STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission On Its Own Motion -vs- Ameren Illinois Company d/b/a Ameren Illinois Reconciliation of revenues collected under Rider EDR with the actual costs associated with energy efficiency and demand-response plans. Reconciliation of revenues collected under Rider GER with the actual costs associated with energy efficiency plans.	:	Docket No. 11-0341

INITIAL BRIEF OF THE STAFF OF

THE ILLINOIS COMMERCE COMMISSION

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May 7, 2013

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Staff of the Illinois Commerce Commission ("Staff"), by and through its counsel, pursuant to Section 200.800 of the Rules of Practice (83 Ill. Adm. Code 200.800) of the Illinois Commerce Commission ("Commission"), respectfully submits its initial brief in the above-captioned matter.

I. Background and Procedural History

On April 12, 2011, the Commission issued an order initiating this proceeding pursuant to the provisions of Sections 8-103(e) and 8-104(e) of the Illinois Public Utilities Act ("Act") to perform the annual review of Ameren Illinois Company's ("AIC" or "Company) annual reports of costs and recoveries under Rider EDR (Energy Efficiency and Demand-Response Cost Recovery) and Rider GER (Gas Energy Efficiency Cost Recovery). While Riders EDR and GER were approved in separate dockets, Staff recommended and the Commission ordered that the required reconciliations under both riders be accomplished in a single proceeding. Initiating Order at 2; see also Final Order, Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS Illinois Power Company d/b/a AmerenIP: Approval of Energy Efficiency and Demand Response Plan, Docket No. 07-0539 (February 6, 2008) (hereinafter "EDR Plan Order"), and Final Order, Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS Illinois Power Company d/b/a AmerenIP: Petition for Approval of the Energy Efficiency and Demand-Response Plan, Docket No. 08-0104 (October 15, 2008) (hereinafter "GEE Plan Order").

The Citizens' Utility Board ("CUB"), the People of the State of Illinois ("AG"), the Illinois Department of Commerce and Economic Opportunity ("DCEO") and the Natural Resources Defense Council ("NRDC") each filed an appearance in this docket. AIC pre-filed direct testimony of Kenneth Woolcutt, Dominic Perniciaro, and Leonard Jones; the rebuttal testimony of Dr. John Chamberlain and Mr. Woolcutt, and the surrebuttal testimony of Mr. Woolcutt. Staff pre-filed the direct and rebuttal testimony of Scott Tolsdorf, as well as revised direct and revised rebuttal testimony of Jennifer L. Hinman. CUB pre-filed revised direct testimony of Rebecca Devens. The AG, NRDC, and DCEO did not file testimony. On March 13, 2013, an evidentiary hearing was held, and testimony taken and evidence adduced. The above-referenced pre-filed testimony was accepted into evidence, and Mr. Woolcutt, Ms. Hinman, and Ms. Devens were cross-examined under oath.

II. Rider EDR Final Reconciliation

The focus of the instant proceeding is the annual reconciliation of the revenues accrued through the application of the applicable EDR and GER charge with the incremental costs incurred for the reconciliation period Plan Year 2 ("PY2") that began with the June 2009 monthly billing period through the May 2010 monthly billing period. Appendix A (Staff Ex. 3.0, Sched. 3.1) provides such a reconciliation for Rider EDR beginning with the Company's proposed revenues and expenses, the adjustment for the DCEO true-up from Docket No. 09-0535, and the resulting revenues and expenses proposed by Staff. Appendix A results in a $0 Ordered Reconciliation Adjustment ("ORA"). Accordingly, Staff recommends that the Commission accept the reconciliation of revenues collected under Rider EDR with the costs incurred as reflected on Appendix A.

III. Rider GER Final Reconciliation

Appendix B (Staff Ex. 3.0, Sched. 3.2) provides the reconciliation of the revenues accrued through Rider GER with the incremental costs incurred for the reconciliation period. The schedule represents the Company's proposed revenues and expenses, Staff's adjustment to remove the costs associated with the Small Business ("SB") HVAC Program, and the resulting revenues and expenses proposed by Staff. Appendix B reflects an ORA of $119,550 to be refunded in AIC's first Rider GER filing following the Final Order in this docket. Such a refund should be approved by the Commission.

