

**Docket No.:** 11-0341  
**Bench Date:** 10-02-13  
**Deadline:** N/A

## MEMORANDUM

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**TO:** The Commission

**FROM:** Larry Jones, Administrative Law Judge

**DATE:** September 19, 2013

**SUBJECT:** Illinois Commerce Commission  
On Its Own Motion  
-vs-  
Ameren Illinois Company

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 natural gas energy efficiency plans.

**RECOMMENDATION:** Entry of the attached post-exceptions order approving the Reconciliations.

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With respect to electric customers, the Commission entered an Order in Docket No. 07-0539 which approved Rider EDR, "Energy Efficiency and Demand-Response Cost Recovery," under which the Ameren utilities (n/k/a Ameren Illinois) would offer energy efficiency and demand response programs to its electric customers over a multi-year period beginning with the June 2008 monthly billing period. The Rider EDR program year runs from June 1 through May 31.

For its natural gas operations, the Ameren utilities received Commission approval in Docket No. 08-0104 to implement certain gas energy efficiency measures for its residential and small business customers over a multi-year period consisting of three "plan years" ending May 31, 2009, May 31, 2010 and May 31, 2011. Under Rider GER, "Gas Energy Efficiency Cost Recovery," Ameren recovers the cost of those activities from its residential and small business gas customers through a single usage-based charge. This filing by Ameren was not statutorily mandated.

Ameren Illinois began recovering costs related to its Rider GER activities with the January 2009 billing cycle. The initial program "year" was defined as the period from January 2009 through May 2009, with subsequent program years running from June through May to coincide with the electric energy efficiency program year.

The Initiating Order in the current docket directed Ameren Illinois to present evidence to show the reconciliation of revenues collected under Riders EDR and GER with costs prudently incurred in connection with proper energy efficiency and demand response activities, as defined in the tariffs, for the second program year – also known as Plan Year 2 or “PY2” -- which runs from June 2009 through May 2010.

With regard to Rider EDR, there were no disputed issues.

For Rider GER, at issue is the prudence of Ameren Illinois' expenditure of \$119,550 in costs incurred in implementing its Small Business (“SB”) HVAC tune-up program. The HVAC tune-up program was part of the three-year gas energy efficiency plan approved in Docket No. 08-0104.

Among other things, Staff contends that AIC's incurrence of these costs was imprudent and that all such costs should be disallowed. Staff states that as early as August of 2009, the Gas Energy Efficiency plan implementer provided AIC with an analysis showing the PY2 projected costs for the SB HVAC Program were significantly higher than the PY2 projected benefits. Staff argues that Ameren Illinois could have and should have terminated the program. Staff also suggests that in Docket No. 08-0104, Ameren Illinois should have presented more information about the program.

Ameren Illinois, CUB, the AG and NRDC disagree with Staff. These Parties all contend that the costs were prudently incurred and should not be disallowed.

According to Ameren Illinois, it would not have been prudent to terminate the Commission-approved program based on a preliminary analysis from the third-party implementer “mere months” into PY2, and the implementer did not recommend such action. Ameren Illinois claims it prudently managed the SB HVAC Program by modifying the program consistent with the implementer's recommendations, which included a forecast that the Program would achieve cost-effectiveness over the life of the plan. Ameren Illinois also asserts that accepting Staff's recommendation would create bad policy that would stunt the growth of energy efficiency in Illinois.

According to CUB and the AG, the SB HVAC program was anticipated to be cost-effective when approved in Docket No. 08-0104, was modified when it was found to be cost-ineffective, targeted a hard-to-reach customer segment, and was designed to help transform the market.

CUB and the AG also argue, as does NRDC, that energy efficiency programs should be assessed for cost-effectiveness at the portfolio level, rather than at the measure or program level.

The attached post-exceptions order would agree with CUB, the AG, NRDC and Ameren Illinois that based on the totality of the evidence, the costs in question were reasonably incurred and should not be disallowed.

LMJ/js