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I. Introduction

Pursuant to the Illinois Public Utilities Act, 220 ILCS 5/1-101 *et seq.* (“Act”), and consistent with the prior approvals of the Energy Efficiency and Demand Response Plans 1 and 2 of Ameren Illinois Company (“Ameren Illinois” or the “Company”), Ameren Illinois petitions the Illinois Commerce Commission (“Commission”) to approve its integrated Energy Efficiency and Demand Response Plan (“Plan 3”), as well as the proposed continuation of Rider EDR and Rider GER, as modified herein. Plan 3 meets the statutory filing requirements and represents a broad portfolio of cost-effective electric and gas energy savings programs available to all customer segments that should attain the optimal amount of savings achievable under the required spending limit. The proposed modified savings goals reflect the results of a thorough analysis and projection of what is realistically achievable within the spending limit, as the evidence shows that it is highly unlikely that the requirements set forth in Sections 8-103 and 8-104 of the Act could be achieved without exceeding the applicable spending limits during Plan 3. Accordingly, the Commission should approve Ameren Illinois’ Plan 3 without modification.

In addition to the requested approval, Ameren Illinois seeks a Commission order consistent with the following key policy items that are critical to successful administration and implementation of the Plan:

(1) Approve portfolio flexibility. Ameren Illinois proposes that it be granted flexibility to adjust all portfolio elements (program costs, targets, incentives, etc., in addition to stopping or starting programs), as needed to achieve portfolio success. This ability has been provided by the Commission in the past and has proven to be vital in continuing to support and enhance energy efficiency in Illinois, especially due to changes in standards and market conditions. Ameren Illinois has a proven track record of using Commission-approved flexibility with integrity and in a productive manner by achieving its portfolio savings goals, keeping the

Commission-created stakeholder advisory group (“SAG”) apprised of portfolio changes, filing quarterly ICC activity reports and maintaining an active program ally network.

(2) Align the timing for the application of the net to gross (“NTG”) framework and technical reference manual. NTG and Technical Reference Manual (“TRM”) values are critical to the calculation of Ameren Illinois’ portfolio performance and goal attainment.

Ameren Illinois, therefore, supports the premise for the NTG Framework and TRM whereby NTG values are determined by the independent Evaluation, Measurement & Verification (“EM&V”) evaluators and TRM values are determined by the Technical Advisory Committee (“TAC”) of the SAG.¹ Specifically, Ameren Illinois proposes a reasonable modification whereby those NTG values (as provided by the independent EM&V evaluators) and measure values (as determined by the TAC) known as of March 1st of each year are then applied to determine savings for the following program year. In the event a value has not been agreed upon, the prevailing, prior approved, value will continue to be applied. Combined with a cost-effective portfolio of diversified program offerings, this simple, streamlined process ensures a prudent and productive delivery of an optimal amount of energy savings to customers.

(3) Maintain a portfolio level positive TRC, while recognizing that program or measure level TRCs fluctuate in passing TRC. Managing, administering and implementing a 3-year energy efficiency portfolio is an extremely fluid and ever changing process. As recognized with the provision of flexibility, the market, available technologies, program ally participation and consumer and business interests are frequently beyond the utility’s control and are ever changing. As a result of these factors, in addition to the status of program development

¹ Ameren Illinois would like to reaffirm its commitment to the SAG process, an advisory group with no rules as to participation or membership, and to make clear that, other than the adoption of new aspects as set forth in Ameren Illinois’ testimony and other filings, the Company would like to see the role of the SAG continue as it has during Plan 2. (Ameren Ex. 6.0, 27:613-17).

and implementation, a measure or program level TRC is subject to significant changes in cost-effectiveness. Accordingly, Ameren Illinois formally requests the Commission recognize this fluctuation and that planning estimates may prove inaccurate, and reaffirm its determination from the Plan 1 and 2 Orders whereby it is the utility's objective to maintain a portfolio level positive TRC.

(4) Maintain the Evaluation, Measurement & Verification (“EM&V”)

Framework. The Commission approved the independent evaluators to perform one impact and one process evaluation for Plan 2 and should also do so for Plan 3. EM&V could perform more if EM&V's independent judgment deems it is warranted subject to available funds per the budget limit specified in the Act. Ameren Illinois also seeks to streamline the NTG framework. This provides for the most productive use of EM&V funds and provides appropriate guidance for the implementation of the portfolio.

(5) Maintain EM&V contracting and operating model. As per the Act's requirements, as well as the Commission's order in ICC Docket No. 07-0359 and 10-0568, an independent EM&V consultant is retained by the utility, subject to Commission oversight, to provide an annual independent evaluation of the performance of the cost-effectiveness of the utility's portfolio of electric measures. The EM&V consultant also provides independent evaluation of annual and 3-year performance of the utility's portfolio of measures and broader net program impacts and, to the extent practical, provides for adjustment of the measures on a going forward basis as a result of the evaluations. Ameren Illinois supports maintaining the current EM&V contracting and operating model with a few minor clarifications and modifications set forth below.

(6) Calculate both free ridership and spillover factors in NTG values. While industry knowledge rebukes the rationale of determining NTG values, Ameren Illinois concedes that the Illinois energy efficiency environment has adopted the use of NTG values to determine net savings. Accordingly, Ameren Illinois is not proposing to eliminate that measurement mechanism. Alternatively, in lieu of requesting the use of gross (versus net) values, and to reduce the contested issues in this docket, Ameren Illinois formally requests that the NTG calculation officially include spillover (participant and non-participant, including customers and trade allies), as prescribed in the NTG formula, whenever free ridership is included. In the event free ridership or spillover is not included, then a value for neither factor is included in the NTG calculation thus retaining the NTG value as appropriately balanced. This is because if one factor is included and not the other, the NTG value becomes obviously biased. Additionally, as is accepted in standard EM&V methodology and has been utilized in Illinois EM&V activities, Ameren Illinois also proposes that the independent EM&V evaluator is allowed to either perform calculations based on market activity for the NTG inputs, or provide estimates for the free ridership and spillover factors (participant and non-participant, including customers and trade allies) according to its expertise and experience in other jurisdictions for similar programs.

(7) Align savings goals according to changes in TRM and NTG values. Ameren Illinois' preferred position is that NTG and TRM measure values are fixed for the entire 3-year cycle. This approach provides for the most fair, efficient and productive method for implementing an effective portfolio over a three year term. And in light of parties in Illinois being unable to reach consensus and conclusion on NTG and TRM issues, providing for 3-year fixed values would be the best workable solution. However, to reduce the contested issues in

this docket, Ameren Illinois has agreed to have NTG and TRM measure values revised and fixed annually as of March 1st each year.

For the reasons set forth herein, as well as in Ameren Illinois' prior filings, the Commission should enter an order approving Plan 3, as well as granting all other relief consistent with Ameren Illinois' requests and positions in this docket.

II. Statutory Language

Section 8-103 of the Public Utilities Act ("Act") provides the requirements for electric utilities regarding energy efficiency and demand-response measures. (*See* 220 ILCS 5/8-103). Section 8-104 of the Act provides the requirements for gas utilities, as well as utilities that provide both electric and gas service. (*See* 220 ILCS 5/8-104). Because Ameren Illinois provides both electric and gas service pursuant to the Act, Ameren Illinois has submitted an integrated plan that contains programs designed to deliver electric, gas and dual fuel benefits to Illinois ratepayers. (*See* 220 ILCS 5/8-104(f)(6)). Accordingly, both Sections 8-103 (electric) and 8-104 (gas) apply to the review and approval of Ameren Illinois' Plan 3. And in addition to the requirements of Section 8-103, electric utilities must comply with the requirements of Section 8-103A beginning in 2013. Section 8-103A requires each electric utility to include in its energy efficiency and demand response plan what is commonly known as a "potential study." This "potential study" is "an analysis of additional cost-effective energy efficiency measures that could be implemented, by customer class, absent the limitations set forth in subsection (d) of Section 8-103." (220 ILCS 5/8-103A).

III. Procedural History

On August 30, 2013, Ameren Illinois filed its Verified Petition for approval of its Plan. The Petition seeks approval of Ameren Illinois' Plan pursuant to 220 ILCS 5/8-103 and 220 ILCS 5/8-104. On August 30, 2013, Ameren Illinois also filed its Plan, supporting testimony,

and exhibits. Ameren Illinois filed an Errata and revised exhibit on September 17, 2013 and a second Errata and further revised exhibit on October 10, 2013.

Testifying on behalf of Ameren Illinois were Keith E. Goerss, Assistant Manager, Energy Efficiency for Ameren Illinois, supporting Ameren Exhibits 1.0, 1.1 (2nd Rev.) and Appendices thereto and Ameren Exhibits 6.0-6.2; Matthew E. Noonan, Regulatory Analyst in Ameren Illinois' Illinois Regulatory Policy and Rates Department, supporting Ameren Exhibits 4.1-4.4 and 9.0-9.2; Kenneth C. Woolcutt, Managing Supervisor of Illinois Energy Efficiency for Ameren Illinois, supporting Ameren Exhibits 3.0, 8.0, and 8.1; Andrew W. Cottrell, Principal Consultant, Utility Consulting Practice for Applied Energy Group, Inc. ("AEG"), supporting Ameren Exhibits 2.0 and 7.0-7.3; and Dr. Robert D. Obeiter, Executive Vice President of AEG, supporting Ameren Exhibits 5.0 and 10.0.

The following parties intervened in this matter: The People of the State of Illinois ("AG"); the Citizens Utility Board ("CUB"); the Environmental Law and Policy Center ("ELPC"); Comverge, Inc. ("Comverge"); the Natural Resources Defense Council ("NRDC"); and Archer Daniels Midland Company, Caterpillar Inc. and Keystone Consolidated Industries, Inc., collectively as the Illinois Industrial Energy Consumers ("IIEC").

The Staff of the Illinois Commerce Commission ("Staff"), AG, CUB, ELPC, NRDC, and IIEC filed Direct Testimony and supporting exhibits on October 18, 2013; IIEC filed an Errata and IIEC Exhibit 1.0-C on October 21, 2013, CUB filed an Errata and revised exhibits on October 24, 2013; Staff, CUB, and AG filed Rebuttal Testimony on October 28 and 29, 2013; and Ameren Illinois filed Rebuttal Testimony on November 13, 2013.

Pursuant to notice duly given in accordance with the law and the rules and regulations of the Commission, an evidentiary hearing was held before a duly authorized Administrative Law

Judge (“ALJ”) on November 20, 2013, during which Ameren Illinois, Staff, AG, CUB, ELPC, NRDC, and IIEC moved into the record their respective exhibits. At the conclusion of the evidentiary hearing the record was marked heard and taken, subject to the late filing of certain exhibits, and the ALJ then entered a briefing schedule.

IV. Electric and Gas Savings Goals and Spending Limits

Sections 8-103 and 8-104 of the Act set forth certain energy savings goals that must be met during Plan Years 7-9, as well as spending limit requirements to which Ameren Illinois must adhere. Specifically, with respect to electricity savings, Section 8-103(b) states that “[e]lectric utilities shall implement cost-effective energy efficiency measures to meet the following incremental annual energy savings goals: [1.8% of energy delivered in the year commencing June 1, 2014; 2% of energy delivered in the year commencing June 1, 2015; and 2% of energy delivered in the year commencing June 1, 2016].” (220 ILCS 5/8-103(b)). Additionally, Section 8-103(c) provides “[e]lectric utilities shall implement cost-effective demand-response measures to reduce peak demand by 0.1% over the prior year for eligible retail customers, as defined in Section 16-111.5 of this Act, and for customers that elect hourly service from the utility pursuant to Section 16-107 of this Act, provided those customers have not been declared competitive. . . .” (220 ILCS 5/8-103(c)). Finally, Section 8-103(d) provides that:

Notwithstanding the requirements of subsections (b) and (c) of this Section, an electric utility **shall** reduce the amount of energy efficiency and demand-response measures implemented over a 3-year planning period by an amount necessary to limit the estimated average annual increase in the amounts paid by retail customers in connection with electric service due to the cost of those measure. . . . [T]he amount of energy efficiency and demand-response measures implemented for any single year shall be reduced by an amount necessary to limit the estimated average net increase due to the cost of these measures included in the amounts paid by eligible retail customers in connection with electric service to no more than the greater of 2.015% of the amount paid per kilowatthour by those customers during the year ending May 31, 2007 or the incremental

amount per kilowatthour paid for these measures in 2011. . . .”
(220 ILCS 5/8-103(d)).

With respect to gas, Section 8-104(c) provides that “[n]atural gas utilities shall implement cost-effective energy efficiency measures to meet at least the following natural gas savings requirements, which shall be based upon the total amount of gas delivered to retail customers, other than the customers described in subsection (m) of this Section, during calendar year 2009 multiplied by the applicable percentage. . . .” (220 ILCS 5/8-104(c)). Additionally, Section 8-104(d) contains similar limitations as its electric counterpart and states that:

Notwithstanding the requirements of subsection (c) of this Section, a natural gas utility shall limit the amount of energy efficiency implemented in any 3-year reporting period . . . by an amount necessary to limit the estimated average increase in the amounts paid by retail customers in connection with natural gas service to no more than 2% in the applicable 3-year reporting period. The energy savings requirements in subsection (c) of this Section may be reduced by the Commission for the subject plan, if the utility demonstrates by substantial evidence that it is highly unlikely that the requirements could be achieved without exceeding the applicable spending limits in any 3-year reporting period. . . .

(220 ILCS 5/8-104(d)).

Importantly, once the savings goals for PY 7-9 have been set, the Act allows utilities to establish compliance by meeting the annual incremental savings goal in the applicable year **or** by showing that the total cumulative annual savings within a 3-year planning period was “equal to the sum of each annual incremental savings requirement.” (220 ILCS 5/8-103(b); 5/8-104(c)). Accordingly, Ameren Illinois understands that the Act allows treatment of both the savings goals and spending limits as, functionally, three-year goals and limits.

A. Proposed Modified Goals

Ameren Illinois requests that the Commission modify the electric and gas savings goals for Plan Years 7, 8 and 9 as set forth in Table 5 of Plan 3. (Ameren Ex. 6.1 at 6 (Table 5)). No

party contests this request or the need for the Commission to modify the savings goals identified in the statute in order to comply with the spending limits prescribed by the Act. Nor could they, as the substantial evidence establishes that Ameren Illinois could not meet the savings goals identified in either Section 8-103(b) or 8-104(c) without exceeding those legislatively imposed spending limits. Accordingly, the Commission should approve Ameren Illinois' Plan 3 with the modified savings goals set forth therein.

1. Explanation of Proposed Modified Goals

As noted above, Sections 8-103 and 8-104 of the Act set forth specific electric and gas savings targets, spending limits and other requirements for Plan 3. The savings targets and spending limits identified in the Act can be summarized as follows:

Savings Targets as Set Forth in the Statute

Program Year	2012(PY5)	2013(PY6)	2014(PY7)	2015(PY8)	2016(PY9)
ELECTRIC ENERGY EFFICIENCY & DEMAND RESPONSE					
Incremental % of energy delivered	1.00%	1.40%	1.80%	2.00%	2.00%
DR: % reduction of prior year peak demand	0.10%	0.10%	0.10%	0.10%	0.10%
Maximum increase in per kWh rate	2.015%	2.015%	2.015%	2.015%	2.015%
GAS ENERGY EFFICIENCY					
Incremental % of energy delivered	0.40%	0.60%	0.80%	1.00%	1.20%
Maximum increase in per therm rate	2.00%	2.00%	2.00%	2.00%	2.00%

Under the Act, the spending limits modify the savings goals in order to keep the rate impact on customers under a proscribed percentage. (220 ILCS 5/8-103(d); 8-104(d)). Accordingly, Ameren Illinois witness Mr. Matthew Noonan calculated the respective electric and gas goals and spending limits. (See Ameren Ex. 4.0 at 3:50-9:181 (providing explanation of how the goals and limits were calculated)). The gas spending limit and goals were subsequently revised due to the addition of a new Self Directing Customer as explained in Mr. Noonan's

rebuttal testimony (Ameren Ex 9.0 1:41-76).² For the entire portfolio (inclusive of the portion of the budget that would be allocated, administered and implemented by the Department of Commerce and Economic Opportunity (“DCEO”)), applying the savings and spending targets pursuant to the Act results in the following:

**Application of Savings and Spending Limit Targets
(Inclusive of Department of Commerce and Economic Opportunity (“DCEO”) portion)***

Program Year (Incremental)	2014 (PY7) (June 1, 2014 – May 31, 2015)	2015 (PY8) (June 1, 2015 – May 31, 2016)	2016 (PY9) (June 1, 2016 – May 31, 2017)
ELECTRIC ENERGY EFFICIENCY & DEMAND RESPONSE			
Projected Energy Delivery (MWH)	38,617,585	39,242,418	39,455,037
Load Reduction Target (MWH)	707,858	800,866	805,205
Spending Limit	\$59,586,934	\$60,551,052	\$60,879,122
Peak Demand Reduction Target (MW)	1.23	1.12	1.07
GAS ENERGY EFFICIENCY			
Projected Energy Delivery (Dekatherms)(1)	106,869,251	106,831,840	105,896,073
Gas Reduction Target (Therms)(2)	8,870,582	11,088,228	13,305,873
Spending Limit(3)	\$15,598,966	\$15,654,759	\$15,686,549

**Reflects revisions as provided by Noonan’s rebuttal testimony due to the addition of a new gas Self Direct Customer. All electric and natural gas savings throughout the document are measured at the point of the customer meter. (1) Per the Final Order in ICC Docket No. 10-0568 (Plan 2 Order) includes transportation and retail customers and all terms appropriate under 5/8-104.*

(2) Per the Plan 2 Order as a result of item (1).

(3) In accordance with 5/8-104, AIC retail revenues reflect the retail revenues associated with delivery service rates and the retail revenues associated with gas commodity charges (PGA).

² As explained by Ameren Illinois witness Mr. Noonan, recent legislative changes have expanded the Self Directing Customer (“SDC”) group, a group that is exempt from AIC’s energy efficiency program. (220 ILCS 5/8-104(m); Ameren Ex. 9.0 at 6-8:143-77). These changes impact AIC’s gas savings goals and spend limit by lowering the usage and revenue values used to calculate each.