A. Overview

Ms. Hinman testified that the costs associated with AIC's expenditures on the SB HVAC Program under Rider GER were not reasonably and prudently incurred. Staff Ex. 2.0R at 18. Ms. Hinman maintains that AIC acted imprudently and unreasonably by continuing to spend ratepayer funds on the SB HVAC Program, despite clear evidence that the projected benefits of the program did not exceed the projected costs for PY2. Id. at 4; Joint Cross Ex. 1 at 2. AIC was in possession of evidence early in PY2 that the first program year ("PY1") results were extremely poor, and furthermore, that continuation of the tune-up portion of the SB HVAC Program was expected to substantially reduce net benefits to customers during PY2. Staff Ex. 2.0R at 4; Joint Cross Ex. 1 at 3. Accordingly, Staff recommends that the Commission approve the adjustment to Rider GER recoverable costs to disallow all SB HVAC Program costs recovered through Rider GER for PY2, $119,550. Staff Ex. 2.0R at 4.

In its approval of Ameren's Natural Gas Energy Efficiency Plan ("GEE Plan") (Joint Cross Ex. 1 at 15-115) in Docket No. 08-0104, the Commission authorized AIC to prudently modify the portfolio at its discretion as additional information regarding the effectiveness of particular programs, and regarding market conditions, became available. GEE Plan Order at 18. As will be explained below, information became available that made it clear that the planning assumptions were not reasonable. Staff Ex. 4.0R at 5; Staff Ex. 4.1. AIC ignored, or at least failed to act on this information to minimize detrimental impacts to ratepayers during PY2. Id. As a result of Ameren's failure or refusal to act, ratepayers were harmed. Id. The record is clear that AIC knew that the HVAC tune-up measures in the SB HVAC Program were not cost-effective, knew those measures were unlikely to become cost-effective, and yet took no actions to eliminate or limit the tune-up measures to make the SB HVAC Program cost-effective in PY2. It is unreasonable to allow AIC to cite portfolio level cost-effectiveness as its defense and entire basis for alleging prudent management of the SB HVAC Program. Id.

B. AIC's Gas Energy Efficiency Plan (08-0104)

On February 11, 2008, AIC filed its Petition for Approval of its GEE Plan and Rider GER pursuant to Section 9-201 of the Act and 82 Ill. Admin. Code 200.100. The Company sought Commission approval to market and deliver natural gas energy efficiency programs to residential and small business customers in conjunction with its statutorily-mandated electric efficiency and demand response programs. AIC made its request for the Commission to approve its gas energy efficiency programs contingent upon Commission approval of AIC's proposed "decoupling" rider in AIC's gas rate cases filed November 2, 2007. GEE Plan Order at 1-2; see also Final Order, Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP: Proposed general increase in electric delivery service rates and gas delivery service rates, Docket Nos. 07-0588 through 07-0590 (cons.) (September 24, 2008).

In approving the GEE Plan, the Commission agreed with Staff's proposal to require AIC to monitor projected benefits and costs of certain specific gas efficiency measures and to only market those specific measures if and when projected benefits exceed projected costs. GEE Plan Order at 11. As a general matter, there is agreement that "cost-effective" means the projected benefits exceed the projected costs (i.e., positive net benefits), the Total Resource Cost ("TRC") test benefit-cost ratio is above 1.0, and the TRC test net present value is greater than zero. Tr. at 70-72, 120-123; GEE Plan Order at 10-11. With respect to the PY2 SB HVAC Program, AIC chose to market gas efficiency measures in which the projected benefits did not exceed the projected costs of implementing the measures. Staff Ex. 4.1 at 21. Thus, ratepayers were harmed in PY2 due to AIC's decision to continue marketing measures which produced negative net benefits. Staff Ex. 4.0R at 5. Accordingly, Staff recommends that the Commission apply its sound reasoning the GEE Plan Order and disallow the costs associated with the SB HVAC Program. *See* GEE Plan Order at 10-11; Joint Cross Ex. 1 at 346-348.

