (2) Ameren Illinois is an electric utility as defined in Section 16-102 of the Act and a combination utility and participation utility as defined in Section 16-108.5(b) of the Act;
- (3) the Commission has jurisdiction over Ameren Illinois Company and the subject matter herein;
- (4) the facts recited and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (5) on June 28, 2012, Ameren Illinois Company filed with the Commission its Petition for Rehearing of the Commission's May 29, 2012 order together with a revised AMI Plan and supporting testimony and exhibits;
- (6) the AMI Plan meets the statutory requirements and will be cost-beneficial under Section 16-108(c) of the Act, and the AMI Plan is approved conditioned on inclusion of the modifications set forth in this Order.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Ameren Illinois Company's Revised Smart Grid Advanced Metering Infrastructure Deployment Plan as modified herein, complies with the requirements of Section 16-108.6 of the Act and is hereby approved.

IT IS FURTHER ORDERED that Ameren Illinois is directed to include with its statutorily required Peak Time Rebate filing a cost-benefit analysis of the provision of enabling direct load control technologies to PTR participants.

IT IS FURTHER ORDERED that Ameren Illinois Company is directed to file a Critical Peak Pricing tariff within 180 days of this Order, which includes a cost-benefit analysis of providing enabling direct load control technology to Critical Peak Pricing participants.

IT IS FURTHER ORDERED that Ameren Illinois Company is directed to file a Direct Load Control program tariff within 180 days of this Order.

IT IS FURTHER ORDERED that Ameren Illinois include in its annual report to the Commission regarding Advanced Metering Infrastructure implementation the number of customers who sign up for demand response programs, the number who adopt enabling direct load control technology, the amount of capacity potentially curtailable through automated means, the actual reductions in capacity during PTR or CPP periods for customers with and without automation, and the capacity cost savings, energy cost savings and other benefits achieved by demand response programs.

IT IS FURTHER ORDERED that all motions, petitions, objections and other matters in this proceeding which remain unresolved are to be disposed of in a manner consistent with the conclusions herein.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.