Excluding DCEO’s portion of the budget results in the following modified savings and spending limits:

AIC's Proposed Targets (exclusive of the DCEO portion)*

Program Year	2014	2015	2016	3-year
(Incremental)	(June 1, 2014 – May 31, 2015)	(June 1, 2015 - May 31, 2016)	(June 1, 2016 - May 31, 2017)	Cumulative Targets(1)
ELECTRIC ENERGY EFFICIENCY & DEMAND RESPONSE				
Costs	\$44,690,200	\$45,413,289	\$45,659,342	\$135,762,831
Savings (MWH)	195,958	203,018	209,393	608,369
Coincident Peak Demand Savings (MW)(2)	54.5	56.8	59.2	170.5
GAS ENERGY EFFICIENCY				
Costs	\$11,699,226	\$11,741,069	\$11,764,912	\$35,205,206
Gas Savings (Therms)	4,540,780	4,537,295	4,533,822	13,611,898

**These figures represent the AIC portion of the portfolio costs (does not include the DCEO portfolio costs and savings).*

(1) Per Section 8-104 and SB1603 gas and electric savings and spend cap are cumulative 3-year targets.

(2) These Coincident Peak Demand Savings more than exceed the demand requirements set forth in the Sec.

8-103(c), which is calculated as 1.07-1.23 MW per Table 4 in Exhibit 6.1. See Tables 6, 8, 9 in Exhibit 6.1 for further detail.

When broken down further, the following table summarizes Ameren Illinois’ proposed portfolio (again, exclusive of the DCEO portfolio) energy goals and costs for the three year planning period:

Ameren Illinois Company Portfolio Summary (1)

Energy Efficiency	TRC	Annual MWH Savings			Annual MW Savings			Annual Therm Savings			Annual Program Costs (\$ millions)		
		PY7	PY8	PY9	PY7	PY8	PY9	PY7	PY8	PY9	PY7	PY8	PY9
RES-Appliance Recycling	1.12	4,476	4,131	3,715	0.5	0.5	0.5	0	0	0	\$1.58	\$1.46	\$1.31
RES-Behavior Modification	1.33	21,688	21,688	21,688	4.9	4.9	4.9	1,337,500	1,337,500	1,337,500	\$1.31	\$1.31	\$1.31
RES-ENERGY STAR New Homes	1.33	791	791	791	0.2	0.2	0.2	25,663	25,663	25,663	\$1.02	\$1.02	\$1.02
RES-HPwES	1.19	5,018	5,018	5,018	3.0	3.0	3.0	814,804	814,804	814,804	\$6.52	\$6.57	\$6.60
RES-HVAC	1.18	5,314	5,314	5,314	3.8	3.8	3.8	0	0	0	\$3.16	\$3.16	\$3.16
RES-Lighting	2.45	22,426	24,737	25,593	2.5	2.8	3.0	0	0	0	\$6.35	\$6.35	\$6.35
RES-Moderate Income	1.18	1,194	1,194	1,194	0.7	0.7	0.7	219,987	219,987	219,987	\$2.30	\$2.30	\$2.30
RES-Multifamily In-Unit	1.97	6,232	6,232	6,232	0.5	0.5	0.5	118,961	118,961	118,961	\$1.37	\$1.37	\$1.37
RES-School Kits	1.41	366	366	366	0.0	0.0	0.0	48,298	48,298	48,298	\$0.24	\$0.24	\$0.24
RESIDENTIAL PORTFOLIO TOTAL	1.50	67,503	69,469	69,909	16.2	16.4	16.5	2,565,214	2,565,214	2,565,214	\$23.85	\$23.78	\$23.67
BUS-Standard	3.18	60,073	65,400	71,567	21	23	26	950,625	950,625	950,625	\$13.15	\$13.92	\$14.30
BUS-Custom	4.06	33,108	32,934	32,760	8	8	8	891,260	888,230	885,210	\$7.43	\$7.40	\$7.37
BUS-RCx	2.06	17,075	17,017	16,959	4	4	4	133,681	133,227	132,774	\$2.01	\$2.00	\$2.00
BUS-Large C&I	5.59	18,199	18,199	18,199	5	5	5	0	0	0	\$1.71	\$1.71	\$1.71
BUSINESS PORTFOLIO TOTAL	3.77	128,455	133,549	139,484	38.3	40.4	42.7	1,975,567	1,972,082	1,968,609	\$24.30	\$25.03	\$25.37
Portfolio Admin											\$2.42	\$2.46	\$2.47
EM&V											\$1.69	\$1.71	\$1.72
Education											\$1.21	\$1.23	\$1.23
Marketing											\$1.21	\$1.23	\$1.23
Emerging Technologies											\$1.69	\$1.71	\$1.72
AMEREN ILLINOIS PORTFOLIO TOTAL	2.30	195,958	203,018	209,393	54.5	56.8	59.2	4,540,780	4,537,295	4,533,822	\$56.39	\$57.16	\$57.43

(1) Under Section 8-103 and 8-104, the electric and gas savings targets and spending limits can be calculated cumulatively over the 3-year planning period.

These realistic goals represent the optimal planned savings to be achieved under the budget allowed by the Act. The Commission should approve them as such.

(a) Proposed Electric Goals

The table below summarizes the estimated electric savings on a per program basis, along with a cumulative total.³ Importantly, the components and values set forth below could be adjusted based on a variety of factors (e.g., market changes, participation rates, etc.) over time and Ameren Illinois does not anticipate updating the electric spend limit or the savings goals based on actual throughput. (Ameren Ex. 4.0 at 4:75-77). Under the Act, these savings goals can be assessed on a per year basis or as a cumulative total at the end of the three years. (220 ILCS 5/8-103(b)). Ameren Illinois reserves its rights under the Act and does not propose either an individual year or multi-year assessment at this time.

AIC Company Portfolio Summary – Electric Energy Savings Targets

Annual MWh	PY 7	PY 8	PY 9
RES-Appliance Recycling	4,476	4,131	3,715
RES-Behavior Modification	21,688	21,688	21,688
RES-ENERGY STAR New Homes	791	791	791
RES-HPwES	5,018	5,018	5,018
RES-HVAC	5,314	5,314	5,314
RES-Lighting	22,426	24,737	25,593
RES-Moderate Income	1,194	1,194	1,194
RES-Multifamily In-Unit	6,232	6,232	6,232
RES-School Kits	366	366	366
RESIDENTIAL PORTFOLIO TOTAL	67,503	69,469	69,909
BUS-Standard	60,073	65,400	71,567
BUS-Custom	33,108	32,934	32,760
BUS-RCx	17,075	17,017	16,959

³ Under Section 8-103 and Section 8-104, both the savings goals and spending limits can be treated as cumulative three-year values and funds may be administered as such.

BUS-Large C&I	18,199	18,199	18,199
BUSINESS PORTFOLIO TOTAL	128,455	133,549	139,484
PORTFOLIO TOTAL	195,958	203,018	209,393

(b) Proposed Gas Goals

Following are the estimated gas savings on a per program basis, along with a cumulative total. Again, the components and values set forth below could be adjusted based on a variety of factors (e.g., market changes, participation rates, etc.) over time and Ameren Illinois does not anticipate updating the gas spend limit or savings goals based on actual throughput either. (Ameren Ex. 4.0 at 6:118-127). Under the Act, these savings goals can be assessed on a per year basis or as a cumulative total at the end of the three years. (220 ILCS 5/8-104(c)). Ameren Illinois reserves its rights under the Act and does not propose either an individual year or multi-year assessment at this time.

AIC Portfolio Summary – Gas Energy Savings Targets

Annual Therms	PY 7	PY 8	PY 9
RES-Appliance Recycling	0	0	0
RES-Behavior Modification	1,337,500	1,337,500	1,337,500
RES-ENERGY STAR New Homes	25,663	25,663	25,663
RES-HPwES	814,804	814,804	814,804
RES-HVAC	0	0	0
RES-Lighting	0	0	0
RES-Moderate Income	219,987	219,987	219,987
RES-Multifamily In-Unit	118,961	118,961	118,961
RES-School Kits	48,298	48,298	48,298
RESIDENTIAL PORTFOLIO TOTAL	2,565,214	2,565,214	2,565,214
BUS-Standard	950,625	950,625	950,625
BUS-Custom	891,260	888,230	885,210
BUS-RCx	133,681	133,227	132,774
BUS-Large C&I	0	0	0
BUSINESS PORTFOLIO TOTAL	1,975,567	1,972,082	1,968,609
PORTFOLIO TOTAL	4,540,780	4,537,295	4,533,822

1. Adequacy of Savings Goals

(a) Staff's Position

Staff generally supports the concept of modifying the savings goals, but did not verify that the proposed goals were reasonable. (Staff Ex. 1.0, 15:368-387).

(b) Intervenors' Position(s)

Each Intervenor who submitted testimony on the proposed savings goals agrees that some level of modified goals should be approved in this docket, but certain parties nonetheless criticize the savings levels proposed by Ameren Illinois as inadequate. These vague criticisms, however, are not well-founded.

(i) AG's Position

AG believes that Ameren Illinois' proposed goals are too low. AG's witness, Mr. Mosenthal, makes certain programmatic recommendations (which are addressed below) and generally "encourage[s] the Commission to direct Ameren Illinois to submit a revised plan with substantially higher goals, consistent with my Direct Testimony as well as that of NRDC Witness Grevatt, CUB Witness Devens, and ELPC Witness Crandall." (AG Ex. 2.0C at 10:15-22).

(ii) NRDC's Position

NRDC also believes the proposed goals are too low; primarily blaming Ameren Illinois' estimated program costs. (NRDC Ex. 1.0 at 5:96-7:108). NRDC argues that it is important that the Commission order Ameren Illinois' goals to be higher since Ameren Illinois has been exceeding its goals at lower than planned costs, stating: "Ameren must be held accountable for meeting its obligations under the law. Those obligations are that if it cannot meet the statutory savings goals Ameren must maximize the savings it achieves under the spending cap. . . .

Ameren’s savings targets must be set high in order for them to come as close to the statutory targets as it is possible for them to achieve, rather than as high as it is comfortable for them to achieve.” (NRDC Ex. 1.0 at 17:270-18:283).

(iii) CUB’s Position

CUB points out that the “proposed electric goals are only about a quarter of what the statute requires, and the proposed gas goals are about half of what the statute requires.” (CUB Ex. 1.0 at 9:214-215). CUB argues that Ameren Illinois currently implements “programs for Electric PY 6, and is in the third year of operating under the rate cap. It is clear that Ameren can be achieving greater savings – likely around 150,000 MWH – greater than the Company has claimed they can save in this Plan filing.” (CUB Ex. 1.0 at 11:246-250, 252-257).

(iv) Ameren Illinois’ Position

Ameren Illinois understands that parties have differing views as to how Ameren Illinois should model its Plan 3 and, in an effort to eliminate contested issues in this docket, the Company has submitted a remodeled portfolio (as Ameren Ex. 6.1) that reflects the inclusion of certain of these recommendations (for example, the AG’s recommendation to reflect higher savings and lower costs for the compact fluorescent lamp (“CFL”) program). But despite other parties’ desires to see other programmatic changes, the recommendations to increase savings goals each seem premised on a vague notion that Ameren Illinois can and should “do more” rather than on specific recommendations supported with adequate analysis and data that would be equivalent to the rigorous analyses provided by Ameren Illinois in support of Plan 3. (Ameren Ex. 6.0 at 3-4:73-78). As explained below, the savings goals set forth in Ameren Ex. 6.1 reflect a realistic assessment of the market, the current offering of energy efficiency programs available in Illinois, as well as the expert opinions of Applied Energy Group (“AEG”), Ameren Illinois’ expert consultant who assisted with developing Plan 3. (Ameren Ex. 2.0 at 3-

15). It is understandable that other parties would want the Commission to include each and every one of their respective proposals, but the Act places the responsibility on the utilities to meet the savings goals – not AG, NRDC or CUB. Therefore, the Commission must ensure that the process is fair and does not result in unattainable goals.

Moreover, AG, NRDC and CUB premise their criticism of Ameren Illinois' proposed goals, in part, on the fact that the Company has previously met its savings goals (and, indeed, has exceeded them).⁴ But to be clear, the only years for which the Commission has confirmed final savings amounts is for PY1 and PY2. (*See* ICC Docket No. 10-0519). The remaining plan years have not yet been verified and approved by the Commission. So while Ameren Illinois expects that it will meet its goals, the Commission has not yet confirmed that is the case (and, consequently, Intervenor's reliance on preliminary savings values should not serve as a basis to increase Plan 3 goals). It is also important to note that previous years' savings that Intervenor use as a comparison are estimated based on different (sometimes substantially different) and changing (sometimes dramatically different) savings values (*e.g.*, NTG and TRM values).

Additionally, increasing Ameren Illinois' proposed savings goals on such a basis would be unfair. Ameren Illinois should not be put at risk in the future of not achieving savings goals because it has tried to go above and beyond its savings goals in the past. Such a result would seem to create strange incentives to meet but not exceed savings goals and would punish Ameren Illinois for acting in good faith. (Ameren Ex. 6.0 at 4:78-82). Indeed, the Commission should be comforted, not troubled, by Ameren Illinois' dedication to meeting (and when possible, exceeding) its savings goals.

⁴ NRDC witness Mr. Grevatt admits in response to a data request, however, that if a utility surpasses its savings goals, it is possible the utility did so by stretching its abilities, exploring opportunities, and using innovation. (AIC Cross Ex. 1 at 26 (AIC-NRDC 2.06)).

For all of these reasons, the Commission should approve Ameren Illinois' Plan 3, as modified by Ameren Illinois' rebuttal filing (reflected in Ameren Exhibit 6.1). Plan 3 comprises a mix of programs and measures that satisfy the requirements of the Act, plan to achieve optimal savings, and reflect a projection of what is realistically achievable within the spending limits set forth in the Act. (Ameren Ex. 6.0 at 4:82-86).

B. Electric and Gas Spending Limits

1. Proposed Electric Spending Limit

As explained by Ameren Illinois witness Mr. Noonan, “[p]er Section 8-103(d)(5), the spend limit is expected to be equal to 0.1543 cents per kWh (“¢/kWh”) for the plan year beginning June 1, 2014 and each year thereafter multiplied by forecast delivered kWh sales. The statutory ¢/kWh spending limit for PY5 and each year thereafter is the greater of either 2.015% of the amount paid per kWh during the year ending May 31, 2007 or the incremental amount per kWh paid in PY4. The value of 0.1543 ¢/kWh is equal to the incremental amount per kWh paid in PY 4. For further detail please see columns 3 through 7 in Exhibit 4.1.” (Ameren Ex. 4.0 at 3:52-58). Mr. Noonan further explained that the “methodology used to calculate the electric energy efficiency spending limits is consistent with that approved by the Commission in prior dockets. Specifically, the energy and revenue forecast was updated in the model to reflect the current projections, and estimates for the cost of power for third party loads were also updated.” (Ameren Ex. 4.0 at 4:65-68). Ameren Illinois does not anticipate updating its budget throughout the three years. Based on Mr. Noonan’s calculations, the Plan 3 cumulative 3-year spending limit for the electric energy efficiency program (inclusive of the DCEO portion) has been calculated as approximately \$181 million, which when apportioned over three years comes to approximately \$59.6 million, \$60.6 million, and \$60.9 million for PY7, PY8, and PY9, respectively. (Ameren Ex. 4.0 at 2:40-3:44).

2. Proposed Gas Spending Limit

As explained by Mr. Noonan, “Section 8-104(d) of the Act identifies a limit on the amount of gas energy efficiency measures that can be implemented under that Section of the Act. This provision serves “to limit the estimated average increase in the amounts paid by retail customers in connection with natural gas service to no more than 2% in the applicable 3-year reporting period.” Accordingly, Mr. Noonan calculated the spending limit by multiplying estimated Retail Revenue (amounts paid by retail customers) by this 2% cap.” (Ameren Ex. 4.0 at 5:94-99). While the law provides for some flexibility in how this total is spent, the spending limit given current forecasted revenue comes to approximately: \$15.60 million (for PY7), \$15.66 million (for PY8), and \$ 15.69 million (for PY9). (Ameren Ex. 9.1). Ameren Illinois does not does not anticipate updating its budget throughout the three years. The total spending limit for the gas energy efficiency programs and measures that could be included in Plan 3 (inclusive of the programs to be administrated by the DCEO) is \$46.94 million. (Ameren Ex. 9.1).

3. Response to Proposed Spending Limits

(a) Proposed Spending Requirements

While no party contested Ameren Illinois’ calculated spending limits, CUB argued that the Company should spend the entire portfolio budget over the next plan cycle, exclusive of marketing, administrative, and evaluation, measurement, and verification (“EM&V”) costs. (CUB Ex. 1.0 at 18:388-390). Additionally, NRDC noted that Ameren Illinois had not spent each available dollar in its allocated portfolio budget during PY4 or PY5, despite preliminary data indicating the Company had met (and perhaps exceeded) its savings goals. (NRDC Ex. 1.0 at 15-18:249-283). Staff, however, disagreed with CUB and NRDC, explaining:

Given the modified goals being requested, Ameren Illinois should be directed to spend all funding to the extent practicable on cost-

effective energy efficiency measures. It is not necessary to spend all, because it seems unreasonable to expect Ameren Illinois to have the exact knowledge before the end of the program year concerning which EE projects will be completed in time.

(Staff Ex. 3.0 at 4:85-89).