C. Prudence Standard

The Commission has relied upon the following definition of prudence in past Commission orders:

> Prudence is that standard of care which a reasonable person would be expected to exercise under the same circumstances encountered by utility management at the time decisions had to be made. In determining whether a judgment was prudently made, only those facts available at the time judgment was exercised can be considered. Hindsight review is impermissible.
>
> Imprudence cannot be sustained by substituting one's judgment for that of another. The prudence standard recognizes that reasonable persons can have honest differences of opinion without one or the other necessarily being 'imprudent'.

Final Order at 17, Commonwealth Edison Company: Reconciliation of revenues collected under fuel and gas adjustment charges with actual costs, Docket No. 84-0395 (October 7, 1987).

In making recommendations in this proceeding, Staff relied upon this prudence standard in addition to the requirements the Commission set in the GEE Plan Order. Staff Ex. 2.0R at 11-18; GEE Plan Order at 10-11.

D. Flexibility

The GEE Plan Order makes it clear that the Commission granted AIC the flexibility and the responsibility to modify ineffective programs and measures:

> Once the programs have been rolled out, [AIC] says it will retain flexibility to modify them as circumstances warrant. [AIC] believes this is consistent with the Commission's [EDR Plan] Order … which recognized that flexibility is key to the success of energy efficiency programs. For example, [AIC] states that the delivery mechanisms, incentive levels and/or types and overall projected load reductions could change as a result of bid proposals from prospective third-party implementers… In [AIC]'s view, flexibility is also necessary to address market risk - the risk that, either because of a poor economic climate or the availability of better investments, customers choose not to participate in energy efficiency programs.
>
> The Commission agrees that this approach and recommended language are appropriate.
>
> GEE Plan Order at 18 (emphasis added).

> [AIC] indicates that its agreement with Mr. Zuraski's recommendations would not be based solely on the rise and fall of natural gas futures prices. In other words, [AIC] would like to retain the flexibility to offer these measures "if and when projected benefits exceed projected costs," taking into account projected natural gas prices and other cost factors as well. [AIC] insists this flexibility is necessary because other cost factors may influence benefit/cost ratios for these measures… The Commission further agrees that allowing [AIC] flexibility to take into account both projected natural gas prices and other cost factors will benefit the programs (and ultimately, customers) and is not inconsistent with Staff's position and recommendations.
>
> GEE Plan Order at 11 (emphases added).

In August of 2009, the implementer provided AIC with analysis showing the PY2 projected costs for the SB HVAC Program were significantly higher that the PY2 projected benefits, resulting in a projection that the SB HVAC Program would provide negative net benefits to Illinois ratepayers. Staff Ex. 4.2 at 5. The TRC test had a value of 0.34 meaning that the projected cost of the SB HVAC Program was nearly 3 times its projected benefits in PY2. Id.; Staff Ex. 2.0R at 5. At that time, the current PY2 TRC value was 0.08 indicating the costs of the SB HVAC Program were over 12 times the benefits. Staff Ex. 4.1 at 5. The projected TRC value was resoundingly insufficient to justify continuation of the SB HVAC Program. Staff Ex. 4.2 at 3, 5. At the same time, the implementer informed AIC that PY1 results for the SB HVAC Program were extremely poor and that the program had not provided net benefits to Illinois ratepayers. Staff Ex. 2.0R at 5. In fact, the TRC test benefit-cost ratio for the SB HVAC Program in PY1 was only 0.22, indicating the cost of the program was over 4.5 times the benefits. Staff Ex. 4.1 at 4. Proposals to significantly increase the PY2 budget with no concomitant increase in savings, not surprisingly continued to result in the projected costs exceeding the projected benefits of the SB HVAC Program for PY2. Joint Cross Ex. 1 at 353; Tr. at 84. AIC had no expectation that the SB HVAC Program would provide net benefits to ratepayers in PY2. Tr. at 98. Since AIC was provided clear evidence that the SB HVAC Program was not forecasted to provide net benefits to Illinois ratepayers in PY2 and AIC could have quickly and easily discontinued the program, AIC's decision to continue spending ratepayer funds on the program was imprudent and the Commission should disallow recovery of expenses associated with the SB HVAC Program. Joint Cross Ex. 1 at 75, 353; Staff Ex. 2.0R at 6.

