STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company **d/b/a Ameren Illinois** **Petition for Approval of Peak Time Rebate Program.**	: : : : :	**Docket No. 13-0105**

INITIAL BRIEF OF THE STAFF

OF THE ILLINOIS COMMERCE COMMISSION

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NOW COME the Staff witnesses of the Illinois Commerce Commission ("Staff"), by and through their undersigned counsel, pursuant to Section 200.800 of the Illinois Commerce Commission's Rules of Practice (83 Ill. Adm. Code 200.800), and the direction of the Administrative Law Judge ("ALJ"), respectfully submit their Initial Brief ("Staff IB") in the above-captioned matter.

I. INTRODUCTION

A. Overview/Procedural History

On February 1, 2013, the Ameren Illinois Company d/b/a Ameren Illinois (collectively, "Ameren," "AIC," or "Company") filed with the Illinois Commerce Commission ("Commission") a Petition ("Petition") for the approval of a Peak Time Rebate ("PTR") Program pursuant to Section 16-108.6(g) of the Illinois Public Utilities Act ("Act"). 220 ILCS 5/16-108.6(g).

The following Staff witnesses have submitted testimony in this case: David Brightwell (Staff Exs. 1.0C and 3.0) and Alicia Allen (Staff Ex. 2.0).

The following Petitions to Intervene were also granted in this matter: Citizens Utility Board ("CUB"), the Illinois Competitive Energy Association ("ICEA"), and Comverge, Inc. ("Comverge").

An evidentiary hearing was held in this matter on September 6, 2013. The record was marked Heard and Taken.

B. Legal Standard

Section 16-108.6(g) of the Act provides that:

> Within 60 days after the Commission approves a participating utility's AMI Plan pursuant to subsection (c) of this Section, the participating utility, after consultation with the Smart Grid Advisory Council, shall file a proposed tariff with the Commission that offers an opt-in market-based peak time rebate program to all residential retail customers with smart meters that is designed to provide, in a competitively neutral manner, rebates to those residential retail customers that curtail their use of electricity during specific periods that are identified as peak usage periods. The total amount of rebates shall be the amount of compensation the utility obtains through markets or programs at the applicable regional transmission organization. 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. The rules and procedures for consumers to opt-in to the peak time rebate program shall include electronic sign-up, be designed to maximize participation, and be included on the utility's website. The Commission shall monitor the performance of programs established pursuant to this subsection (g) and shall order the termination or modification of a program if it determines that the program is not, after a reasonable period of time for development of at least 4 years, resulting in net benefits to the residential customers of the participating utility.

220 ILCS 5/16-108.6(g).

II. PTR Program

Ameren's proposed PTR program meets the statutory requirements described in Section 16-108.6(g) of the Act. Therefore, Staff recommends that Ameren's proposed PTR program, as described herein, should be approved by the Commission subject to the Commission's ongoing monitoring of the PTR program and possible future evaluation proceeding.

Section 16-108.6(g) of the Act requires that within 60 days of Commission approval of a participating utility's[1] Advanced Metering Infrastructure ("AMI") Plan pursuant to Section 16-108.6(c) of the Act, the participating utility shall, after consultation with the Smart Grid Advisory Council ("SGAC"), file a proposed tariff with the Commission that offers an opt-in market-based PTR program to all residential retail customers with smart meters. 220 ILCS 5/16-108.6(g). The PTR program is to be designed in a competitively neutral manner, and offer rebates to residential retail customers that curtail electricity usage during peak usage periods, such rebates to be the amount of compensation the utility obtains through the applicable regional transmission organization. (Id.) The rules and procedures for consumers to opt-in to the PTR program should be designed to maximize participation, include electronic sign-up, and be included on the utility's website. (Id.) A PTR program is subject to modification or termination after 4 years if the Commission determines that it is not resulting in net benefits to the participating utility's residential consumers. (Id.)

AIC's AMI Plan was approved by the Commission on December 5, 2012. Ameren Illinois Co., ICC Order on Rehearing Docket No. 12-0244, 27 (Dec. 5, 2012); (Ameren Ex. 1.0, 3:50.) AIC consulted with the SGAC regarding its PTR program in a

[1] Participating utility is defined in Section 16-108.5(b) of the Act (220 ILCS 5/16-108.6(b)).

meeting held January 8, 2013 (Ameren Ex. 1.0, 3:65-66), and filed its original proposed PTR tariff (Petition, Appendix A) on February 1, 2013, within the 60 days of the approval of its AMI Plan required by Section 16-108.6(g) of the Act. (Id. at 3:50-52.) AIC's PTR program is designed as an opt-in market based demand response program, is available to all residential customers with AMI meters on a competitively neutral basis, i.e., the customer must be receiving electric power and energy supply from AIC or a Retail Electric Service Provider, and is designed to provide rebates to those residential retail customers who curtail electricity usage during peak usage periods. (Id. at 4-5:89-106.) The total amount of rebates to these customers is the amount of compensation that AIC obtains through markets or programs at the applicable regional transmission organization, i.e., the Midwest Independent Transmission System Organization, Inc. ("MISO"). (Id. at 5:95-97.) Enrollment in AIC's PTR program can occur electronically through the Company's website as well as other means. (Id. at 5-6:116-118.)