Ameren Illinois does not agree with CUB or NRDC that it should spend all available budgeted funds. Not only is it unreasonable (as Staff notes) to expect Ameren Illinois to hit the budget to the dollar at the end of the year, but it is also impractical. As explained by Ameren witness Dr. Obeiter, requiring Ameren Illinois to spend its entire portfolio budget does not necessarily guarantee the achievement of greater energy efficiency savings. (Ameren Ex. 10.0 at 15:324-329). The evidence shows that the Company is committed to maximizing the amount of energy efficiency savings that can be achieved cost-effectively (and historically has spent approximately 90% of its budgeted amounts from PY1-5, according to Ameren witness Mr. Goerss). (Ameren Ex. 6.0 at 4-5:90-106). Imposing a spending requirement may force the Company to spend resources in a way that does not represent a good use of ratepayer funds. There are instances where the Company may be able to achieve and even exceed the savings goals without spending the entire budget. These unspent funds can then be carried over to subsequent program years to ultimately increase the cumulative savings achieved over the three-year plan cycle. But even over a three year cycle requiring all funds to be spent can result in undesirable expenditures such as spending in haste at term end in order to comply with the Commission directive. (Ameren Ex. 10.0 at 15:324-329). Accordingly, CUB's and NRDC's request to spend all budgeted amounts should be rejected.

4. Breakthrough Equipment and Devices

The Act also provides that “[n]o more than 3% of energy efficiency and demand-response program revenue may be allocated for demonstration of breakthrough equipment and

devices.” (220 ILCS 5/8-103(g)). Consistent with this provision, Plan 3 reflects that no more than 3% of program revenue has been allocated for demonstration of “breakthrough equipment.” (Ameren Ex. 6.1 at 18-20). For example, Plan 3 reflects that a codes and standards pilot coordinated with the other Illinois utilities may be funded through this line item. (Ameren Ex. 6.1 at 72).

Staff, however, notes that the phrase, “breakthrough equipment and devices” is not defined in the Act, has not previously been defined by the Commission and could be open to interpretation. This ambiguity, Staff suggests, makes it difficult to factually assess whether or not the Plan is consistent with the 3% ceiling on such spending as required per Section 8-103(g). Therefore, Staff recommends the Commission define “breakthrough equipment and devices” in this proceeding to mean “measures or programs in their early stage of development that are subject to substantial uncertainty about their cost-effectiveness during the planning period.” (Staff Ex. 1.0 at 24:598-25:623).

In an effort to minimize the number of contested issues in this docket, Ameren Illinois does not object to Staff’s request to define breakthrough equipment and devices in this manner. Indeed, applying this definition would mean that the Residential LED Program, the Residential ENERGY STAR New Homes Program and the Residential School Kits could fall into this category during implementation.

V. Ameren Illinois’ Energy Efficiency and Demand Response Plan

A. Description of Ameren Illinois’ Plan

1. Background

Ameren Exhibit 6.1 is the version of Plan 3 that Ameren Illinois requests the Commission approve in this docket which includes revisions pursuant to Intervenors’ requests. Ameren

Illinois proposes in Plan 3 a broad portfolio of cost-effective (as determined by the total resource cost (“TRC”) test) electric and gas energy savings programs available to all customer segments that attain the optimal amount of savings achievable under the statutory spending limits set forth in sections 8-103(d) and 8-104(d) of the Illinois Public Utility Act (the “Act”). (220 ILCS 5/8-103(d), 5/8-104(d)). Ameren Illinois’ modified savings goals, more fully described above and in Ameren Exhibit 6.1, reflect a projection of optimal savings that is realistically achievable within the spending limit. To develop Plan 3, Ameren Illinois engaged Applied Energy Group (“AEG”) for the analysis and development of the portfolio programs and savings estimates. AEG has over thirty years of national and international experience on energy efficiency strategy and portfolio development including particular experience in Illinois from its previous development of the utility portfolio Plan filings for Peoples Gas and North Shore Gas and the past two year’s submission for Ameren Illinois’ energy efficiency portion of the Illinois Power Agency (“IPA”) plan. (Ameren Ex. 6.1 at 1).

2. Portfolio Summary and Objectives

A summary of the Ameren Illinois proposed portfolio (exclusive of the DCEO portfolio) energy goals, demand reduction targets, and costs for the three year planning period are set forth above and can be found in Tables 6-13 of Ameren Exhibit 6.1. (*See* Ameren Ex. 6.1 at 13-20).

Ameren Illinois’ proposed portfolio complies with the Act by achieving several objectives, including:

1. Leverag[ing] current programs and ongoing implementation activities while maintaining program momentum.
2. Achiev[ing] the proposed modified electric and gas savings targets, which equal an optimal level of savings within the statutory sending limit, while maintaining a diverse portfolio of programs serving all rate classes.
3. Incorporat[ing] cost-effective programs.

4. Incorporat[ing] programs using best practice approaches and field experience.
5. Coordinat[ing] with the Illinois stakeholder advisory group (SAG), DCEO and all Illinois utility energy efficiency programs.
6. Allow[ing] for flexibility to manage risk and uncertainty.
7. Develop[ing] scalable programs and portfolios.

(Ameren Ex. 6.1 at 11; *see also id.* at 63-65; *see also* Ameren Ex. 1.0 at 7:157-8:171).

3. Dual Fuel Integration

The Act specifies that a gas utility affiliated with an electric utility shall integrate gas and electric efficiency measures into a single program that reduces program or participant cost and appropriately allocates costs to gas and electric ratepayers and that the DCEO shall integrate all gas and electric programs it delivers in any such utilities' service territories unless the DCEO can show that integration is not feasible or appropriate. (220 ILCS 5/8-104(f)(6)).

Therefore, being both a gas and electric utility and recognizing the benefits of an integrated dual fuel savings portfolio of services for its customers, Ameren Illinois presents a Plan with a portfolio that integrates both electric and gas savings measures. (Ameren Ex. 6.1 at 2). "In the Company's experience, developing and implementing an integrated portfolio allows for broader program offerings while achieving certain efficiencies and cost savings for customers through combining marketing materials, joint administration, implementation, and market outreach activities. Additionally, energy savings achieved for both fuels are 'combined' when determining the cost effectiveness of measures under the TRC test, which is used to assess cost effectiveness at the planning stage." (Ameren Ex. 1.0 at 6:128-133).

In Plan 3, "[a]ll but two (appliance recycling and the residential lighting) programs being proposed by Ameren Illinois are designed to achieve both electric and gas savings." (Ameren Ex. 3.0 at 5:70-71). The programs with dual fuel savings are summarized in Part V.A.7, below.

These measures “include insulation for dual-fuel customers, thermostats, and ENERGY STAR New Homes. Program costs were allocated 70% to the electric budget and 30% to the natural gas budget to account for the disparate amounts of total budget available for each fuel and to increase the amount of dual-fuel measures. If this allocation was shifted to a lower proportion to the electric budget, the amount of dual-fuel measures would decrease due to the limited natural gas budget.” (Ameren Ex. 2.0 at 15:324-329).

4. Planning Process

Ameren Illinois’ proposed portfolio for Plan 3 contains improvements from the planning methods previously employed for Plan 1 and Plan 2.

At the planning stage for every Plan, “Ameren Illinois makes certain assumptions and performs a series of calculations to determine what measures can (and should) be part of its proposed programs in an effort to meet the Act’s goals and savings requirements. Ameren Illinois’ portion of the portfolio, as a whole, seeks to be cost-effective, as calculated under the statutory definition of the TRC test, and the Company seeks to gain economic efficiencies by spreading administrative and evaluation costs across all of the programs. The Commission has granted Ameren Illinois wide flexibility to modify the portfolio, including the program offerings in it, throughout the implementation period.” (Ameren Ex. 1.0 at 3:60-67).

Specifically, to develop Plan 3, Ameren Illinois engaged AEG for the analysis and development of the portfolio programs and savings estimates. AEG based its analysis on the following four integral assumptions: (1) maintaining portfolio flexibility to adjust all portfolio elements at its discretion and as needed to optimize achievement of portfolio success; (2) aligning the timing for the application of the IL net-to-gross (“NTG”) framework and the IL Technical Resource Manual (“TRM”) to the program years; (3) maintaining a portfolio positive TRC, while recognizing that measure level TRCs fluctuate and may not always be positive; and

(4) aligning savings goals according to changes in values, meaning that, as NTG and TRM values are adjusted, Ameren Illinois should be allowed to apply a commensurate adjustment to its annual goals. (Ameren Ex. 6.1 at 22-25; *see also id.* at 53-56, 62-63). The portfolio savings estimates set forth in Plan 3 are subject to change should the NTG values or TRM values change. AEG's analysis also reflects: (1) use of the Ben-Cost model – an open-source cost-effectiveness tool for energy efficiency and demand response programs; (2) a robust process that included the economic screening of approximately 300 electric and 50 natural gas measures; (3) a review of utility program design best practices; and (4) incorporation of 2013 primary market research data for Ameren Illinois customers. (Ameren Ex. 6.1 at 24-25).

Finally, there were other factors not present in Ameren Illinois' Plan 2 planning process that impacted Ameren Illinois' Plan 3 planning process. These factors included that: (1) gas spending limits from Plan 2 to Plan 3 decreased more than 20% due to severely depressed natural gas prices and a large reduction in demand, resulting in a decrease of 2% of the total combined gas and electric budget; and (2) cost-effective energy efficiency programs that could have been included in Plan 3 filing in the absence of Section 16-111.5B of the Act have now been submitted in the IPA plan, resulting in the separation of Ameren Illinois' energy efficiency programs and portfolios that had been proposed in Plan 2. (*See* Ameren Ex. 6.1 at 33-37).

5. Savings Goals and Costs

(a) Savings Goals

The proposed savings goals are set forth above in Section IV. But because the electric energy savings targets set forth in the statute increase over Plan 3, the available dollars according to the spending limit must be spread thinner and thinner as the years progress, declining from \$0.14 per kWh saved to \$0.07 per kWh saved throughout Plan 3. Similarly, for gas, if a utility spent the limit and achieved the statutory savings targets, the cost per therm would decrease from

\$3.36 per therm saved to \$1.09 per therm saved throughout Plan 3. (See Ameren Ex. 6.1 at 65 (Table 25)). Ameren Illinois engaged the national energy consulting firm, EnerNOC, to perform an independent market assessment and potential study (the “DSM Potential Study”), which concluded that Ameren Illinois would likely be unable to attain the Ameren Illinois utility portion of the portfolio’s electric and gas savings target as set forth in the statute per the spending limit. The results of the study, and the methodology used, were shared in several meetings with SAG. The DSM Potential Study is attached to Ameren Exhibit 6.1 as Appendix D.

Thus, Ameren Illinois has proposed modified goals that achieve optimal savings while staying within the defined spending limits. The Plan 3 portfolio plans to spend up to the allowed amount each year for the Ameren Illinois allocated portion of the portfolio. (Ameren Ex. 6.1 at 64).

Finally, with respect to the goal to reduce peak demand, the Plan 3 cumulative 3-year demand response goal was calculated 3.42 MW. (Ameren Ex. 4.0 at 10:195-199). This goal has gone down considerably from the last planning cycle due primarily to the developing electricity market and the availability of alternative suppliers, as well as the increased practice of municipal aggregation.

(b) Costs

The Commission has determined that the Act requires each utility demonstrate that its overall portfolio of energy efficiency and demand-response measures, not including programs for low income customers, is cost-effective using the TRC test and represents a diverse cross-section of opportunities for customers of all rate classes to participate in the programs. (220 ILCS 5/8-103(f)(5); 220 ILCS 5/8-104(f)(5)). The Act refers to the Illinois Power Agency Act for the definition of the TRC test. The TRC test, as expressed as an equation, is found on page 28 of Ameren Exhibit 6.1. The TRC test can be used to account for electric benefits only, gas benefits

only, and dual fuel benefits. (Ameren Ex. 6.1 at 28). A measure may not be cost-effective (e.g., have a TRC of less than 1) when only electric or gas savings are considered but may become cost-effective when both sets of savings are considered. (*Id.*). The assumptions underlying Ameren Illinois' application of the TRC test can be found in pages 29-32 and Appendix B of Ameren's Exhibit 6.1.

In applying the TRC test, the gross program savings were multiplied by what is known as the NTG ratio to net out non-program effects. The primary drivers of the difference between net and gross savings are: (1) free ridership (the portion of customers who would have implemented an efficiency measure even in the absence of a program incenting it); and (2) free drivership, or spillover (the portion of customers who adopt a measure that is promoted by a program after having been influenced by the program, but without taking the program incentive). For Plan 3 program planning purposes, Ameren Illinois based individual program NTG assumptions on the most recent Plan 2 EM&V results unless there was sufficient reason to warrant changing them, such as new legislation or changing market conditions. Table 23 on page 46 of Ameren Exhibit 6.1 shows the NTG assumptions for proposed Plan 3 programs.

6. Rider EDR and Rider GER

The Act requires Ameren Illinois to submit a proposed cost recovery mechanism along with its Plan 3. As explained in Plan 3 (Ameren Ex. 6.1 at 10), the Company is proposing to continue with the use of Rider Energy Efficiency and Demand-Response Cost Recovery ("Rider EDR") and Rider Gas Energy Efficiency Cost Recovery ("Rider GER"), with slight changes described below in Part V.C.4. Thus, Ameren Illinois requests that the Commission again approve Rider EDR and Rider GER as the cost recovery mechanism for the energy efficiency and demand response programs. (Ameren Ex. 4.0 at 2:28-30).

7. Portfolio Programs

The Ameren Illinois’ portfolio is comprised of measures bundled into residential and business programs that provide a diversity of opportunities for customers of all rate classes. “The initial broad list of energy efficiency measures considered for adoption by consumers in the Ameren Illinois service territory was compiled from several sources. The measures offered in Ameren Illinois’ Plan 2 programs served as the starting point for measure inclusion. This original measure database was supplemented with additional measures that were provided in the DSM Potential Study. . . . A review of all these sources was performed to ultimately create a robust, comprehensive list of measures to form the composite Plan 3 Measure Database.” (Ameren Ex. 2.0 at 5:96-104). “At the portfolio level, AEG designed the relative mix of programs to achieve portfolio goals while staying within the spending limit. AEG also took into account other important considerations and objectives, such as how programs may be ramping up or down based on inception or sun-setting of technologies, introduction of codes and standards, market changes, etc.” (Ameren Ex. 2.0 at 13:301-305). Finally, AEG continued to make changes during this docket to reflect certain parties’ suggested changes to the Plan, which are reflected in Ameren Ex. 6.1.

(a) Residential Programs

The residential programs consist of the following:

Residential Portfolio Programs	
Residential Lighting	Incentives are provided to manufacturing and retail partners to increase sales of standard spiral CFLs and LEDs whereby the end-user receives a discount on the price of ENERGY STAR qualified products.
Residential HVAC	HVAC retrofit, and replacement upgrades for air conditioners, heat pumps, and cooling systems, achieving electric energy savings.
Residential Appliance	An incentive is provided to a customer for removing an inefficient

Recycling	refrigerator whereby a turnkey appliance recycling company verifies customer eligibility, schedules pick-up appointments, picks up appliances, recycles and disposes units, and performs incentive processing.
Residential Home Performance with ENERGY STAR (HPwES)	Home Performance with ENERGY STAR (HPwES) includes a home energy audit, direct install measures, and follow up sealing and insulation measures, achieving both gas and electricity energy savings.
Residential ENERGY STAR New Homes	Targets builders with a package of training, technical and marketing assistance, and incentives for construction of ENERGY STAR homes, achieving both gas and electric energy savings.
Residential Multifamily In-Unit	Provides installation of measures in tenant spaces, achieving both gas and electric energy savings.
Residential Behavior Modification	Home Energy Reports provide customers with a profile of their energy use, energy efficiency tips, portfolio program information, and a comparison of their energy usage to their “neighbors,” encouraging reduced energy use, achieving both gas and electric energy savings.
Residential Moderate Income (Subset of HPwES)	Provides increased incentives for energy efficiency improvements and retrofits in moderate income households, achieving both gas and electric energy savings.
Residential School Kits	Distributes energy efficiency kits to customers with children in grades 5-8, achieving both gas and energy efficiency savings.

(Ameren Ex. 6.1 at 21). Program descriptions, delivery strategies, target markets, and marketing strategies associated with the residential programs making up Ameren Illinois’ residential portfolio are explained at length in pages 76-106 of Ameren Exhibit 6.1.

(b) Business Programs

The business programs consist of the following:

Business Portfolio Programs	
Business Standard Incentive	Incentivizes customers to purchase energy efficient measures with predetermined savings values and fixed incentive levels, achieving both gas and electric energy savings.

Business Custom Incentive	Applies to energy efficient measures that do not fall into the Standard Incentive program. These projects normally are complex and unique, requiring separate incentive applications and calculations of estimated energy savings, achieving both gas and electric energy savings.
Business Retro-Commissioning	Provides options and incentives for businesses to improve operations and maintenance practices for buildings, systems, and processes, achieving both gas and electric energy savings.
Business Large C&I	Pilot electric program offering incentives to large commercial and industrial facilities.

(Ameren Ex. 6.1 at 21). Program descriptions, delivery strategies, target markets, and marketing strategies associated with the business programs making up Ameren Illinois’ business portfolio are explained at length in pages 107-124 of Ameren Exhibit 6.1.

(c) The DCEO Portfolio

The Act requires electric utilities to implement 75% of the electric energy efficiency measures, with the remaining 25% to be implemented by the DCEO. (220 ILCS 5/8-103(e)). This has been interpreted to be the percentage of the portfolio’s costs. The Act specifies that natural gas utilities shall utilize 75% of the portfolio’s costs and the remaining 25% shall be used by DCEO to implement energy efficiency measures that achieve no less than 20% of the target savings. (220 ILCS 5/8-104(e)). In addition, sections 8-103(f)(4) and 8-104(f)(4) of the Act require Ameren Illinois and DCEO to present a portfolio of energy efficiency measures proportionate to the share of total annual utility revenues in Illinois from households at or below 150% of the poverty levels. (See 220 ILCS 5/8-103(f), 5/8-104(f)).

Ameren Illinois and DCEO have participated in SAG discussions regarding this three-year planning period and presented their respective Plans to SAG. As in Plan 2, DCEO will administer energy efficiency programs targeted to households at or below 150% of the poverty level and state universities, as well as state and federal governments, in addition to those

segments as prescribed in the Act (units of local government, municipal corporations, public school districts and community colleges). (Ameren Ex. 1.0 at 18:391-396). It is Ameren Illinois' understanding that DCEO's Plan is the subject of a separate ICC docket.