Upon the Company's request, the Commission granted AIC flexibility to modify its GEE programs should market forces warrant such modification. GEE Plan Order at 18. Within the Commission-approved GEE Plan, AIC stated that the SB HVAC Program could be dropped or modified quickly and easily if it proved ineffective. Joint Cross Ex. 1 at 75. The GEE Plan contains an "Exit Strategy" for the SB HVAC Program, which states in part that "exit from this program can occur quickly if it proves to be ineffective." Id. AIC clearly recognized that it would be able to easily drop the program should circumstances warrant such decision. Staff Ex. 2.0R at 7. Given the flexibility the Commission granted AIC in implementing its GEE programs, the dismal projections for the SB HVAC Program under the TRC test, and the ease at which the Company itself stated it could exit the SB HVAC Program, it was unreasonable for AIC to continue operating the SB HVAC Program in PY2.

AIC has not shown itself to be afraid to use this flexibility when it would appear to be beneficial to the Company. For example, AIC exercised this flexibility when it significantly increased spending on its Residential New HVAC Program from $1.3 million to $4.67 million. Staff Ex. 2.1 at 4, 6. The fact that AIC failed to use its flexibility to discontinue the SB HVAC Program despite projections that the program would provide negative net benefits to Illinois ratepayers in PY2 is unreasonable. Staff Ex. 4.2 at 5; Staff Ex. 2.1 at 3-6.

E. Cost-Effectiveness

The Commission made clear its concerns regarding the cost-effectiveness of GEE programs and measures and its desire that AIC monitor the cost-effectiveness of these programs and measures and react appropriately to changes in various market or other program-related factors. For example, the Commission explicitly ordered AIC to monitor the cost-effectiveness of some gas measures in light of evidence that demonstrated the measures were forecasted to be cost-ineffective. GEE Plan Order at 10-11. In the GEE Plan Order, the Commission concluded that AIC should monitor the "projected" benefits and costs of some proposed gas efficiency measures and AIC should only market the efficiency measures if and when projected benefits exceed projected costs. Id. The GEE Plan Order states:

> The Commission agrees with Staff's proposal to monitor projected benefits and costs of the proposed gas griddles and spray valve measures and to only market these efficiency measures if and when projected benefits exceed projected costs. The Commission further agrees that allowing AIU flexibility to take into account both projected natural gas prices and other cost factors will benefit the programs (and ultimately, customers) and is not inconsistent with Staff's position and recommendations.
>
> Id. at 11 (emphases added).

The Commission's concerns regarding cost-effectiveness are clear. The dismal projected benefit-cost ratio for PY2 for the SB HVAC Program should have prompted AIC to exercise the flexibility granted by the Commission and not market or implement the cost-ineffective measures and programs. Instead, despite the highly cost-ineffective forecast for the SB HVAC Program for PY2, AIC continued to spend ratepayer funds on this program throughout PY2.

AIC continued the SB HVAC Program despite the fact that it faced no financial penalties if it did not meet the savings goals set forth in its GEE Plan. Further, AIC did not have any legislatively mandated therm savings goals for PY2. Staff Ex. 2.0R at 12. As such, there was no compelling reason for AIC to implement cost-ineffective measures and programs in order to increase therm savings at the expense of its ratepayers. Id. Ms. Hinman testified that ratepayers are entitled to the cost-effectiveness associated with reasonable and prudent decision-making. Staff Ex. 2.0R at 8. AIC's decision to continue spending ratepayer funds on the program was imprudent and the Commission should hold AIC responsible by disallowing recovery of expenses associated with the SB HVAC Program.

The Commission approved a reasonably developed GEE Plan that sought to screen out measures and programs that would not provide net benefits to Illinois ratepayers. Staff Ex. 2.0R at 9. The GEE Plan Order states:

> According to [AIC], it determined which energy efficiency measures should be included within its energy efficiency plan by first screening measures for cost-effectiveness, and then including all applicable and cost-effective measures in one or more programs.
>
> GEE Plan Order at 8 (emphases added).

> Further:
>
> [AIC] states that drawing from those programs that passed the TRC test, ICF worked with [AIC] to build a portfolio that was designed to achieve its gas savings and spending objectives, taking into account other important considerations, such as how fast certain programs can be ramped up.
>
> GEE Plan Order at 16 (emphasis added).