AIC's proposed PTR program meets the statutory requirements described in Section 16-108.6(g) of the Act. Therefore, Staff recommends that the Commission approve Ameren's proposed PTR program, as described herein, subject to the Commission's ongoing monitoring of the PTR program and possible future evaluation proceeding.

A. Cost Recovery

Staff recommends that the Commission accept Ameren's proposal to assign its PTR program implementation costs to all residential customers through its distribution formula rates. (Staff Ex. 2.0, 2:29-31.) Staff further recommends that the Commission re-evaluate this cost assignment after the initial PTR program evaluation period. (Id. at 2:31-32.)

Ameren proposes to recover the costs of implementing its PTR program from all residential customers through its formula rates set pursuant to Section 16-108.5 of the Act. (Id. at 2:39-41.) As described in Staff Ex. 2.0, Attachment A, the PTR implementation costs include administrative and promotional costs, one-time information technology ("IT") capital and operation and maintenance ("O&M") costs, ongoing O&M costs, and the cost of preparing PTR evaluation reports to the Commission. (Ameren Ex. 1.0, 16; Staff Ex. 2.0, 2-3:41-45, Attachment A.)

Staff agrees with Ameren that PTR implementation costs should be allocated to all residential customers, and not only to PTR customers. (Staff Ex. 2.0, 3:46-60.) Staff witness Ms. Alicia Allen notes that this cost allocation methodology is consistent with the approach adopted by the Commission in Commonwealth Edison Company's ("ComEd") PTR program Docket No. 12-0484 (see Commonwealth Edison Co., ICC Interim Order Docket No. 12-0484, 22 (Feb. 21, 2013)) ("ComEd PTR Order"), and is supported for the following reasons: (1) there is uncertainty that PTR customers are capable of covering the full implementation costs of the PTR program; (2) assigning implementation costs to only PTR customers serves as a barrier to entry into the PTR program given that it is an added cost; (3) assigning implementation costs across all residential customers allows for a higher participation rate consistent with the directive in Section 16-108.6(g) of the Act to maximize participation in a PTR program; and (4) these implementation costs are mainly costs that give all residential customers the opportunity to participate in the PTR program, whether the customer enrolls when the program begins or several years later. (Id. at 3:51-60.) Further, Ms. Allen notes that assigning PTR implementation costs only to PTR customers raises cost allocation concerns, because it would be impractical to determine how to allocate costs only to PTR customers since the number of initial participants is unknown and on-going enrollment is expected to occur every year. (Id. at 3-4:61-65.)

Staff further recommends that the Commission approve this cost allocation treatment only for the initial PTR program evaluation period, and that upon the initiation of a proceeding to evaluate the program, the Commission reconsider the issue of cost allocation for the program's costs. (Id. at 4:68-72.) Staff witness Ms. Allen notes that allocating costs to all residential customers for the entirety of the PTR program may not necessarily be appropriate, and that a re-evaluation of the cost allocation methodology during an evaluation proceeding is consistent with the Commission approach in Docket No. 12-0484. (Id. at 4:66-72); see also ComEd PTR Order at 23. Staff witness Ms. Allen further notes that after the initial evaluation period, the initial IT capital and O&M costs should be complete, and that implementation costs incurred after the initial evaluation period would be administrative and promotional, on-going IT O&M, and the cost of any evaluation reports. (Id. at 4:75-78.) Accordingly, during the evaluation proceeding, the Commission can determine if some other form of cost allocation would be more appropriate, such as allocating one or more of these costs to PTR program participants only. (Id. at 4:78-80.)

For the forgoing reasons, Staff recommends that the Commission accept Ameren's proposal to assign its PTR program implementation costs to all residential customers through its distribution formula rates, and that the Commission re-evaluate this cost assignment after the initial PTR program evaluation period.

B. Customer Rebates

Ameren's initially proposed PTR tariff (Petition, Appendix A) contained a provision that, under certain conditions, the PTR credit to customers could be $0. (Staff Ex. 1.0C, 2:25-27.) Staff witness David Brightwell recommended that the Commission reject this provision (Id. at 2:27; Staff Ex. 3.0, 2:35-28, 4:81-82.) In surrebuttal testimony, Ameren agreed to modify the PTR tariff to remove the zero credit provision (Ameren Ex. 5.0, 2:28-30) as reflected in Staff Cross Ex. 1. Therefore, Staff does not consider this to be a contested issue, and recommends that the Commission approve Ameren's proposed PTR tariff as reflected in Staff Cross Ex. 1.