B. Filing Requirements

Sections 8-103(f) and 8-104(f) specify the filing requirements for the energy efficiency and demand response plan, which are summarized below. In Staff's direct testimony, Staff witness Ms. Jennifer Hinman discusses each of the statutory requirements to determine whether Ameren Illinois' Plan complied – a summary of her analysis follows:

- 8-103(f)(1) & 8-104(f)(1): demonstrate the proposed programs will achieve the savings requirements (set forth in 8-103(b-c) and 8-104(c)) within the spending limits (set forth in 8-103(d-e) and 8-104(d-e)).
 - Staff states that Ameren Illinois' Plan does not meet the statutory savings amounts identified in 8-103(f)(1) or 8-104(f)(1), but Staff supports modifying the savings goals under both 8-103 and 8-104. (Staff Ex. 1.0 at 14:351-16:392).
- 8-103(f)(2) & 8-104(f)(2): Present specific proposals to implement new building and appliance standards.
 - Staff states that these requirements are met. (Staff Ex. 1.0 at 17:413-420).
- 8-103(f)(3) & 8-104(f)(3): Present estimates of the total amount paid for electric/gas service expressed on a per kilowatthour/therm basis associated with the proposed portfolio of measures.
 - Staff states that these requirements are met. (Staff Ex. 1.0 at 17:421-18:435).
- 8-103(f)(4) & 8-104(f)(4): Coordinate with the Department to present a portfolio of EE measures proportionate to the share of total annual utility revenues in Illinois from households at or below 150% of the poverty level. Such programs shall be targeted to households with incomes at or below 80% of area median income.
 - Staff states that these requirements are met. (Staff Ex. 1.0 at 18:436-446).
- 8-103(f)(5) & 8-104(f)(5): Demonstrate that overall portfolio is cost-effective (using TRC) and represents diverse opportunities.

- Staff states that these requirements are met, but is concerned about inclusion of cost-ineffective measures and that those additional measures added during implementation will not be included in quarterly ICC activity reports. (Staff Ex. 1.0 at 18:447-20:83). (See Part V.C.1.(b), below – “Cost-Ineffective Measures” – for more information).
- 8-103(f)(6) & 8-104(f)(7): Include proposed cost-recovery tariff.
 - Staff states that these requirements are met, but “recommend[s] the Commission remove the requirement to wait for evaluation reports to be completed before the filing of testimony [in reconciliation proceedings],” (Staff Ex. 1.0 at 22:548-23:67), which has been agreed to by the Company.
- 8-104(f)(6): Demonstrate that combo electric & gas utility has integrated measures into a single program.
 - Staff states that this requirement is met. (Staff Ex. 1.0 at 21:526-22:47).
- 8-103(f)(7): Provide for annual independent evaluation of performance of cost-effectiveness of the utility’s portfolio.
 - Staff states that this requirement is met. (Staff Ex. 1.0 at 23:568-24:96).
- 8-104(f)(8): Provide for quarterly status reports, an annual independent review, and a full independent evaluation of 3-year results of the performance of measures.
 - Staff states that this requirement is met. (Staff Ex. 1.0 at 23:568-24:96).

As set forth above, Ameren Illinois’ Plan 3 contains the necessary filing elements, as set forth in the Act. The evidence supports – and the Commission should conclude – that the filing requirements identified in Sections 8-103(f) and 8-104(f) have been met.

C. Staff and Intervenor Proposed Changes to the Plan

1. Proposed Changes to Ameren Illinois’ Proposed Programs

(a) Removing Programs from the Plan into the IPA Procurement Plan

(i) Staff’s Position

Staff offered no opinion with respect to removing programs from the Plan so that they can be bid into the Illinois Power Agency (“IPA”) Procurement Plan.

(ii) Intervenor’s Position(s)

(1) AG’s Position

AG recommends “transferring” two programs from the 8-103 portfolio to the IPA portfolio because doing so would purportedly “enhance the programs available to residential customers, both by allowing an increase in funding for the [two transferred programs] and by allowing the resulting Section 8-103 budget savings to expand the other programs in Ameren’s portfolio.” AG also claims Commercial and Industrial (“C&I”) customers would benefit, since at least some of the savings from transferring the two programs to the IPA could go to increased program budgets for these customer groups. (AG Ex. 1.0 at 16:9-16).

First, AG recommends using IPA funds to promote standard CFLs (“transferred” from the 8-103 portfolio) in addition to the specialty CFLs it is already promoting. According to AG, “[s]ince the IPA is not subject to the 2% budget cap, this would free up significant capital to enhance and deepen the other programs in Ameren’s portfolio without sacrificing the CFL program or efficiency service to the residential sector. In fact, transferring standard CFLs to the IPA may actually allow an expansion of the CFL program.” (AG Ex. 1.0 at 14:7-13, 19-22). Furthermore, argues AG, if standard CFLs were “funded through the IPA, the program could still be administered by Ameren, and all databases, processes, marketing materials (including Ameren branding), outreach to vendors, and other program aspects could remain identical. If anything, program administration would be easier, compared to trying to split different aspects of the program between different portfolios.” (AG Ex. 1.0 at 15:6-13).

Second, AG recommends that the electric portion of the residential Behavior Modification program be bid into the IPA Plan. It is a good candidate for the IPA Plan, argues

AG, since it is a standalone program with straightforward administrative procedures, and can easily be ramped up without large increases in administrative funding. If funded through the IPA, the program could potentially be expanded while at the same time “freeing up” approximately \$600,000 per year under the statutory spending limit. This represents the electric portion of the Behavior program budget. While this is a combined electric and gas program, AG states, without other support, there is no reason the IPA procurement mechanism cannot fund the electric portion, with the program still administered by Ameren and also providing gas benefits with co-funding from the gas ratepayers. (AG Ex. 1.0 at 15:16-25).

The budget amounts that are freed up as a result of this transfer of programs should be put towards C&I programs, urges AG. AG recognizes that the 2014 deadline for the IPA has passed, so the programs would have to remain within the Section 8-103 portfolio for PY 7. (AG Ex. 1.0 at 18:18-21, 19:1).

(2) NRDC’s Position

Like AG, NRDC recommends that “the Commission . . . order Ameren to move the electric portion of its Behavior Modification Program for PY8 and PY9 to the IPA portfolio.” NRDC notes that this would be consistent with what ComEd has done – it “shifted” its Behavior Modification program to the IPA for the entire PY7-9 Plan. NRDC notes that removing Behavior Modification from the 8-103 electric portfolio would significantly reduce savings in the 8-103 portfolio, but argues it would free up resources such that the overall benefit to ratepayers from the combined 8-103 and IPA portfolios would increase. NRDC recommends using the freed up funds to increase savings in Business Standard program. (NRDC Ex. 1.0 at 21:334-346).

(3) CUB’s Position

CUB agrees with the recommendations of AG and NRDC that Ameren Illinois should “move” the electric portion of its Behavior Modification (also called Home Energy Reports)

program from Plan 3 to the IPA portfolio, beginning in PY8. CUB also agrees with AG that the Standard CFL program should also be “moved.” CUB disagrees, however, on how the freed up funds should be spent.

In support of shifting programs to the IPA, CUB argues that the programs Ameren Illinois has bid to the IPA in this year’s IPA Procurement Plan are inadequate, as they are expected to achieve less savings and peak demand reduction than Ameren’s programs in last year’s IPA Plan. Therefore, argues CUB, “moving the Home Energy Reports and Standard CFL programs to the IPA is an important first step in increasing the savings Ameren achieves.” (CUB Ex. 2.0 at 5-6:96-111, 115-124).

Although CUB agrees with NRDC and AG’s proposals to “shift” programs to the IPA, CUB does not agree with these parties’ recommendations concerning how freed up funds should be spent. CUB recommends that the funds should be spent primarily on residential programs because, “by law residential customers must have the opportunity to participate in 8-103 programs they fund.” Furthermore, CUB believes it is most equitable to use funds collected from a customer class on programs delivered to that specific customer class. (CUB Ex. 2.0 at 7-8:133-136, 138-153, 157-163).

Accordingly, CUB recommends that the Commission (1) order Ameren Illinois to move the Standard CFL and Home Energy Reports programs to the IPA, and (2) order Ameren Illinois to spend most of the funds freed up by moving those two programs to the IPA on either new or existing residential programs. (CUB Ex. 2.0 at 8:167-171).

(iii) Ameren Illinois’ Position

Recommendations to remove programs from the Plan and “transfer” them to the IPA portfolio for PY8 and PY9 should be rejected. Such recommendations are inconsistent with Ameren Illinois’ obligations under Section 8-103 of the Act, run contrary to the intent of the

Act's energy efficiency provisions and they jeopardize savings that Ameren Illinois has planned to achieve through Plan 3 without any corresponding guarantee the savings will be achieved elsewhere. (Ameren Ex. 6.0 at 20:455-58). And, critically, Intervenors' proposals fail to take into account the practical realities of program availability, as a result of the two different procurement processes under Sections 8-103 and 16-111.5B of the Act.

First, those programs offered as part of the annual procurement plan of the IPA are offered pursuant to a different section of the Act, and are subject to different rules regarding a unique bidding/assessment/approval process, allowance of competing or duplicative programs, contracting parameters and ultimate inclusion for implementation. While it is true that Section 8-103 is referenced in Section 16-111.5B, there are no provisions in either statute that authorize removing programs from Section 8-103 with the hope that those programs separately get bid into, reviewed and approved to be a part of the IPA Procurement Plan.

Indeed, removing the Residential Lighting and Behavior Modification programs from Plan 3 would run contrary to the stated intent of Section 8-103. Subsection (f) requires that Ameren Illinois' Plan 3 "represent a diverse cross-section of opportunities for customers of all rate classes to participate in the programs." (220 ILCS 5/8-103(f)(5)). It would seem the spirit of that requirement would no longer be met if Ameren Illinois were ordered to remove these residential programs from Plan 3 and then put the money towards business programs, as AG suggests.⁵ (Ameren Ex. 6.0 at 22:501-507).

⁵ However, if, against Ameren Illinois' recommendation, programs are removed from Plan 3 in anticipation of them being implemented through the IPA portfolio, the freed up 8-103 funds should be used for residential programs to replace those planned savings removed from that customer class (as recommended by CUB). (Ameren Ex. 6.0 at 22:501-507 (citing CUB Ex. 2.0 at 21:482-86)). AG's recommendation that freed up funds be spent on business programs should be rejected because it would create an unbalanced portfolio (*see* Ameren Ex. 9.0 at 5:102-104); a more appropriate use for the funds would be the moderate income program.

Second, setting aside the legal issue, there are significant practical problems with Intervenor’s assumption that the utility can “displace” programs from 8-103 to the IPA portfolio or rely on a “presumption of approval” as suggested by some parties. Intervenor provides a proposal that would remove programs from Plan 3, leaving nothing more than a hope that vendors would then arbitrarily bid the removed programs into the IPA Procurement Plan for PY8 and PY9, respectively (and that those programs would be approved). (*See* AIC Cross Ex. 1 at 4 (AIC-AG 2.07) (illustrating that AG has not considered what would happen if a program is removed from the 8-103 portfolio but not accepted by either the IPA or the Commission)). Such proposals, if accepted, would create significant risks and hurdles to providing energy efficiency programs to customers that all parties agree should be provided. (Ameren Ex. 6.0 at 21:467-74). For example, it is entirely possible that vendors would not want to agree to the different rules, including that the IPA Plan could allow competing programs and could require pay for performance contracting. The Commission, or the utility, cannot order a vendor to participate in the request for proposal (“RFP”) process for the IPA Plan thus Ameren Illinois cannot offer a Plan 3 program in the IPA portfolio if vendors refuse to bid it for inclusion in some future IPA plan at the same levels or at all. If this were to happen, Ameren Illinois’ ratepayers would be deprived of programs that every party to this docket agrees should be offered and there would be nothing any party, including Ameren Illinois, could do to fix it until the next three-year plan.⁶ (Ameren Ex. 6.0 at 21:475-82).

Indeed, when faced with a similar proposal from the AG in the current IPA Procurement Plan docket, the Chief Administrative Law Judge found:

⁶ Ameren Illinois notes that NRDC’s support of removing programs from Section 8-103, which could have the unintended effect of lowering the savings goals, seems to contradict NRDC’s argument for higher savings goals identified in Section IV, *infra*.

The Commission finds the AG's recommendation that the utilities include proposals for expansions of Section 8-103 programs that will be proposed by the utilities in their September 1 three-year filings when it submits proposed programs to the IPA unworkable. The Commission does not understand how the AG expects utilities to know, with any degree of certainty, which programs the Commission will adopt for expansion before the Commission has entered an order pursuant to Section 8-103. In fact, the Commission itself cannot know that. While the statutory framework related to energy efficiency programs has arguably created an unfortunate situation, it is simply unfair to put the utilities in a situation where they must guess in one proceeding what the Commission will subsequently decide in another proceeding. In the event the General Assembly views the current statutory framework as troubling as some of the parties to this proceeding, the Commission would expect the General Assembly to modify that framework. The Commission, however, cannot simply ignore the existing framework. The AG's proposal is rejected.

(ICC Docket No. 13-0456, 11/13/13 ALJ's Proposed Order at 143). As recognized by the Chief ALJ, it would be "unfair" to utilities to presume approval of energy efficiency programs, but it would also be unfair to the ratepayers and other stakeholders if programs that were available to be administered in the Section 8-103 Plan 3 were not and then never get implemented simply because Intervenors did not appreciate the differences between the statutory provisions.

Furthermore, there are additional problems with moving the electric portion of the behavior modification program to the IPA portfolio. As reflected in Plan 3, the Behavior Modification program is a dual fuel program, designed to provide benefits to both gas and electric customers through one program. The gas and the electric portions of the programs do not stand alone. So, even assuming a vendor would be willing to contract with Ameren Illinois under Section 8-104 (for the gas portion) and then bid the electric portion of the program into the IPA procurement, no party has explained how Ameren Illinois could, in fact, administer or implement these portions of the same program under two different provisions of the Act. As noted above, programs implemented under Section 8-104 and Section 5/16-111.5B have

differing rules applicable to them, including the rules relating to vendor contracting, the possibility of competing programs and evaluations. Furthermore Staff and stakeholders have requested at a formal workshop process that the approved IPA budget per program remain unchanged and budgets between 8-103 and IPA portfolios are kept distinct and separate, therefore the ability to change the size of the program would be hindered by the inability to change the budget in the alternate portfolio. It is possible that navigating and reconciling these differences would create hurdles nearly impossible to overcome and would increase the costs related to administration, implementation and evaluation for no justifiable reason. (Ameren Ex. 6.0 at 21-22:483-95).

For all of these reasons, Ameren Illinois urges the Commission to reject the recommendations to remove programs from Plan 3 on the hope that they might someday become part of the IPA Procurement Plan. (Ameren Ex. 6.0 at 20-22:455-497).

(b) Cost-Ineffective Measures

The Total Resource Cost (“TRC”) test is one method of evaluating cost-effectiveness of a measure, program, or portfolio at the planning stage. In the Plan 2 Order, “[t]he Commission conclude[d] it is appropriate to apply the TRC test at the portfolio level, but Ameren Illinois [] should be allowed to apply it at the measure or program level if they so choose.” (ICC Docket No. 10-0568, 12/21/10 Final Order at 30). Nonetheless, Staff and AG urged that Ameren Illinois remove two *measures* from its Plan that do not pass TRC (i.e., have a TRC ratio of greater than one), even though the measures are part of programs that pass the TRC test. In an effort to

minimize contested issues in this docket, Ameren Illinois agreed to remove these measures, the results of which are reflected in Ameren Ex. 6.1.⁷

In addition, AG identified a cost-*ineffective* measure that could be added to the portfolio: Residential Lighting LEDs. Ameren Illinois agreed to add this cost-ineffective measure the results of which are also reflected in Ameren Ex. 6.1.

However, Staff makes additional recommendations with respect to limiting participation in cost-ineffective measures and reporting on cost-effectiveness screening results in Ameren Illinois' quarterly ICC activity reports. These recommendations are addressed below.

(i) Staff's Position

With respect to cost-ineffective measures, Staff makes three recommendations: (1) the Commission should order Ameren Illinois to limit the participation of cost-ineffective measures to no more than the levels proposed in its Plan; (2) the Commission should order Ameren to provide cost-effectiveness screening results in its quarterly ICC activity reports for new measures the Company adds to its Plan during implementation; and (3) the Commission should order Ameren Illinois to remove cost-ineffective boilers and furnaces from its Plan. (Staff Ex. 1.0 at 19-20:460-483; Staff Ex. 3.0 at 22-23:499-502, 512-518).

First, Staff argues that Ameren Illinois should limit participation in cost-ineffective measures because the addition of a cost-ineffective measure to the portfolio reduces net benefits to ratepayers and this makes it more difficult for the policy objectives set forth in the energy efficiency ("EE") statutes to be realized (i.e., direct and indirect costs to consumers shall be reduced through investment in cost-effective EE measures). 220 ILCS 5/8-103(a). Staff

⁷ As indicated in Exhibit 7.2 to Mr. Cottrell's rebuttal testimony, "regular" residential furnaces and boilers were removed while "early replacement" furnaces and boilers remain in the Moderate Income program. Measure level TRC results were provided to the requesting parties in this docket in the workpapers of Mr. Cottrell supporting the original Plan filing.

provides the example of Ameren Illinois' Residential HVAC Program (which contains the cost-ineffective Furnace 97% AFUE measure among other measures). This program is barely forecasted to be cost-effective with a TRC benefit-cost ratio of 1.01. (Ameren Ex. 2.0 at 27.) Thus, argues Staff, participation in this measure should be limited to the level planned because if participation is greater than anticipated, it is likely the Residential HVAC program would become cost-ineffective.

Second, Staff notes that Ameren Illinois' request for flexibility includes the ability to add new measures to the Plan during implementation, yet Ameren Illinois declines to provide the Commission with the cost-effectiveness screening results for such measures in its quarterly ICC activity reports. Staff recommends that the Commission order Ameren to provide such cost-effectiveness screening results in its quarterly reports to help ensure customers are getting maximum net benefits.