> Likewise:
>
> [AIC]'s preference for a single EM&V contractor is aligned with its intent to integrate both its natural gas and electric energy efficiency programs in a seamless manner for customers, and to maximize overall cost-effectiveness.
>
> GEE Plan Order at 18 (emphases added).

AIC does not dispute that using flexibility to maximize net benefits to ratepayers is consistent with the Commission-approved GEE Plan. See Tr. at 81 (Mr. Woolcutt concurs in the proposition). Despite AIC's agreement on this point, the Company permitted a large number of cost-ineffective HVAC tune-ups to occur as part of its SB HVAC Program. Staff Ex. 2.0R at 9. These tune-up measures are extremely labor intensive, costly, provide a small amount of energy savings, and ultimately contribute to the SB HVAC Program's cost-ineffectiveness. Staff Ex. 4.2 at 3. The record shows that the Company was aware of this information about the tune-up measures early enough to stop providing the cost-ineffective measures in PY2, in order to ensure ratepayers receive net benefits from the energy efficiency expenditures. Id. Additionally, based on AIC's GEE Plan the Commission approved, as part of AIC's ongoing program management post-Commission approval, AIC reasonably should have known about the cost-ineffectiveness of the tune-up measures prior to implementation in PY1: "Therefore the final step in program will be a recalculation of program element cost-effectiveness to ensure that the program continues to pass the TRC test." Joint Cross Ex. 1 at 85. Further, AIC explained that as part of its internal revised energy efficiency expenditures budget development process, its energy efficiency program implementers provide program budget and savings estimates to AIC by June 1 of each year, which is the first day in the program year, and each energy efficiency program's progress and necessary adjustments occur monthly and are reviewed by the Program Manager, Managing Supervisor, Department Manager, and the entire AIC staff. Joint Cross Ex. 1 at 10.

AIC was even counseled by its implementer in August of 2009 to focus on and even maximize delivery of and participation in the most cost-effective GEE programs, and to focus on market segments that continue to invest in energy efficiency, given limited budgets for implementation of the GEE Plan and the economic downturn. Staff Ex. 4.1 at 3, 6. Notwithstanding the implementer's initial advice, AIC chose to continue the cost-ineffective SB HVAC Program throughout PY2 with an increased budget. Joint Cross Ex. 1 at 353. The record shows that AIC believes that prudence can be demonstrated, in part, simply by AIC following some of the implementer's recommendations. Tr. at 86. AIC acknowledges that the SB HVAC Program was not projected to be cost-effective in PY2 and that the SB Food Service Program was projected to be highly cost-effective. Tr. at 85. Rather than focusing on the highly cost-effective SB Food Service Program, AIC chose to increase funding for the cost-ineffective SB HVAC Program. It is unreasonable to require ratepayers to fund energy efficiency investments for which they are projected to receive negative net benefits. AIC failed to utilize the flexibility granted upon it by the Commission when it did not act on information that it had readily available and ratepayers should not be held accountable for the Company's imprudence. Staff Ex. 2.0R at 9-10.

The cost-effectiveness analysis that AIC included in its GEE Plan filing for the SB HVAC Program did not include participation and savings estimates associated with HVAC tune-ups. Staff Ex. 2.0R at 6. AIC's GEE Plan acknowledges that there were only four small business measures screened that were found to be cost-effective. Joint Cross Ex. 1 at 98; <u>GEE Plan Order</u> at 10. AIC included two of these cost-effective measures in its SB HVAC Program in the Commission-approved GEE Plan and forecasted that savings for the program would come from <u>cost-effective</u> installations of Efficient Boilers and 85% Efficient Commercial Furnaces. Joint Cross Ex. 1 at 76-77, 108. AIC failed to notify the Commission that tune-ups were cost-ineffective measures when they were proposed in the GEE Plan. As Mr. Woolcutt conceded, Staff had expressed concern with all cost-ineffective gas energy efficiency measures proposed in the GEE Plan in Docket No. 08-0104. Tr. at 93. Indeed, Mr. Woolcutt further conceded that certain statements in the GEE Plan seemed to imply that tune-ups were cost-effective measures. Tr. at 93-94. For the measures that Staff expressed concern with in the GEE Plan docket due to cost-ineffectiveness and an effort to protect ratepayers, the Commission agreed with Staff that AIC would only be allowed to market those gas efficiency measures if and when those measures were projected to be cost-effective. GEE Plan Order at 10-11. After the Commission approved AIC's GEE Plan, cost-ineffective tune-up measures became commonplace during PY1 and PY2, despite the Company's knowledge that these particular measures were projected to yield low TRCs. Staff Ex. 4.0R at 16; Staff Ex. 4.1 at 21. As a result, it was forecasted that ratepayers would receive negative net benefits from the SB HVAC Program in PY2. Staff Ex. 2.0R at 16.