This zero credit provision reflected Ameren's recognition that there is potential for one or more emergency events to be called by MISO after the Company calls some events, which could result in insufficient funds to pay for emergency events. (Staff Ex. 1.0C, 2:29-31.) To address this issue, Ameren proposed borrowing from future program years. (Id. at 2:31-33.) However, Ameren also recognized that the program could become inoperative at the end of a program year, with no future year from which to borrow funds. (Id. at 2:33-36.) To account for this situation, Ameren proposed to alert customers to one MISO emergency event, but pay a credit of $0 for any energy saved. (Id. at 2:36-38.)

Staff witness David Brightwell recommended that the Commission reject this component because it was one-sided in favor of the utility. (Staff Ex. 3.0, 2:35-38.) Staff witness Brightwell noted that the provision would: (1) create an economic inefficiency in the market; (2) customers would not be paid for services rendered; and (3) the Company has the option of not calling any event and paying a fine to MISO. (Staff Ex. 1.0C, 3:40-56.) Staff witness Brightwell further noted that the possible issue of exhausting funds in the year a PTR program were to become inoperative appeared to be manageable, and that no such provision is contained in ComEd's PTR tariff. (Staff Ex. 3.0, 3-4:49-80.)

In his surrebuttal testimony, Ameren witness Leonard Jones agreed to modify the tariff to exclude the provision that would allow a zero credit to apply. (Ameren Ex. 5.0, 2:28-29.) In response to Staff Data Request POL 3.01, Ameren provided a revised copy of the Company's proposed Rider PTR that excludes the zero credit provision from the tariff. (Staff Cross Ex. 1.) Therefore, Staff does not consider this to be a contested issue, and recommends that the Commission approve Ameren's proposed PTR tariff as reflected in Staff Cross Ex. 1.

C. Direct Load Control Pilot Program

Staff recommends that the Commission reject Comverge's proposal to include a pilot of Direct Load Control ("DLC") technology as part of Ameren's PTR program. (Staff Ex. 3.0, 5:84-86.) In the alternative, should the Commission choose to order a DLC pilot in Ameren's service territory, Staff recommends that the Commission order in this proceeding ensure that the experimental design of any DLC pilot account for potential sample selection bias. (Id. at 5:91-94.)

The Commission should reject Comverge's proposed DLC pilot as duplicative and unnecessary. (Id. at 5:89-91.) As Staff witness David Brightwell points out, the key purpose for a DLC pilot would be to determine the possible incremental reduction in capacity. (Id. at 5:86-88.) However, the Commission has already ordered a DLC pilot program in ComEd's territory. (Id. at 5:88-89); see also ComEd PTR Order at 30-31. The reduced capacity in Ameren's service territory can be approximated from the ComEd pilot results, rendering a pilot of DLC technology duplicative and unnecessary here. (Staff Ex. 3.0, 5:89-91.)

Should the Commission choose to reject Staff's primary recommendation and order a DLC pilot in Ameren's service territory, which it should not, Staff alternatively recommends that the Commission order in this proceeding ensure that the experimental design of the pilot accounts for potential sample selection bias. (Id. at 5:91-94.) As Staff witness David Brightwell explains, sample selection bias occurs when inferences from a non-random sample are made about the behavior of a larger population. (Id. at 5:96-97.) Because the sample is not random, the behavior is not necessarily representative of the larger population and cannot be generalized. (Id. at 5:97-99.) In the context of a DLC pilot, sample selection bias could cause incremental load reduction to be either overstated or understated. (Id. at 5-6:100-107.)

To address this issue, Staff witness Brightwell recommends setting up a pilot with treatment and control groups where both groups indicate an interest in enrolling in the DLC pilot and the potential enrollees are informed there are limited slots. (Id. at 6:123-125.) The treatment group should be randomly assigned from those who wanted to enroll in the DLC pilot and their usage reductions compared to a randomly assigned control group of other Ameren customers who wanted the DLC technology but did not receive it. (Id. at 6-7:125-128.)

Staff recommends that the Commission reject Comverge's proposed DLC pilot as duplicative and unnecessary. In the alternative, should the Commission choose to order a DLC pilot, Staff recommends that the Commission order in this proceeding ensure that the experimental design of any DLC pilot account for potential sample selection bias.

III. CONCLUSION

WHEREFORE, for all of the following reasons, Staff respectfully requests that the Commission's order in this proceeding reflect all of Staff's recommendations regarding the Company's Petition for the approval of a PTR Program pursuant to Section 16-108.6(g) of the Act.

Respectfully submitted,

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