Third, Staff agrees with AG that Ameren Illinois should remove cost-ineffective boilers and furnaces from its Plan. The funds from eliminating these measures could be shifted to the cost-effective dual fuel comprehensive programs to allow more electric savings. (Staff Ex. 3.0 at 22-23:499-502, 512-518).

(ii) Intervenor's Position(s)

AG proposes discontinuing the provision of rebates for high-efficiency furnaces and boilers for the following reasons:

1. These are major measures (as opposed to ancillary items being installed at the time of other system improvements that bundled together are cost-effective). In most cases, furnace and boiler installations are done on a standalone basis.
2. While preserving vendor relationships is a legitimate possible reason to continue promoting these measures, this is only true if it is likely these measures will become cost-effective in the near future and be pursued again longer term. It is very unlikely, however, that these measures will become cost-effective in the near future.

3. The federal government is highly likely to mandate condensing furnaces and higher efficiency boilers through future federal standards in the near term.
4. In the current budget constrained scenario, pursuing these measures means forgoing other more cost-effective measures. Shifting budgets currently allocated to promoting these non-cost-effective measures to supplement gas budgets in combined programs has the effect of also allowing greater electric efficiency to be captured. (AG Ex. 1.0 at 48:8-20; 49:1-20).

In addition to recommending that Ameren Illinois remove the cost-ineffective furnace and boiler measures, AG identifies a cost-ineffective measure that could be added to Ameren Illinois' Plan 3 portfolio: residential LED lighting. (AG Ex. 1.0 at 50:4-14; AIC Cross Ex. 1.0 at 2 (AIC-AG 2.04)). AG notes that the LED lighting measure is "highly likely to be cost-effective in the near future" but will "provide significant savings" because LEDs represent new technology, LED prices are rapidly declining while performance is rapidly improving, and LEDs offer significant non-energy benefits. (AG Ex. 1.0 at 50:4-14).

(iii) Ameren Illinois' Position

Ameren Illinois included cost-ineffective measures in its original filed Plan, all of which are still included in the remodeled Plan to which no party had comment with the exception of removing regular residential furnaces and boilers (as identified by AG and supported by Staff) and adding residential LEDs (as requested by the AG). The remaining cost-ineffective measures that remain in the remodeled portfolio can be summarized as various business standard program measures (including lighting, non lighting, AC Tune-Ups, etc.), various insulation measures, early replacement furnaces and cooling.

Collectively, Staff and AG make three recommendations with respect to cost-ineffective measures. First, both AG and Staff support removal of the cost-ineffective residential furnace and boiler measures from Plan 3. Second, Staff recommends that the Commission order Ameren Illinois to limit participation in cost-ineffective measures to the levels proposed in the Plan.

Third, Staff recommends that the Commission order Ameren Illinois to provide cost-effectiveness screening results in its quarterly ICC activity reports for new measures the Company plans to add to its Plan during implementation. All three recommendations should be rejected, but in an effort to eliminate a contested issue, Ameren Illinois has removed the cost-ineffective regular residential furnace and boiler measures from Plan 3, the results of which are presented in Ameren Ex. 6.1.

(1) Furnace & Boiler Measures

For clarity of the record, however, there are two primary reasons why the Commission could reject the recommendation that Ameren Illinois should remove the cost-ineffective residential furnace and boiler measures from Plan 3. *First*, there are times when it is acceptable – even beneficial – to include cost-ineffective measures in a program. Including measures that are not cost-effective is sometimes necessary for a program to offer a full array of measure options, to continue market momentum and avoid program shutdown and start-up, or to account for volatile avoided cost forecasts. Ameren Exhibit 5.0 provides a list of examples of when it may be beneficial to include a cost-ineffective measure in a program. (Ameren Ex. 5.0 at 32-34:677-724).

Second, Ameren Illinois’ objective should be to maintain a portfolio TRC that is greater than one (“positive”), rather than do so at the measure, or even program, level. (Ameren Ex. 5.0 at 5-6:113-117). It is possible for a program that passes TRC (i.e., it has a TRC ratio greater than 1.0) to contain measures that are not cost-effective on the measure-level. In fact, Staff does not oppose the inclusion of cost-ineffective measures generally, but requests that the Commission limit participation in such measures to levels no more than what Ameren Illinois proposes in its Plan 3. (Staff Ex. 1.0 at 20:478-83).

Despite the foregoing, in an effort to eliminate a contested issue from this docket, Ameren Illinois is willing to eliminate the cost-ineffective regular residential furnace and boiler measures from Plan 3. However, Ameren Illinois is concerned that removal of this key heating measure from the portfolio may have a significant negative impact to customers with household incomes within the 200% to 400% of poverty range. Therefore, Ameren Illinois' agreement to eliminate cost-ineffective residential furnaces and boilers is dependent on agreement to redistribute these funds to the Moderate Income Program. (Ameren Ex. 6.0 at 17:386-392). Ameren Illinois has modeled an alternative scenario where regular residential furnaces and boilers are removed from the portfolio and redistributed those funds to the Moderate Income Program. (Ameren Ex. 7.0 at 2:36-37).

As indicated by Ameren witness Mr. Cottrell, Ameren Illinois also added residential LEDs to the portfolio in response to AG witness Mr. Mosenthal's testimony. (Ameren Ex. 7.0 at 4:66-67). Ameren Illinois added LED bulbs using the funds made available by modifications to CFL costs and savings. (*Id.*)

(2) Limit Participation

The Commission should reject Staff's recommendation that Ameren Illinois should be required to limit participation of cost-ineffective measures to no more than the levels proposed in its Plan. Staff's vague recommendation is unnecessary and would increase the costs necessary to implement and administer the portfolio. In addition, the utility, which is reasonably risk averse, would be discouraged from adding new measures to the portfolio that may be cost effective at the planning stage but due to uncertainty may ultimately and unknowingly be cost-ineffective after implementation. The Commission has repeatedly determined that cost-effectiveness should be measured at the portfolio level, not the measure or program level. Ameren Illinois has understood this to mean that it should not apply the total resource cost ("TRC") test, which is set

by statute, as a litmus test for whether or not programs or measures should be offered to customers. Rather, Ameren Illinois considers TRC values, when available, as a component in the decision making process of whether or not to offer programs or measures to customers. This component is in addition to the other factors identified in the Public Utilities Act (the “Act”), including the offering of a diverse cross-section of opportunities for customers of all rate classes to participate in energy efficiency programs. (Ameren Ex. 6.0 at 15:331-41). Thus, Staff is incorrect when it asserts that Ameren Illinois “ignores” measure and program level TRC values. (Staff Ex. 1.0 at 21:5-7). In fact, Ameren Illinois evaluated the TRC value of all programs and measures. Also, as stated and presented in the Plan 3 filing, all proposed programs have a TRC value greater than 1.0. (Ameren Ex. 10.0 at 4:89-93).

Staff’s proposal would arbitrarily limit the offering of programs and measures that could provide other benefits to customers, particularly dual fuel customers. And it is not clear how Ameren Illinois would accurately limit participation in cost-ineffective measures to a particular level, especially since participation levels vary daily, and Ameren Illinois questions whether trying to do so in such an exact manner is either practical or possible. However, it seems likely that if ordered do so, one consequence would be that Ameren Illinois would have to curtail cost-effective dual fuel programs that contain cost-ineffective measures so as not to inadvertently exceed Staff’s vague limitation. Such a consequence would result in the unnecessary hamstringing of otherwise successful programs that all parties agree should be implemented. (Ameren Ex. 6.0 at 15-16:342-350).

(3) Cost-Effectiveness Screening Results in Quarterly Reports

Finally, the Commission should reject Staff’s recommendations to (1) order Ameren Illinois to “stay apprised of and prudently respond to information concerning measure and

program level cost-effectiveness during the course of implementing its portfolio” (Staff Ex. 1.0 at 21:522-25) and (2) order Ameren Illinois to provide cost-effectiveness screening results in its quarterly ICC activity reports for new measures the Company plans to add to its Plan during implementation. Both of Staff’s recommendations are vague, difficult to comply with and, in any event, unnecessary. While Ameren Illinois agrees with Staff that it is important for the Company to stay apprised of, and respond prudently to, information it receives regarding the implementation of the programs that will comprise Plan 3, Staff puts too much emphasis on TRC values. Staff’s request that Ameren Illinois repeatedly calculate, report and assess TRC values throughout the implementation period is unnecessary and would be costly to implement. Calculating TRC values can be complicated, and the results are highly sensitive to change depending on who performs the calculation, when the values are calculated, and what variables (whether based on estimated or actual values) are used when doing the calculation. Staff witness Ms. Hinman “agrees that when different data is used in estimated TRC values, there is potential for the estimated TRC values to vary.” (Ameren Ex. 6.2 (response to AIC-Staff 2.03)). Further, AG witness Mr. Mosenthal agrees that a negative TRC alone is not a sufficient reason to eliminate a measure. (AG Ex. 1.0 at 7). It remains unclear how the customers or the portfolio are benefited from dedicating administrative resources to repeatedly calculating or reporting TRC values when Staff agrees those values could change throughout the implementation period and other parties agree may not require any action (for example removing a measure based on a negative TRC value). (Ameren Ex. 6.0 at 16-17:364-382). For these reasons, the Commission should reject Staff’s recommendations to order Ameren Illinois “to stay apprised of and respond prudently to information concerning measure and program level cost-effectiveness” and to order Ameren Illinois to provide cost-effectiveness screening results in quarterly ICC activity reports.

(c) Multifamily Program

NRDC recommends that Ameren Illinois conduct a pilot to explore the addition of common area measures to its Multifamily Program, but overlooks the fact that Ameren Illinois already provides such common area measures outside of its Section 8-103 portfolio.

(i) Intervenor's Position(s)

NRDC notes that Ameren Illinois focuses only on in-unit savings in its Multifamily Program, and thereby loses out on significant cost-effective savings that could be achieved through common area measures. Therefore, NRDC recommends that “the Commission order Ameren to conduct a pilot to assess the opportunities to increase savings in the multifamily market by providing incentives through the Business programs for common area measures and common mechanical system improvements.” (NRDC Ex. 1.0 at 31:535-37).

(i) Staff's Position

Staff does not support the recommendation of NRDC that the Commission order Ameren Illinois to conduct a pilot program to assess savings opportunities from common area measures in Ameren Illinois' Multifamily Program. Staff understands that Ameren Illinois already provides incentives for common area measures in multifamily housing units, and thus a pilot program to this effect is unnecessary. (Staff Ex. 3.0 at 31-32:714-718, 731-734). In the 2014 Procurement Plan docket, Ameren Illinois has a dedicated Multifamily Program for multifamily common area electric measures. (ICC Docket No. 13-0546, 9/30/13 IPA Procurement Plan at 786).

(ii) Ameren Illinois' Position

In his testimony, NRDC witness Mr. Grevatt mistakenly assumed that since multifamily common area measures were not present in the 8-103/4 multifamily program, Ameren Illinois has not provided these measures. However, Ameren Illinois has a dedicated Residential

Multifamily program for multifamily common area gas and electric measures so a pilot program is not necessary. The combined gas and electric program is in its sixth year with common area measures being introduced in PY4. These have been successful in delivering cost-effective savings to the multifamily housing market. In an effort to expand opportunities for electric common areas of the program, Ameren Illinois has proposed a plan to include electric common areas in the 2014 IPA Procurement Plan. (ICC Docket No. 13-0546, Appendix B to the IPA Plan at Appendix 3 at 24; Staff Cross Ex. 4 at 11 (NRDC response to data request AIC-NRDC 2.16)). While the Multifamily Program is implemented primarily through the residential portion of the portfolio, common area gas measures and any common area electric measures falling outside the typical residential Multifamily Program are incented through the Business portfolio. (Ameren Ex. 8.0 at 2-3:43-54). Thus, as Staff agrees, it is unnecessary for the Commission to order Ameren Illinois to conduct a pilot.

(d) Using Residential Behavior Modification to Cross Promote Portfolio Incentives

ELPC recommends that Ameren Illinois use its Residential Behavior Modification Program to cross promote other portfolio incentives.

(i) Staff's Position

Staff offered no opinion regarding Ameren Illinois' Residential Behavior Modification Program before briefing.

(ii) Intervenors' Position(s)

ELPC argues that Ameren Illinois "needs to enhance longevity and durability of savings" in its Residential Behavior Modification Program. (NRDC Ex. 1.0 at 3:5). Through the program, Ameren Illinois encourages residential customers to save energy by issuing home energy report cards that compare a customer's usage to other similar customers. (NRDC Ex. 1.0 at 9:20-21).

ELPC recommends that (1) “the Commission require that Ameren’s behavior modification programs place a high priority on linking customers to Ameren’s prescriptive rebates and other energy efficiency programs . . .”; (2) “Ameren implement the recommendations from the PY3 and PY4 evaluation contractors of this program [including customer service training and cross marketing]”; and (3) “Ameren [] work very closely with its implementation contractor . . . to link the participants of the behavioral modification program with rebates and incentives . . .” (NRDC Ex. 1.0 at 12:2-13).

(iii) Ameren Illinois’ Position

The Commission should reject ELPC’s recommendations regarding the Residential Behavior Modification Program because they are vague and unnecessary. ELPC’s recommendations boil down to a request that Ameren Illinois do more to cross promote other residential programs through its Behavior Modification Program (also known as the Home Energy Report Program). Ameren Illinois has and will continue to experiment with the promotion of other programs through the Home Energy Report and will monitor whether a synergistic lift is produced from the cross-promotion. Promotions that result in an overall positive lift will be repeated. For example, the Appliance Recycling program was promoted on the Home Energy Report during January and February 2013. (Ameren Ex. 8.1). As reflected in Ameren Exhibit 8.1, Ameren Illinois intends to continue promoting other programs on the Home Energy Report and is currently planning to promote the Home Performance with ENERGY STAR® program during the winter of 2013-2014 in order to link portfolio offerings to the Behavioral Modification program. Ameren Illinois further notes that “residential customers can readily access such measures and hardware improvements through the Ameren Illinois portfolio, which is represented by the ActOnEnergy® platform,” is consistently promoted in the Home Energy Reports. Thus, an order from the Commission regarding cross promotion is unnecessary

and should not occur. (Ameren Ex. 8.0 at 3:62-4:78; Staff Cross Ex. 1 at 14 (AIC’s response to data request ELPC 3.08)).

(e) Other

2. Proposed New Programs

(a) C&I Program

IIEC recommends that Ameren Illinois do more to address the needs of large commercial and industrial (“C&I”) customers. Specifically, IIEC recommends that Ameren Illinois consider a pilot program for large C&I customers similar to the program offered by Commonwealth Edison Company (“ComEd”) in its current Plan 3 filing.

(i) Intervenors’ Position(s)

IIEC is concerned that Ameren Illinois’ Plan does not sufficiently facilitate large commercial and industrial customers’ ability to maximize energy efficiency and demand response. In testimony, IIEC explained, “Although [commercial and industrial] customers pay large sums of money into the utility programs, through the Rider EDR collection mechanism, there are provisions within the guidelines which sometimes make it difficult for customers to receive the full benefit of their payments and to maximize their investment in energy efficiency and demand response.” (IIEC Ex. 1.0 at 3:36-58 (citing Ameren Ex. 1.1 at 111)). IIEC is concerned that industrial customer dollars get tied up in utility programs and are thus unavailable for customer-initiated investments in energy efficiency and demand response. According to IIEC, Ameren Illinois’ Plan acknowledges this type of barrier. (*Id.*) IIEC “recommend[s] that Ameren develop a program that will better enable large industrial customers, such as IIEC members, to maximize their economic energy efficiency opportunities.” (IIEC Ex. 1.0 at 4:74-76).

AG agrees with IIEC that “large customers often have to work with multi-year budgeting and construction cycles and have unique internal barriers to obtaining efficiency project funding approval (IIEC Exhibit 1.0-C at 3, n.6).” AG points out, however, that a recent modification to Section 8-103 of the Act allows utilities to consider its electric goals as cumulative three year goals, as opposed to single year goals (citing 220 ILCS 5/8-103(b)). Approval of a three-year plan by the Commission should therefore provide Ameren Illinois with sufficient certainty to obligate funds over the full three-year period and work effectively with commercial and industrial customers. (AG Ex. 2.0C at 13:7-9, 14-18; 14:6-10).

(ii) Staff’s Position

In response to IIEC’s recommendation that Ameren Illinois provide a proposal for a large commercial and industrial (“C&I”) pilot program (IIEC Ex 1.0-C at 4), Staff states that “IIEC has not provided sufficient information [] to fully support its proposal.” (Staff Ex. 3.0 at 31:695-699, 702-704).

(iii) Ameren Illinois’ Position

IIEC argues that Ameren Illinois’ proposed Plan does not completely address the needs of large energy users and Ameren Illinois should consider a pilot program similar to the program offered by ComEd in its current Plan 3 filing (ICC Docket No. 13-0495, ComEd Ex. 1.0). (IIEC Ex. 1.0 at 3:36-4:72). In response, Ameren Illinois proposes to add a Large C&I Pilot Program similar to that identified by IIEC in its testimony as being included in ComEd’s Plan 3. As reflected in Ameren Exhibit 6.1, Ameren Illinois has reallocated a portion of its budget to this pilot program and will continue to work with IIEC and Ameren Illinois’ commercial and industrial customers to provide additional program offerings within the confines of the Act. (Ameren Ex. 6.0 at 25:559-564).

(b) Data Center Program

Ameren Illinois' proposed Plan 3 (Ameren Ex. 6.1) does not include a dedicated data center program, as it includes incentives applicable to data centers in its business programs. Nonetheless, ELPC recommends that Ameren include a dedicated data center program in its Plan.

(i) Intervenors' Position(s)

ELPC argues that the Commission should order Ameren Illinois to include a dedicated Data Center Program in its Plan, or modify its existing programs to focus on data centers, and to do so in collaboration with the SAG, within six months of the issuance of the Order in this proceeding. (ELPC Ex. 1.0 at 18:5-7).

ELPC cites the US EPA for its definition of data center: a data center is a building that contains primarily electronic equipment used for data processing (servers), data storage (storage equipment), and communications (network equipment). (ELPC Ex. 1.0 at 15:3-5, 7-9). Data centers also usually contain specialized power conversion and backup equipment to maintain reliable, high-quality power, as well as environmental control equipment to maintain the proper temperature and humidity for the IT equipment. (*Id.*).