F. AIC Awareness that the SB HVAC Program was Cost-Ineffective

The record is clear that AIC knew that the HVAC tune-up measures in the SB HVAC Program were not cost-effective, knew those measures were unlikely to become cost-effective, and yet took no actions to eliminate or limit the tune-up measures to make the program cost-effective in PY2. In fact, the Company actually took actions to increase the number of gas tune-ups performed by offering them free of charge if the small business would permit AIC to install a thermostat that the Company could control during peak summer hours. Joint Cross Ex. 1 at 333, 386-393.

Numerous members of AIC management knew by the start of PY2 that the program was not projected to be cost-effective as the record shows that as part of AIC's internal revised energy efficiency expenditures budget development process, its energy efficiency program implementers provide program budget and savings estimates to AIC by June 1 of each year, which is the first day in the program year. AIC further explained that the Program Manager, Managing Supervisor, Department Manager, and the entire AIC staff monitor the progress of each of the energy efficiency programs and make necessary adjustments to the energy efficiency programs on a monthly basis. Joint Cross Ex. 1 at 10.

At least as early as August 17, 2009, the record shows that based upon the implementer's concerns, AIC was faced with a specific urgent decision to include or exclude the projected cost-ineffective gas tune-up measures from the SB HVAC Program. Staff Ex. 4.1 at 3-7, 21. In a presentation to the Company on that date, AIC's implementer stated "[f]urnace tune-ups will ultimately yield low TRCs" for the SB HVAC Program. Id. at 21. AIC did not direct its implementer to remove the cost-ineffective gas tune-ups from the SB HVAC Program despite the implementer's warning that the cost-ineffective gas tune-up measures would ultimately result in a program producing negative net benefits to ratepayers. Id.

On September 3, 2009, the implementer provided its review of planning assumptions to AIC for the SB HVAC Program for PY2. Joint Cross Ex. 1 at 293-294. AIC's implementer noted that an initial analysis for the SB HVAC Program showed the TRC at 0.34 or 0.91 "depending on whether one assumed 100% of the savings came from tune-ups or a 50/50 split between savings from tune-ups and equipment installation." Joint Cross Ex. 1 at 293. In order for the SB HVAC Program to forecast any small amount of net benefits to ratepayers for PY2, the implementer stated that it would be required to limit the number of tune-ups to 150, with an assumed split of 25/75 between tune-ups and equipment installations, respectively. Id. The implementer then acknowledged concerns about being able to limit the number of tune-ups in the event AIC chose to still offer the gas tune-up measure and posed the following question to AIC: "How do we/do we need to limit participation to 150 tune-ups?" Id. In response to this question on September 9, 2009, AIC directed the implementer to conduct the cost-effectiveness analysis for the SB HVAC Program for a three-year period, as opposed to a single year PY2 cost-effectiveness analysis. Id. at 289. After performing the three-year analysis, the implementer indicated that if the number of tune-ups over the three-year period is limited to about 300 and the balance of the incentive dollars for the SB HVAC Program over the three-year period goes to the cost-effective new high efficiency equipment installation measures instead of the cost-ineffective tune-up measures, then the SB HVAC Program may be able to achieve a TRC greater than 1.0. Id. at 158, 289. AIC relied in part upon this three-year cost-effectiveness analysis to justify continuing the SB HVAC Program. Tr. at 99. Staff requested this three-year cost-effectiveness analysis in discovery; however, it could not be provided to Staff or become a part of the record, as the Company and/or the implementer has been unable to locate it. Joint Cross Ex. 1 at 288.