ELPC argues that Ameren Illinois' portfolio "is not placing enough priority on improving the energy efficiency of data centers given the quick growth and escalating consumption that is occurring within this customer segment." (ELPC Ex. 1.0 at 16:2-4, 11-17, 22). ELPC argues that data centers are prime targets for energy efficiency design measures because of the recent large increase in energy use by data centers. (*Id.*). Furthermore, the market potential study provided by Ameren Illinois in this proceeding indicates that there is considerable achievable potential for data center related end uses (e.g., cooling, ventilation and lighting). (ELPC Ex. 1.0 at 17:6-13).

AG disagrees with ELPC that Ameren Illinois needs a dedicated “data center program.” AG points out that Ameren Illinois offers a Custom program for business customers, which allows for any cost-effective efficiency measures to be adopted and provided financial incentives. The Custom program also provides customized outreach and technical assistance to any C&I customer to assist in identifying appropriate opportunities. Because so many data centers are a portion of larger facilities that likely have many other efficiency opportunities, AG believes a more flexible approach through the Custom program is desirable to ensure that all cost-effective opportunities in the customer’s facility are identified and promoted. AG does, however, encourage the Commission to direct Ameren to target the data center market in the Custom program and ensure it develops specific strategies to identify, market to, and assist data centers with efficiency upgrades. (AG Ex. 2.0C at 11:2-9, 16-18).

(ii) Staff’s Position

In response to the recommendation of ELPC that Ameren Illinois’ Plan should include a dedicated Data Center Program or modify its existing programs to focus on data centers, Staff states that “the Commission [should] direct Ameren Illinois to ‘investigate’ rather than unconditionally ‘implement’ a Data Center Program.” In Staff’s view, a dedicated Data Center Program may not be necessary because data center projects are customized projects and they should already qualify under Ameren Illinois’ Custom Program. (Staff Ex. 3.0 at 30-31: 684-685, 688-691).

(iii) Ameren Illinois’ Position

The Commission should reject ELPC’s proposal that “a dedicated data center program or a redesign of [Ameren Illinois’] current business custom program . . . should be developed and offered by Ameren during this program cycle.” (ELPC Ex. 1.0 at 17:19-18:2). Offering a dedicated data center program is unnecessary, as it would not result in additional savings and in

fact would likely result in additional cost. As explained by Ameren Illinois witness Mr. Woolcutt, Ameren Illinois does not have many dedicated data centers (three) in its territory, and it has had several data center-related projects participate in previous years including variable-frequency drives (“VFD”), heating, ventilation and air conditioning (“HVAC”), and lighting measures. (Ameren Ex. 8.0 at 5-6:115-130). These projects were all accommodated in Ameren Illinois’ existing core programs, mainly the Custom program. AG agrees with Ameren Illinois that it is unnecessary to offer a program specific to data centers to effectively capture the efficiency potential of data centers. (AG Ex. 2.0 at 11:7-12). Ameren Illinois’ approach is consistent with that of ComEd. As addressed in ComEd’s Plan 3, ComEd has moved away from “...certain niche markets such as data centers and commercial real estate properties . . . [because ComEd has] come to realize that they were really just strategic delivery mechanisms for [their] core set of programs.” (Ameren Ex. 8.0 at 5-6:115-130 (citing ICC Docket No. 13-0495, ComEd Ex. 1.0 at 61)). Furthermore, ELPC admits that it has not conducted an independent analysis of the estimated savings that would flow from its proposed data center program, nor has it developed a template for identifying planned costs, savings, and TRC values relating to the program. (AIC Cross Ex. 1 at 19, 21 (AIC-ELPC 2.03, 2.05)).

A dedicated data center program is unnecessary because, as stated in Ameren Illinois’ response to data request ELPC 4.02, Ameren Illinois’ ActOnEnergy® program currently offers incentives for numerous standard measures that have applications for large, medium, and small data centers. Ameren Illinois provides a list of customers that have taken advantage of incentives for data center energy efficiency through the ActOnEnergy® program. Data centers can, and have, made use of the retrocommissioning and custom incentives offered through the program. In addition, data centers can also apply for feasibility study funding through the

program. In short, there are already many opportunities for dedicated and non-dedicated data centers to apply for funding through Ameren Illinois' current portfolio.

To support its argument that Ameren Illinois' Plan should focus more on data centers, ELPC filed ELPC Exhibit 1.3, which is a printout from the Xcel website that lists "Examples of Energy-Efficient Improvements" for data centers. Many of these improvements are the same improvements that Ameren Illinois customers can take advantage of through Ameren Illinois' standard and custom programs (lighting, cooling, airflow, etc.). (Ameren Ex. 6.1 at 104-115). This only confirms that ELPC's recommendation is unnecessary and should be rejected.

(c) Smart Devices

ELPC and CUB recommend that Ameren Illinois spend all (or almost all) of its Emerging Technologies budget on smart devices. ELPC explains that Smart Devices include thermostats, plugs, power strips, switches, smart chargers for electric vehicles, gateways, and in-home displays that can communicate with the smart meter, can connect to a local-area network, and can be controlled with smart phones, tablets, and computers. (ELPC Ex. 2.0 at 11:2-5).

(i) Staff's Position

Staff did not offer an opinion regarding smart devices before briefing.

(ii) Intervenors' Position(s)

ELPC recommends that the Commission order Ameren Illinois to use its entire Emerging Technologies budget (\$5.13 million) to develop and implement a comprehensive plan, involving manufacturers and retailers, to enable Smart Devices to interact with Ameren Illinois' smart meters, and to make it easy for customers to identify and purchase these devices. (ELPC Ex. 2.0 at 16:5-11). ELPC "recommend[s] that Ameren [Illinois] establish interoperability standards for Smart Devices to communicate with the Ameren smart meters and be willing to verify and register devices that a customer may purchase and install on their own. [ELPC] also

recommend[s] that Ameren consider offering discounts or other incentives for these Smart Devices in markets where its smart meters are installed.” (ELPC Ex. 2.0 at 11:14-19).

ELPC believes a key policy question is how to get customers to use Smart Devices and transform the market. Because AMI and Smart Devices help individual customers save energy and have the potential to significantly affect market prices, the Commission should determine whether Ameren Illinois should be providing customers with Smart Devices in order to accelerate market penetration, or whether it should just let the market evolve. (ELPC Ex. 2.0 15 14:20-23; 15:1-4).

In response to ELPC’s recommendation that the Commission order Ameren Illinois to spend its entire Emerging Technologies budget on activities related to smart devices, CUB notes that Ameren Illinois has earmarked a portion of the Emerging Technologies budget for a codes and standards pilot program. (Ameren Ex. 6.1 at 68). CUB supports funding the codes and standards pilot program through the Emerging Technologies fund, and recommends that the Commission order Ameren Illinois to spend the *remainder* of the Emerging Technologies fund on a smart device program as recommended by ELPC. CUB further recommends that the Company discuss its plans for this program with the SAG and with the Smart Grid Advisory Council (“SGAC”). (CUB Ex. 2.0 at 18-19:405-407, 412-413, 418-424).

(iii) Ameren Illinois’ Position

The Commission should reject ELPC and CUB’s recommendations regarding smart devices at this time because they are premature, undeveloped and unnecessary. As acknowledged by CUB witness Ms. Devens, part of Ameren Illinois’ Emerging Technologies budget has already been earmarked for a codes and standards pilot program. (CUB Ex. 2.0 at 19:418-19). Additionally, Ameren Illinois evaluated a smart power strips program that proved to be cost-ineffective. Neither of the Intervenors has specified what kind of smart devices program

should be implemented, and rather than committing the entire Emerging Technologies budget to a smart devices program that may not be cost-effective or may not otherwise be appropriate to implement, Ameren Illinois should be able to retain the flexibility to use ratepayer funds to research and implement appropriate programs in this space. This is particularly true in light of Staff's proposed definition of emerging technologies, as there are existing measures in Plan 3 that could fit that definition. If the entire budget is spent on something else, like a smart devices program, it would mean eliminating other measures from Plan 3 that have been analyzed for inclusion. Notwithstanding the above, however, Ameren Illinois would commit to working with ELPC and CUB to learn about potential opportunities to explore. (Ameren Ex. 6.0 at 24:544-553).

(d) Conservation Voltage Reduction Program/Voltage Optimization Program

To explain what Conservation Voltage Reduction ("CVR") is, CUB cites an Ameren Illinois document, in which CVR is defined as "the general term for [1] the changes to distribution equipment and operations that can reduce line losses, peak loads and reactive power needs, and save (or defer) consumption by some types of consumer equipment" and [2] "the intentional and routine reduction of system voltage, typically on distribution circuits, to reduce line losses and energy use by some types of end-use equipment while maintaining customer service voltage within applicable national standards (e.g., ± 5 percent of nominal)." (CUB Ex. 1.0, at 24:551-558 (citing CUB Ex. 1.4 at 2-3)). Thus, CVR is one method that can be used to achieve energy savings. As noted by CUB, voltage optimization (or "VO") is a type of CVR, which is why the two types of programs are addressed in this section. The issue is whether Ameren should include one of these programs in its Plan 3.

(i) Staff's Position

Staff agrees with Ameren Illinois that it is acceptable for the Company to meet its demand response obligations through energy efficiency measures because “the definition of demand-response specified in the statute does not appear to require a demand-response ‘program’ be implemented.” (Staff Ex. 1.0 at 14). Section 3855/1-10 of the Act states that demand response means “measures that decrease peak electricity demand or shift demand from peak to off-peak periods.” (Staff Ex. 1.0 at 14-15:355-367).

With respect to CVR/VO specifically, Staff does not state an opinion on the issue. (Staff Ex. 4.0 at 1-3:20-46).

(ii) Intervenors' Position(s)

(1) CUB's Position

CUB understands that VO is a type of CVR, and since the Commission ordered Ameren Illinois to run a VO pilot in the last Plan Order, the presentations Ameren Illinois has given on CVR represent preliminary findings on this pilot. (CUB Ex. 1.0 at 24-25:564-567).

CUB disagrees with Ameren Illinois and Staff that a utility can meet its demand response goals through the implementation of energy efficiency programs. CUB argues that the General Assembly's establishment of a demand response portfolio standard unique from the EEPS means that the legislature intended for the electric utilities to establish unique demand response programs or measures. Therefore, CUB “recommends the Commission order Ameren to meet the demand response goal through the implementation of a Conservation Voltage Reduction (‘CVR’) program” and “recommend[s] that Ameren report to the Commission on whether a CVR program could cost-effectively meet the demand response goal beginning in PY7.” (CUB Ex. 1.0 at 6:113-15; 27:635-36). If Ameren Illinois reports that a CVR program would not be cost-effective, CUB recommends Ameren Illinois meet the demand response goal through a

Power Smart Pricing (“PSP”) program (addressed in Part V.C.5(c)). (CUB Ex. 2.0 at 16-17:367-370, 372-374, 378-383, 386-389).

CUB supports CVR because (1) studies show that operating a utility distribution system in the lower half of the acceptable voltage range (120-114 volts) saves energy, reduces demand, and reduces reactive power requirements without negatively impacting the customer; (2) reducing electric service voltage also reduces energy consumption of some consumer equipment; (3) a study found that when voltage reduction is coupled with major system improvements, 10 percent to 40 percent of the savings accrue on the utility distribution system and the remaining savings are the result of reduced consumption by equipment in homes and businesses operating at lower voltage; and (4) CVR can provide a 1-3% reduction in energy use and a 1-4% peak load reduction at a low cost. (CUB Ex. 1.0 at 25:570-591).

(2) ELPC’s Position

ELPC supports CVR as a way to reduce energy consumption because most electrical equipment works equally well and uses less energy at lower voltages. (ELPC Ex. 2.0 at 3:19-20). ELPC, however, recommends that CVR be combined with Volt/VAR Optimization (“VVO”) for the greatest demand reduction. According to ELPC, VVO refers to the active management of reactive power at all points of a feeder to minimize losses and improve the voltage. When VVO is combined with CVR, acceptable levels of power quality are maintained, distribution system losses are minimized, and customer energy savings and peak demand reductions are maximized. (ELPC Ex. 2.0 at 4:14-18). In support of its position, ELPC cites a 2010 report from the Department of Energy’s Pacific Northwest National Laboratory which estimated a peak load reduction and annual energy reduction of 0.5 to 4% from CVR. In addition, as part of the Electric Power Research Institute (EPRI) Green Circuits project, Alabama Power and Duke Energy recently conducted field trials of VO. Results suggest the utilities could achieve energy

reductions between 1.2 and 2.4% just on the utility side of the meter. (ELPC Ex. 2.0 at 4:21-23, 5:1-4).

ELPC also points to Ameren Illinois' Voltage Optimization Pilot of 2012. ELPC understands that data collection and retention issues hindered the pilot program, but that preliminary results are promising. ELPC notes that Ameren Illinois intends to continue the pilot project to better assess the potential impacts, but ELPC recommends that Ameren Illinois develop a system wide strategy for implementing VO beyond the pilot. (ELPC Ex. 2.0 at 8:18-22, 9:1-2).

ELPC urges Ameren Illinois to implement VO because it is a "very cost effective measure"; it is easily implemented; it impacts every customer on the feeder; it is "immediate, predictable, measurable, persistent and scalable"; and it requires no behavioral change on the part of customers. (ELPC Ex. 2.0 at 9:13-22; 10:1-2).

Accordingly, ELPC makes the following recommendations regarding VO:

- The Commission should order Ameren to conduct a feasibility/potential study to determine the impact and costs of VO.
- The Commission should formally certify the energy efficiency and demand reductions associated with VO as qualified resources in meeting IL EE/DR standards, and commit to allowing recovery of prudently incurred costs.
- The Commission should order Ameren to use the results of the VO feasibility/potential study to reprioritize the programs under Plan 3.
- The Commission should order Ameren to work with the SAG to develop an appropriate measurement and verification methodology for VO.

(ELPC Ex. 2.0 at 15:7-9, 15-17, 19-20; 16:1-2).

(1) AG's Position

AG agrees with CUB and ELPC that voltage optimization ("VO") technology can be a cost-effective approach to better managing the electrical grid, and can achieve some reductions

in energy demand. However, AG does not believe VO should be pursued with the limited demand-side management funding resources in Illinois. (AG Ex. 2.0C at 12:1-16, 21-22; 13:1-3).

AG points to the intent of the statute to support its position that VO should not be pursued in Ameren's Plan 3. According to AG, the intent of Section 8-103 of the Public Utilities Act is to work directly with customers and trade allies to improve end use efficiency. The adoption of voltage optimization is a supply-side solution to efficiency that is completely under the control of the utilities, is invisible to customers, and does not require any customer action to be successful. Just as investments in advanced metering infrastructure have not been funded through the limited efficiency funds, neither should VO.

Accordingly, AG supports the investment of funds in VO technology, and recommends that the Commission direct Ameren to make such investments, but does not believe Section 8-103 funds should be used for VO.

(iii) Ameren Illinois' Position

The Commission should reject the recommendation by CUB and ELPC that Ameren Illinois should include a VO or CVR program in its Plan 3 because (1) there is not enough data with respect to broader system operability; (2) it has not been found to be cost-effective as a demand response program; and (3) it is not appropriate to spend Section 8-103 funds on such a program. Ameren Illinois performed a cost-effectiveness analysis on a variety of Demand Response measures in order to determine if they would be cost-effective in the Ameren Illinois service territory. (Ameren Ex. 7.3). Ameren Illinois found, using measure parameters from other service territories, that no demand response measures were both cost-effective and applicable to the Ameren Illinois service territory. (Ameren Ex. 7.0 at 8-9:163-168). Specifically, Ameren Illinois found that a CVR program, which optimizes the electric delivery

system by adjusting voltage, is not cost effective as shown in the Ameren Illinois Plan 3 Demand Response Measure Analysis. (Ameren Ex. 8.0 at 7:137-139).⁸

Furthermore, VO should not be pursued via an energy efficiency and demand response plan, particularly because Ameren Illinois is already exploring these types of options through its Advance Metering Infrastructure Plan. As AG witness Mr. Mosenthal stated, “the intent of Section 8-103 of the Act is to work directly with customers and trade allies to improve end use efficiency. The adoption of voltage optimization is a supply-side solution to efficiency ... [j]ust as investments in advanced metering infrastructure have not been funded through the limited efficiency funds, neither should VO.” (AG Ex. 2.0 at 12:11-20). The installation, operation and maintenance of any appropriate VO related system(s) need to remain with the utility and outside of the energy efficiency portfolio and thus such a recommendation does not pertain to this docket. (Ameren Ex. 8.0 at 7:146-153).

3. Additional Financing to Customers for Energy Efficiency Measures

(a) Workshops

(i) Intervenors’ Position(s)

ELPC recommends that the “Commission instruct the Staff to conduct a workshop and the SAG to review, consider the strengths and weaknesses of the various options and prepare recommendations to the Commission regarding the use of additional financing options and alternatives including the use of amortization and capitalization of utility related costs. The recommendations should be presented to the Commission within six months of the issuance of an Order and the possibility of program changes for PY8, depending on Commission authorization and direction.” (ELPC Ex. 1.0 at 9).

⁸ The results of Ameren Illinois’ CVR pilot project were provided in response to data requests ELPC 1.14 and ELPC 1.14S (ELPC Cross Ex. 1 at 2, 26).

(ii) Staff's Position

Staff recommends that the Commission reject ELPC's proposal regarding a workshop to investigate financing alternatives. Staff points out that the basis of ELPC's recommendation appears to be that "Ameren's proposed level of savings will fall short of statutory targets and additional efforts should be pursued to increase savings." (ELPC Ex. 1.0 at 3). Staff argues that ELPC ignores the fact that additional efforts are already underway to increase savings based on the additional funding allowed by Section 16-111.5B of the Act and that the statutes clearly allow for modified savings goals, Staff recommends the Commission decline to direct such workshops take place at this time. (Staff Ex. 3.0 at 29-30:645-649; 654-658; 672-676).