At the time the cost-effectiveness analysis was performed, the Company indicates that 109 customers had received a tune-up incentive through the SB HVAC Program and only two customers had received an incentive for new high efficiency equipment installations. Joint Cross Ex. 1 at 288. Thus, of the customers who had received a SB HVAC Program incentive at the time the cost-effectiveness analysis was performed, 98.2% of the customers opted for a tune-up of their existing equipment, with only 1.8% of the customers opting for purchase of a new high efficiency equipment installation. Id.

AIC could not provide in this proceeding, the forecast of new equipment installations that were expected to be achieved over the remaining three-year period at the time the three-year cost-effectiveness analysis of the SB HVAC program was performed. Joint Cross Ex. 1 at 288. AIC could not provide a forecast of new equipment installations which would have formed the basis for the assumptions used in the three-year cost-effectiveness analysis of the SB HVAC Program which the Company relied upon because the "forecasts prepared in September, 2009 only considered the PY2 planning period (June, 2009 through May, 2010)." Id. Staff believes it is unreasonable for the Company, without any forecast or basis, to simply assume a large percentage of equipment installations to be likely to occur, especially given the poor economic conditions at the time which the Company was well aware of. Staff Ex. 4.1 at 6. In its review of the evidence, including data request responses and testimony, Staff found no evidence to support, and in fact found evidence to the contrary, the Company's assumption that the following was reasonably likely to occur: the number of tune-ups over the three-year period is limited to about 300 and the balance of the incentive dollars for the SB HVAC Program over the three-year period goes to new equipment installations. Joint Cross Ex. 1 at 289. Indeed, at the time the three-year cost-effectiveness analysis was performed, the evidence suggests that AIC had plans to complete 340 gas tune-ups within PY2, which directly contradicts the limitation of 300 gas tune-ups over the three-year period which AIC relied upon to justify continuing the program. Joint Cross Ex. 1 at 313, 315-316, 318-319. Further, Staff believes that a reasonable person would have conducted a forecast of expected new equipment installations for the remaining three-year period to provide a basis for the assumptions included in the three-year cost-effectiveness analysis of the SB HVAC Program that the Company relied upon.

G. Response to Ameren Witness Chamberlin

Dr. Chamberlin alleges that Staff mischaracterized and misinterpreted AIC's responses to data requests (contained in Staff Exs. 4.1 and 4.2) Staff relied upon to reach its conclusion that the SB HVAC PY2 costs be disallowed. AIC Ex. 5.0 at 19. Dr. Chamberlin asserts that over the entire three-year period, the program was projected to be cost-effective. AIC Ex. 5.0 at 14-16. Staff again requested in discovery, and the Company failed to provide, the cost-effectiveness analysis which supports Dr. Chamberlin's assertion. Staff Ex. 4.0R at 5; Joint Cross Ex. 1 at 288. The cost-effectiveness analysis which AIC states it relied upon when it decided to continue the SB HVAC Program is not a part of the record and has not been reviewed by Staff. Id. What is contained in the record is that in PY2, the Company made no efforts to limit the number of cost-ineffective tune-ups. Tr. at 157. The Company continued marketing the cost-ineffective tune-ups through the SB HVAC Program in addition to offering these tune-ups free of charge if the small business would permit AIC to install a thermostat that AIC could control during peak summer hours. Id. at 333, 386-393. Where the implementer informed AIC that to offer cost-ineffective tune-up measures would ultimately lead to a cost-ineffective SB HVAC Program, the implementer admits projections for program participation in PY3 were unavailable at the time the three-year analysis was allegedly performed, and the Company fails to provide evidence of an analysis showing otherwise. Joint Cross Ex. 1 at 288. Staff cannot find any evidence in the record which tends to indicate the possibility that the SB

HVAC Program could have been reasonably projected to be cost-effective with the continuation of the tune-up portion of the program. Staff Ex. 4.1 at 21; Joint Cross Ex. 1 at 21.

Staff maintains that since the Commission provided AIC with the flexibility to implement specific measures as they become cost-effective in Docket No. 08-0104, AIC should be attuned to information on the efficiency programs as it becomes available, and use that information to make reasonable and prudent modifications to its GEE Plan. In fact, AIC has testified in past energy efficiency dockets that “Ameren Illinois agrees with Ms. Hinman’s statement that all planned measures should be cost-effective.” Staff Ex. 4.0R at 8. Staff believes that unless the circumstances warrant an expectation that the cost-effectiveness would change in the future or benefits elsewhere in the program were tied to cost-ineffective measures, the ineffective measures should not continue. Staff Ex. 4.0R at 6.

IV. Conclusion

Staff respectfully requests that the Illinois Commerce Commission approve Staff’s recommendations in this docket.

Respectfully submitted,

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May 7, 2013

Ameren Illinois Utilities
Rider EDR - Reconciliation Summary
For the Period June 1, 2009 through May 31, 2010 (PY-2)

Line No.	Description	Per Company	Staff Adjustment- DCEO True-up	Per Order (B+C)
	(A)	(B)	(C)	(D)
1	Balance of Automatic Reconciliation Adjustment at 5/31/09	$ 128,513	$ -	$ 128,513
2	PY-1 Ordered Reconciliation Adjustment	(8,754)	(35,770)	(44,524)
3	Under/(Over) Recovery from Prior Periods (Line 1 + Line 2)	119,759	(35,770)	83,989
4	PY-2 Recoverable EDR Costs	27,512,287	35,770	27,548,057
5	PY-2 EDR Costs Recovered	(28,351,028)	-	(28,351,028)
6	Under / (Over) Recovery for PY-2 (Line 4 + Line 5)	(838,741)	35,770	(802,971)
7	EDR Reconciliation Balance at 5/31/10 (Line 3 + Line 6)	(718,982)	-	(718,982)
8	Less: Automatic Reconciliation Adjustment at 5/31/10 (Line 1 + Line 6)	(710,228)	-	(710,228)
9	Less: Prior period Ordered Reconciliation Adjustment (Line 2)	(8,754)	-	(8,754)
10	PY-2 Ordered Reconciliation Adjustment to be Recovered/(Refunded) in Future Filing (Line 7 - Line 8 - Line 9)	$ -	$ -	$ -

Sources:
Column (B):
Line 1: Docket #09-0535, Appendix A, Line 8, Column (E)
Line 2: Docket #09-0535, Appendix A, Line 11, Column (E)
Lines 4-5: Ameren Exhibit 2.1
Column (C): Docket # 09-0535, Appendix A, Column (D)
Column (D): Per Order [Column (B) + Column (C)]

Ameren Illinois Utilities
Rider GER - Reconciliation Summary
For the Period June 1, 2009 through May 31, 2010 (PY-2)

Line No.	Description	Per Company	Staff Adjustment-	Per Order (B+C)
	(A)	(B)	(C)	(D)
1	Balance of Automatic Reconciliation Adjustment at 5/31/09	$ (584,768)	$ -	$ (584,768)
2	PY-1 Ordered Reconciliation Adjustment	-	-	-
3	Under/(Over) Recovery from Prior Periods (Line 1 + Line 2)	(584,768)	-	(584,768)
4	PY-2 Recoverable GER Costs	3,710,637	(119,550)	3,591,087
5	PY-2 GER Costs Recovered	(3,318,507)	-	(3,318,507)
6	Under / (Over) Recovery for PY-2 (Line 4 + Line 5)	392,130	(119,550)	272,580
7	GER Reconciliation Balance at 5/31/10 (Line 3 + Line 6)	(192,638)	(119,550)	(312,188)
8	Less: Automatic Reconciliation Adjustment at 5/31/10 (Line 1 + Line 6)	(192,638)		(192,638)
9	Less: Prior period Ordered Reconciliation Adjustment (Line 2)	-		-
10	PY-2 Ordered Reconciliation Adjustment to be Recovered/(Refunded) in Future Filing (Line 7 - Line 8 - Line 9)	$ -	$ (119,550)	$ (119,550)

Sources:
Column (B):
Line 1: Docket #09-0535, Appendix B, Line 8, Column (D)
Line 2: Docket #09-0535, Appendix B, Line 10, Column (E)
Lines 4-5: Ameren Exhibit 2.2
Column (C): ICC Staff Ex. 2.0
Column (D): Per Order [Column (B) + Column (C)]