(iii) Ameren Illinois' Position

The Commission should reject ELPC's recommendation "that the Commission instruct the Staff to conduct a workshop and the SAG to review, consider the strengths and weaknesses of the various [financing] options . . ." (ELPC Ex. 1.0 at 9:1-5). ELPC's financing recommendation consists of little more than a list of possible financing alternatives – ELPC offers no support for its recommendation that the Commission order a workshop. (ELPC Ex. 1.0 at 8:1-9:7). Furthermore, financing is not a required energy efficiency activity under either Section 8-103 or Section 8-104.

For an additional and separate reason, it would be inappropriate to conduct a workshop that discusses on bill financing ("OBF") before the evaluation of the pilot is completed. As discussed in more detail below (under "On-Bill Financing"), Ameren's OBF pilot is currently under evaluation, subject to discontinuation, and it would be inappropriate to conduct a workshop on OBF prior to the issuance of the evaluation report.

(b) On-Bill Financing

ELPC recommends that Ameren Illinois continue to offer on-bill financing (“OBF”), as it has in the past. Section 16-111.7 of the Act sets forth the requirements for on-bill financing programs for electric utilities (and the gas law, set forth in 220 ILCS 5/19-140, is virtually identical). “Programs created pursuant to this Section will allow utility customers to purchase cost-effective energy efficiency measures . . . with no required initial upfront payment, and to pay the cost of those products and services over time on their utility bill.” (220 ILCS 5/16-111.7(a)). The total amount financed under the OBF program “shall not exceed \$2.5 million for an electric utility or electric utilities under a single holding company, provided that the electric utility or electric utilities may petition the Commission for an increase in such amount.” (220 ILCS 5/16-111.7(c)(7)). Because Ameren Illinois is a dual fuel utility, it is subject to a \$5 million cap on its OBF program.

(i) Intervenors’ Position(s)

ELPC argues that Ameren Illinois’ Plan should include OBF. “[E]ven though Ameren has been authorized to offer on-bill financing, Ameren is not currently offering its customers on-bill financing.” (ELPC Ex. 1.0 at 5:18-20).

AG agrees with ELPC that Ameren Illinois should be pursuing on-bill financing (“OBF”) services in its Plan because OBF provides a significant tool for Ameren Illinois to expand the goals it pursues within the budget limits. (AG Ex. 2.0C at 9). AG explains that Ameren Illinois used ratepayer funds to set up an administrative mechanism to support OBF, as directed by 220 ILCS 5/16-111.7, and met the OBF Act’s minimum requirement to fund this mechanism with at least \$5 million in loan funds, they have now discontinued offering OBF. AG argues that this is inappropriate because OBF can allow Ameren Illinois to reduce cash rebates by supplementing them with financing that still provides customers immediate positive cash flow. (AG Ex. 2.0C at

10:3-4). So long as the loan payments are smaller than the estimated bill savings, then customers will directly benefit by adopting the efficiency measures and have little financial disincentive to do so. Furthermore, given that the ratepayers have invested in the development of this important resource mechanism, they should continue to accrue the benefits available from it. (AG Ex. 2.0C at 9-10).

CUB also supports ELPC's recommendation that Plan 3 should include an on-bill financing program. (CUB Ex. 2.0 at 20). CUB suggests that the Commission order Ameren Illinois to report on whether the Company believes it would be cost-effective to include on-bill financing through the EEPS in a revised plan, and if it appears that it would be cost-effective, the Commission should order Ameren to do so. (CUB 2.0 at 21).

(ii) Ameren Illinois' Position

Intervenors' recommendation that Ameren Illinois continue and/or expand its OBF program should be rejected for three reasons: (1) Ameren Illinois has already exhausted Commission-approved funding for its OBF program; (2) OBF is provided for in statutes that are separate from the energy efficiency and demand response statutes, and thus it would be inappropriate to address OBF in this proceeding; (3) Intervenors' recommendations are vague and do not provide sufficient information as to how Ameren Illinois' Plan should be modified; and (4) any discussion of Ameren Illinois' OBF program should occur after the evaluation report has been filed and the legislation has approved continuing the program per the Act.

First, Ameren Illinois does not currently have the ability to provide further financing of its OBF program. In its June 2, 2010 order in Docket No. 10-0095, the Commission approved the OBF program proposed by Ameren Illinois, with a \$5 million loan fund (gas and electric combined). (6/2/10 Final Order, ICC Docket No. 10-0095, at 36). Due to Ameren Illinois' successful implementation, the current OBF pilot has been fully utilized by the Ameren Illinois

energy efficiency portfolio and the pilot reached its maximum funding cap of \$5 million in August of 2013. (Ameren Ex. 8.0 at 4-5:88-91; AG Cross Ex. 1 at 3 (NRDC 2.02)). If additional OBF funding becomes available, AIC intends to utilize OBF in its current form to support Plan 3 programs. (AG Cross Ex. 1 at 3 (NRDC 2.02)).

Second, the statutes providing for OBF (220 ILCS 5/16-111.7 (electric) and 220 ILCS 5/19-140 (gas)) are separate and distinct from those addressing energy efficiency and demand response (220 ILCS 5/8-103 (electric) and 220 ILCS 5/8-104 (gas)). While the OBF statutes are concerned with saving money for consumers, the energy efficiency and demand response statutes are concerned with the utility itself reducing delivery load. Therefore, it would be inappropriate to address OBF in this proceeding.

Third, none of the Intervenor's who recommend OBF indicate where funding for the program would come from, and what proposed Plan 3 programs and related savings would have to be reduced to accommodate additional funding of OBF.

Fourth, it would be inappropriate for the Commission to order expansion of Ameren Illinois' OBF program in this proceeding prior to the submission of the evaluator's report. Pursuant to statute, the evaluation of Ameren's OBF pilot is currently underway. (220 ILCS 5/19-140(g) (requiring the evaluator to issue a report no later than 4 years after the date on which the program commenced)). "As part of the evaluation process, the evaluator shall also solicit feedback from participants and interested stakeholders." (220 ILCS 5/19-140(g)). Thus, Intervenor's will have an opportunity to provide feedback regarding Ameren Illinois' OBF program once the evaluator has completed its report. Accordingly, this is not the appropriate forum to discuss changes to Ameren Illinois' OBF program. Ameren Illinois is open to working with Intervenor's in a workshop, but not until the evaluation report has been submitted.

For any or all of these reasons, the Commission should reject Intervenors' requests regarding on bill financing.

(c) Other Financing Proposals

ELPC lists a number of potential additional customer financial incentives that it claims Ameren should consider including in its Plan – “on-bill financing, off-bill loans, revolving loans, performance contracting, tariffed installation programs, leasing, amortization, capitalization and other alternatives.” (ELPC Ex. 1.0 at 8:4-6). This section addresses ELPC’s recommendation regarding performance contracting, which ELPC argues is one way for Ameren Illinois to increase savings within its projected budget. According to ELPC, performance contracting arrangements are made whereby a third party provides the capital to retrofit a building and make energy efficiency improvements. The customer saves enough money on their bill that they can pay off the capital improvement and split the savings with the third party. (ELPC Ex. 1.0 at 6:9-14).

(i) Staff’s Position

Staff offered no position regarding performance contracting prior to briefing.

(ii) Intervenors’ Position(s)

ELPC recommends performance contracting as an additional incentive that Ameren should offer as a way to encourage adoption of energy efficiency technology. ELPC argues that Ameren should adopt this consumer incentive because “DCEO is supporting and encouraging performance contracting” and “[p]erformance contracting to promote energy efficiency is a long established approach and is widely used.” (ELPC Ex. 1.0 at 6:9-15).

(iii) Ameren Illinois’ Position

Like ELPC’s other financing recommendations, ELPC’s recommendation regarding performance contracting is vague and does not provide sufficient information to warrant

modification of Ameren Illinois' proposed Plan 3. For example, ELPC does not indicate any method by which Ameren Illinois should encourage performance contracting or why that method is preferable to another. Accordingly, the Commission should reject this vague proposal.

4. Rider EDR and Rider GER

The Act requires Ameren Illinois to submit a proposed cost recovery mechanism along with its Plan 3. As explained in Plan 3, the Company is proposing to continue with the use of Rider Energy Efficiency and Demand-Response Cost Recovery ("Rider EDR") and Rider Gas Energy Efficiency Cost Recovery ("Rider GER"), with slight changes, as discussed below. The first change, suggested by Staff, would eliminate language from both Riders tying the timing of filing of the annual reconciliation to the completion of evaluation reports. (Staff Ex. 1.0 at 22:554-23:558). The second change, which was suggested in Ameren Exhibit 9.0, would add language to Rider GER regarding the amortization period for long term planning costs.

(a) Proposed Changes to Rider EDR

(i) Staff's Position

With respect to language in Rider EDR and Rider GER regarding the annual energy efficiency reconciliation docket, Staff recommends that the Commission remove the requirement to wait for evaluation reports to be completed before the filing of testimony because ex post evaluation reports are not needed for filing testimony in reconciliation proceedings. (Staff Ex. 1.0 at 22:554-23:558). The excerpt below shows the suggested change to tariff language:

Annual Energy Efficiency Reconciliation Docket

During the annual reconciliation proceeding, the Company shall file ~~testimony by the later of October 31, or 35 days after it receives the final copies of the independent evaluations, unless otherwise approved by an Administrative Law Judge.~~ The testimony that will address the Company's reconciliation statement and the prudence and reasonableness of costs incurred and recovered under this Rider during the Program Year that is the subject of the reconciliation statement.

Although not addressed in testimony, in data request ST 1.01, Staff raises the possibility of an additional change to Rider EDR, which Ameren Illinois does not oppose. (See Staff Group Cross Ex. 1 at 135). In data request ST 1.01, Staff asks whether Ameren would agree to adding similar language that it suggested for Rider GER in Ameren Exhibit 9.0 to Rider EDR. The proposed language addition to Rider EDR is as follows, and the reasoning behind such language is explained below (with respect to Rider GER). Aside from the underlined language, the suggested addition is identical to the language Ameren Illinois suggested should be added to Rider GER:

Such Projected Costs to be recovered during the Program Year may include adjustments for (a) costs incurred related to the planning and development of plans approved by the ICC for energy efficiency programs amortized over a period of three years or other such costs related to annual reporting requirements and (b) ICC approved adjustments to Incremental Costs, if any.

(ii) Intervenors' Position(s)

No Intervenor offered an opinion regarding changes to Rider EDR prior to briefing.

(iii) Ameren Illinois' Position

Ameren Illinois supports Staff's recommended language change in Rider EDR and Rider GER to eliminate timing problems,⁹ and would also support the second change (referenced in data request ST 1.01), to add language to Rider EDR about the amortization period required for long term planning costs. Staff's first proposed change, regarding timing issues, would solve the problem Ameren Illinois faces in its current reconciliation dockets, where the Company has found itself in the position of filing direct testimony before the previous-year reconciliation docket has been completed. In Docket No. 11-0687, which addresses the PY3 reconciliation

⁹ Note, originally Ameren Illinois proposed eliminating the timing problem with slightly different language than Staff proposes, but will agree to Staff's recommendation in lieu of its original recommendation, which was stated in Ameren Exhibit 4.0 at 10:200-11:223.

under Rider EDR and Rider GER, the Company filed direct testimony seeking a similar change. As of the filing of this brief, the Commission has not yet issued a final order which would approve the Company's request. (Ameren Ex. 4.0 at 11:225-229, 231-234). Therefore, the Commission should approve and adopt the suggested language in this proceeding.

(b) Proposed Changes to Rider GER

(i) Staff's Position

As explained above, Staff recommends the same change to Rider GER that it recommends for Rider EDR, which would remove the requirement to wait for evaluation reports to be completed before the filing of testimony because *ex post* evaluation reports are not needed for filing testimony in reconciliation proceedings. (Staff Ex. 1.0 at 22:554-23:558).

(ii) Intervenors' Position(s)

No Intervenor offered an opinion regarding changes to Rider GER prior to briefing.

(iii) Ameren Illinois' Position

As explained above, Ameren Illinois supports Staff's recommended language change in Rider GER that is the same change recommended for Rider EDR (to eliminate timing problems).¹⁰

Ameren Illinois makes an additional recommendation with respect to Rider GER. Through discussions with Staff during another docket, it was recently discovered that Rider GER is silent on the amortization period required for long term planning costs. Ameren Illinois has been relying on the language in Rider EDR that requires long term planning costs to be amortized and recovered over the planning cycle for which they were incurred. Language

¹⁰ Note, originally Ameren Illinois proposed eliminating the timing problem with slightly different language than Staff proposes, but will agree to Staff's recommendation in lieu of its original recommendation, which was stated in Ameren Exhibit 4.0 at 10:200-11:223.

related to the amortization of the long term planning costs in Rider EDR should be added to Rider GER to explicitly require the same amortization method. This suggested change was recently proposed in ICC Docket No. 11-0687 and Ameren Illinois understands that Staff does not oppose the concept, subject to the Company and Staff agreeing on acceptable language.

The Commission should therefore adopt Ameren Illinois' proposed additional language that would include in the definition of "Projected Costs" costs that are related to the planning and development of plans approved by the ICC for energy efficiency and demand-response programs amortized over a period of three years or other such costs related to annual reporting requirements. Ameren Illinois expects that the language will look similar to the language currently in Rider EDR and commits to continuing to work with Staff on agreeable language for submission to the Commission, to the extent necessary. For clarity, Ameren Illinois proposes adding the following underlined language to the definition of "Projected Costs" in Rider GER:

PC = Projected Costs, in dollars, are equal to the Incremental Costs associated with the applicable Program Year, including applicable cost incurred after February 1, 2008, or in the case of a revised GEE Charge, are equal to adjustments for such projected Incremental Costs for the remaining Effective Periods of the Program Year. Such Projected Costs to be recovered during the Program Year may include adjustments for (a) costs incurred related to the planning and development of plans approved by the ICC for energy efficiency programs amortized over a period of three years or other such costs related to annual reporting requirements. In computing the GEEC for GDS-1 Customers, Projected Costs also include projected Incremental Costs associated with any on-bill financing program approved by the ICC and provided in accordance with the provisions of Section 19-140 of the Act during the applicable twelve (12) month period beginning in June following the date that the GEEC is filed with the ICC, or in the case of a revised GEEC, beginning with the month following the date that such revised GEEC is filed with the ICC for informational purposes and extending through the following May.

(Ameren Ex. 9.0 at 5-6:106-115, 117-141).

5. Demand Response

(a) Introduction

The statute provides, “[e]lectric utilities shall implement cost-effective demand-response measures to reduce peak demand by 0.1% over the prior year for eligible retail customers, as defined in Section 16-111.5 of this Act . . .” (220 ILCS 5/8-103(c)). The definition of “demand-response” specified in the statute is as follows: “‘Demand-response’ means measures that decrease peak electricity demand or shift demand from peak to off-peak periods.” (20 ILCS 3855/1-10). Ameren Illinois witness Mr. Noonan calculated the demand response target for Plan 3 as 1.23 MW for PY7, 1.12 MW for PY8, and 1.07 MW for PY9. (Ameren Ex. 4.0 at 9:190-191). Ameren Illinois will meet its demand response obligations through energy efficiency measures. This section will address (1) CUB’s argument that Ameren Illinois has not used the correct definition of “eligible retail customers” and (2) recommendations from CUB and ELPC that Ameren Illinois should include a demand response program (as opposed to demand response measures) in its Plan.

(b) Definition of “Eligible Retail Customers”

(i) Intervenors’ Position(s)

CUB believes “Ameren is improperly interpreting the definition” of eligible retail customers “given in the statute.” (CUB Ex. 1.0 at 19:439-440). According to CUB, Ameren Illinois claims that the demand response target is based on a percent of peak demand for “eligible retail customers,” which Ameren interprets to mean the number of customers who purchase electricity supply from Ameren Illinois and excludes customers who elect to purchase electricity supply from an ARES. CUB witness Ms. Devens quotes section 16-111.5 of the Public Utilities Act for the definition of “eligible retail customers.” “For the purposes of this Section,” eligible retail customers are:

“those retail customers that purchase power and energy from the electric utility under fixed-price bundled service tariffs, other than those retail customers whose service is declared or deemed competitive under Section 16-113 and those other customer groups specified in this Section, including self-generating customers, customers electing hourly pricing, or those customers who are otherwise ineligible for fixed-price bundled tariff service.” (220 ILCS 5/16-111.5(a)).

CUB argues that this definition establishes that the phrase “eligible retail customers” means customers who are eligible to be retail customers of the utility, and therefore, this is the pool of customers on which Ameren Illinois’ demand response goal should be based. Therefore, CUB recommends that the Commission order Ameren Illinois to calculate its demand response goal based on the number of customers who are eligible to be retail customers of the Company, and not solely the number of customers who are currently Ameren Illinois retail customers. (CUB Ex. 1.0 at 21:491-493).

(ii) Staff’s Position

Staff recommends that the Commission reject CUB’s interpretation of “eligible retail customers” as the pool of customers “who are eligible to be retail customers of the utility” because it conflicts with the statute. (CUB Ex. 1.0 at 20). The statutory definition of “eligible retail customers” clearly states that it consists of “those retail customers that purchase power and energy from the electric utility under fixed-price bundled service tariffs[.]” (Staff Ex. 3.0 at 28:631-633, 635-638 (citing 220 ILCS 5/16-111.5(a))).

(iii) Ameren Illinois’ Position

The Commission should reject CUB’s definition of “eligible retail customers” because it is inconsistent with the plain language of the statute. *See Orlak v. Loyola Univ. Health Sys.*, 228 Ill. 2d 1, 8 (Ill. 2007) (“A court should interpret a statute, where possible, according to the plain and ordinary meaning of the language used.”). The statute defines “eligible retail customers” as “those retail customers that purchase power and energy from the electric utility under fixed-price

bundled service tariffs.” (220 ILCS 5/16-111.5(a)). Alternative retail electric supplier (“ARES”) customers do not purchase power from the utility. Furthermore, when Ameren Illinois provides procurement plan load requirements to the Illinois Power Agency, ARES customers are not included. Again, Section 16-111.5 of the Act plainly states that “[t]hose customers that are excluded from the definition of ‘eligible retail customers’ shall not be included in the procurement plan load requirements” (220 ILCS 5/16-111.5(a)). (Ameren Ex. 9.0 at 4:72-86). Accordingly, the Commission should reject CUB’s interpretation of “eligible retail customers” and instead enter an order consistent with the position supported by both Staff and Ameren Illinois.

(c) Power Smart Pricing Program

CUB recommends that, if Ameren Illinois reports that Conservation Voltage Reduction (“CVR”) would not be cost effective, Ameren should include a Power Smart Pricing (“PSP”) program in its Plan to meet its demand response goals.

(i) Intervenors’ Position(s)

CUB argues that, if Ameren Illinois reports that its CVR pilot program would not be cost-effective to deploy on a greater scale, the Company should propose to meet the demand response goals by expanding its PSP program. In support of its PSP proposal, CUB states that in the last Plan Order, the Commission expressed interest in the results of the Power Smart Pricing program (ICC Docket No. 10-0568), and the program was found to be cost-beneficial and is continuing indefinitely. (CUB Ex. 1.0 at 27-28:643-649).

(ii) Staff’s Position

Staff believes that it would be “unnecessary and impractical” to require Ameren Illinois to expand its PSP program. The PSP program is already in effect and it administered through Rider PSP. (ICC Docket No. 11-0547, 11/8/12 Final Order, 3-4). PSP is now an opt-in program

available to all its residential electric customers. It seems counterproductive to expand the PSP program with the limited EE funds available when Rider PSP exists and allows for cost recovery if the program is expanded outside of the energy efficiency portfolio.

Shifting PSP program participation to Section 8-103-funded program participation may have the effect of lowering EE savings by shifting the costs recovered under Rider PSP (the vast majority of which is paid by the non-participants) to the energy efficiency Rider EDR. Given the cost cap on EE expenditures, including PSP under EE would have the effect of reducing funds for and savings from other EE programs.

However, should the Commission wish to explore expanding the PSP Program, it is important for the Commission to be cognizant of the fact that the Total Resource Cost (“TRC”) Test was not used to determine that the PSP Program is cost beneficial. (ICC Docket No. 11-0547, Ameren Ex 1.1, filed April 4, 2012). Staff witness Dr. Brightwell pointed out the differences between the TRC test and the method used to evaluate the PSP program. (Staff Ex. 4.0 at 3-4:49-56, 61-62).

(iii) Ameren Illinois’ Position

The Commission should reject CUB’s recommendation that Ameren Illinois should include a PSP program in its Plan 3, as it is undeveloped and remains unclear how PSP could be expanded without restricting the ability of residential customers to choose an alternate supplier. PSP is an electricity pricing program for residential customers served by Ameren Illinois. This electric supply option uses hourly, day-ahead electricity prices when calculating billing charges. All residential customers (eligible retail and otherwise) can participate in this program and all are invited at least twice annually to enroll in PSP through the legislatively-mandated bill inserts. The PSP program administrator supplements these inserts with targeted marketing campaigns throughout the year.

CUB also has not provided any explanation of how PSP could be expanded without restricting customers' choice of supplier because recent experience with the program indicates that when existing PSP customers choose to leave PSP, they most often switch to service from a Retail Electric Supplier ("RES"). Given their choice, some customers are choosing PSP, but the vast majority of residential customers are choosing RES service. In addition, as noted, an eligible retail customer is someone other than customers electing hourly pricing, and PSP customers are those who elect hourly pricing; therefore, PSP customers do not pertain to customers for 8-103 demand response programs.

Additionally, the program is funded separately through Rider PSP. CUB is silent as to how expanding PSP through the limited funds available in the Section 8-103 budget would provide additional benefits to customers. As Staff witness Dr. David Brightwell notes, "[g]iven the cost cap on EE expenditures, including PSP under EE would have the effect of reducing funds for and savings from other EE programs." (Ameren Ex. 8.0 at 8:158-173 (citing Staff Ex. 4.0 at 2:34-36)). Therefore, for all of these reasons, the Commission should reject CUB's recommendation regarding PSP.

(d) Other

6. Miscellaneous

(a) LED Street Lighting

ELPC witness Mr. Crandall explained LED street lighting in his direct testimony and recommended that Ameren Illinois modify its DS-5 tariff to provide for LED street lighting. (ELPC Ex. 1.0 at 12:15-14:22).

(i) Staff's Position

Staff offered no opinion regarding LED street lighting prior to briefing.

(ii) Intervenors' Position(s)

ELPC witness Mr. Crandall recommends that Ameren Illinois make certain tariff changes, including modifying its DS-5 tariff to include LED street lighting. (ELPC Ex. 1.0 at 6-7, 12-14). As explained by Mr. Crandall, Ameren Illinois' current DS-5 tariff "provides mercury vapor, sodium vapor and metal halide lighting technology options," but does not provide LED lighting. (ELPC Ex. 1.0 at 13:8-13). Mr. Crandall believes energy savings are available by use of LEDs in street lighting applications, and provides an example from Vermont. Furthermore, he states another Midwest utility (Interstate Power and Light Company ("IPL")) has recently revised its tariff to expand LED street lighting. According to Mr. Crandall, IPL's expansion of LED street lighting "will lower electricity costs for communities around the state while providing . . . superior lighting performance." (ELPC Ex. 1.0 at 14:13-15). Based on these reasons, ELPC recommends "Ameren [] submit a request to modify its DS-5 tariff to include LED street lighting technologies, or propose a new tariff to offer LED street lighting." (ELPC Ex. 1.0 at 14:21-22).

(iii) Ameren Illinois' Position

The Commission should reject ELPC's recommendation regarding Ameren Illinois' DS-5 tariff because it is vague and premature. Modifying tariffs as ELPC suggests would require significant consideration of many factors not identified in testimony. For example, with respect to the LED lighting, it is presently unknown what type of LED lighting could even be offered or whether an LED lighting program would be cost effective. Furthermore, a host of factors that would affect the tariff rate are unknown, including the cost of service, revenue requirements, billing determinants, and kWh sales. ELPC has provided no analysis on any of these aspects of the proposal. (Ameren Ex. 6.0 at 27:598-608).

ELPC offered as an example of a LED street lighting tariff its ELPC Exhibit 1.2, a tariff offered by Interstate Power and Light Company. The tariff makes evident the paucity of information provided the Commission as it's being asked to require Ameren Illinois to simply

add a LED option to DS-5. The exhibit makes clear the rate for LED service is a composite of several charges, including lamp size and kwh usage, and that the rate is also subject to the sum of other charges identified as “A, B, C, D, E and F.” Furthermore, not explained by ELPC is the tariff’s reference to an Energy Efficiency Cost Recovery Clause. Why this is important for the rate is not explained and more importantly ELPC has not explained whether a similar clause should apply to DS-5.

Without any basis to approve ELPC’s recommendation, the Commission should reject it.

VI. Policy Issues

A. Net to Gross Ratio Values

As explained by Ameren witness Mr. Goerss, a net-to-gross (“NTG”) ratio is used to convert the gross annual reductions in energy usage to a net value. The net value is specific to the program under consideration and does not include reductions that would have occurred absent the program. NTG is typically viewed as an adjustment to eliminate free-rider effects and include benefit for spillover effects – that is, to account for those customers who would have reduced energy consumption regardless of the program and to account for additional savings customers obtained because of the program. (Ameren Ex. 1.0 at 12:262-267).

1. Spillover and Free Ridership Factors for NTG Values

Ameren Illinois requests clear Commission approval that spillover and free ridership factors be included when calculating NTG values. According to Ameren witness Mr. Cottrell, “free riders” are program participants who would have implemented the incited energy efficiency measure(s) even without the program. Free riders are identified through a series of questions that explore the influence of the program in making the energy efficiency installations as well as the likely actions had the incentives not been available.

At the same time, however, there will be customers who undertake the action the program is attempting to motivate, but who do not take advantage of the incentive offered by the program. These customers are known as “free drivers,” and the savings that their actions produce are termed “spillover.” Just as the effects of free riders must be accounted for, so should the effects of free drivers. The NTG ratio is adjusted downward to account for free riders and upward to account for spillover. (Ameren Ex. 2.0 at 24:518-527). As noted by Ameren Illinois in its Plan 3 document, there has been an inordinate and inappropriate frequency of values provided for free riders in the EM&V process as compared to values provided for spillover. (Ameren Ex. 6.1 at 55).

As explained by Ameren witness Dr. Obeiter, NTG ratios should include adjustment factors for both free ridership and spillover (including participant and non-participant spillover). Not including estimates of both adjustment factors leads to program administrators dealing with imperfect information when considering the design and/or delivery of programs. (Ameren Ex. 5.0 at 4:77-80, 83-88).

AG witness Mr. Mosenthal agrees “that both free ridership and spillover should apply to NTG ratio estimation, and [he] encourage[s] the ICC to confirm that spillover is a legitimate aspect of estimating NTG.” (AG Ex. 1.0 at 45:6-8). Mr. Mosenthal also proposes that the SAG, in consultation with the independent EM&V consultants, can agree to deem a spillover assumption regardless of whether there is any formal EM&V study on it. (AG Ex. 1.0 at 45:6-8, 12-21). Indeed, Mr. Mosenthal noted that in the latest SAG process of attempting to reach consensus on NTG ratios for EPY5 & 6 and GPY 2 &3, all parties reached consensus to explicitly add an estimate of spillover to the evaluated free ridership results for some programs for some selected utilities whose evaluations had not included spillover. Mr. Mosenthal sees no

reason why the SAG cannot still operate in this way, and deem values while carefully allocating limited EM&V resources. (AG Ex. 1.0 at 46:6-9; 12-13).

No party contested Ameren Illinois' request to include both values, though Staff, after making certain observations regarding the cost and value of calculating spillover,¹¹ ultimately recommends that the Commission "direct the independent evaluators to make reasonable efforts to calculate both free ridership rates and spillover rates while being mindful of: (1) the costs of such evaluations, (2) the likely magnitudes of spillover and free ridership rates within a program, and (3) the significance of the program to overall savings." (Staff Ex. 2.0 at 5:93-97). Ameren Illinois agrees with Staff insofar as it recommends including both free ridership and spillover rates, but disagrees with much of Staff's observations regarding spillover and its recommendation to direct the independent evaluators to make "reasonable efforts" to include spillover (and if they cannot, to simply calculate free ridership). As explained by Dr. Obeiter, including one component without the other unnecessarily creates a biased outlook on program activities for both administrators and stakeholders. Including both free ridership and spillover in the NTG formula is a more balanced approach to measuring net savings. (Ameren Ex. 10.0 at 13-14:291-302). Indeed, it seems all parties agree that both components can and should be used. (Ameren Ex. 6.0 at 25-26:569-577).

Accordingly, the Commission should approve Ameren Illinois' request to use both spillover (participant and non-participant) and free ridership when calculating NTG ratios and in the absence of one factor, neither factor should be included.

2. Modified NTG Framework Proposals

¹¹ These observations were addressed by Ameren Illinois witness Dr. Obeiter. (Ameren Ex. 10 at 11-12).

Ameren Illinois proposes a simple and streamlined process by which NTG values and TRM values would be determined from reliable and independent sources by March 1st of each year. Ameren Illinois' proposal does not require lengthy deliberations or expensive litigation of non-consensus items and does not delegate referee status to the Commission on technical values that existing, contracted independent evaluators already provide pursuant to the Act without Commission involvement. Specifically, Ameren Illinois proposes to take the NTG values (as determined by the independent evaluators) and the TRM update values (as determined by the Technical Advisory Committee ("TAC") which is a subcommittee of the SAG) that are known by March 1st and apply those prospectively for the following Plan Year. This simple process ensures that all NTG values would be determined by a Commission-verified independent source (the EM&V contractor) and all TRM values would be determined by the same entity tasked with doing so now (the TAC). This process would also minimize the litigation of non-consensus items before the Commission because there is no built-in mechanism that requires the Commission to get involved with setting NTG or TRM values.¹² Importantly, no party has meaningfully criticized Ameren Illinois' approach as either inadequate or improper. (Ameren Ex. 6.0 at 5-6:118-137).

Instead, the AG, ELPC and Staff propose alternative frameworks presented in AG Exhibit 1.1, ELPC Exhibit 1.4 (which appears to be identical to AG Exhibit 1.1) and Staff Exhibit 3.1. Each of the proposals reflects components that would give SAG decision making authority and would include retroactive application of values, both of which would be inconsistent with prior Commission findings. Additionally, while the parties indicate that the

¹² Importantly, the Commission still has oversight of the EM&V evaluator and can terminate the contractor, if appropriate. Additionally, nothing in Ameren Illinois' proposal would limit any party from filing a petition or complaint about the EM&V contractor, the utility or any other party in accordance with the rules of the Commission.

frameworks base themselves on an agreement “in principle” between Staff and certain Intervenor, certain key differences are apparent based on review of the exhibits and the rebuttal testimony of Mr. Mosenthal and Ms. Hinman.

First, Staff’s and Intervenor’s NTG Frameworks would impermissibly grant decision making authority to the SAG over critical aspects of the Plan, which runs counter to the Commission’s previous findings in Ameren Illinois’ Plan 2 approval docket. (*See* ICC Docket No. 10-0568, 12/21/10 Final Order at 86). In that docket, the Commission stated:

Among other things, the Commission is concerned about the suggestion to grant stakeholders decision-making authority, as it raises the possibility of a deadlock, and gives rise to the possibility of conflicts of interest arising in the context of delivering the optimal programs and measures to the ratepayers. Finally, it appears that granting stakeholders decision-making authority would be inconsistent with the rationale articulated in the Final Order in Docket No. 07-0539, and the original intent of the group, which was for it to be advisory only, and which has been effective. The Commission finds that extending decision-making authority to the SAG is not appropriate at this time.

(*Id.*).

Unlike Ameren Illinois’ proposed NTG Framework, which relies on the statutorily-required, independent evaluation results, Staff’s and Intervenor’s proposals would vault the SAG above the independent evaluator, beyond its intended “advisory” role and into one that would have critical decision making authority over values that ultimately determine the level of savings achieved by the Company. Going down this path would certainly lead to the “conflicts of interest” and the very “deadlock” the Commission sought to avoid in Docket No. 10-0568.

Second, both Staff’s and Intervenor’s proposed NTG have retroactive aspects to them. This runs counter, however to the recent comments made by the Commission when it met to approve the Order on Rehearing in Docket No. 13-0077. There the Commission emphasized the importance of applying resolved measure level values prospectively to the following plan year as

opposed to the retroactive approach requested by Staff. (Docket No. 13-0077, 10/2/13 Bench Session Transcript at 12-13).

Third, despite the claim that Staff and Intervenors have agreement on their proposals, certain key differences still remain. First, Mr. Mosenthal appears to propose that his NTG framework apply to all Program Administrators (both the utilities and the Department of Commerce and Economic Opportunity (“DCEO”), (*see* Ameren Ex. 6.2 (response to AIC-AG 2.15)), while Staff’s proposed NTG Framework appears to be limited to just the utilities. Second, Mr. Mosenthal suggests limiting “voting” on consensus items to those SAG members who have been “regular, active members of the SAG” that “do not have any obvious conflicts” of interest, while Ms. Hinman states that this is an element that she “absolutely will not support under any circumstance.” (AG Ex. 1.0 at 8:8; Staff Ex. 3.0 at 13:292-96). Finally, the AG/ELPC suggest that Program Administrators file the updated NTG values as part of the TRM annual update on or by March 1st, while Staff has concerns with this approach because there is no guarantee under the current TRM update process that anything can be filed with the Commission on or by March 1st and resolved by June 1st.¹³ It is unclear how consensus can be reached under a framework if parties cannot agree on the framework itself.

Fourth, as reflected in Staff Exhibit 3.1, which represents Staff’s attempt to merge all three proposals, the framework contains at least eleven steps that are complicated, burdensome, would take longer to complete, and would most certainly increase the costs associated with determining NTG values without any corresponding benefits. The multi-staged process also most certainly increases the chance that items end up in litigation and require Commission action.

¹³ At the evidentiary hearing in this proceeding (held on Nov. 20, 2013), AG witness Mr. Mosenthal indicated that he would accept Staff’s NTG framework, but he did not resolve any of these inconsistencies.

Notably, Staff's and Intervenors' NTG Framework starts from the very same place as Ameren Illinois' proposal – the EM&V's independently determined NTG values (which, because the EM&V workplans and reports are submitted to the SAG for review and comment under the Final Order in Docket 10-0568, would reflect SAG involvement). Yet, Staff's and Intervenors' proposal would go on to add four more months of deliberation, debate, preparation and submission of reports and counter-reports, and then, if the parties still cannot achieve consensus, submission to the ICC for resolution of certain disputes. And their proposals still do not address how a NTG value would be derived for new programs without consensus or EMV reports (it apparently just gets submitted to the Commission) nor NTG values for programs lacking an “evaluated NTGR [net to gross ratio]” as defined by Staff. (Staff Ex. 3.0 at 17:373-88).

Finally, Ameren Illinois would also note the following: 1) such burdensome costs on the limited 3% budget for EM&V would impose restrictions on EM&V activities needed to perform evaluations; 2) all Illinois utilities have proposed that NTG values known as of March 1 from the independent evaluators are applied prospectively to the following program year (*see* Docket No. 13-0495, ComEd Ex. 1.0, filed 8/30/13 (ComEd's Plan) at 109; Docket No. 13-0549, Nicor Gas Ex. 1.0, filed 9/30/13 (Direct Testimony of James J. Jerozal Jr.) at lines 727-29, and Nicor Gas Ex. 2.0, filed 9/30/13 (Direct Testimony of Edward M. Weaver) at lines 356-63; Docket No. 13-0550, Peoples Gas Light and Coke Company and North Shore Gas Company (“NS-PGL”) Ex. 1.0, filed 9/30/13 (Direct Testimony of Michael Marks) at lines 492-97); and 3) perhaps most importantly, under the provisions of Section 8-103(f)(7) and Section 8-104(f)(8), net savings are already required to be determined by the independent evaluator. Contrary to this requirement, the Staff/SAG proposed framework usurps, and likely eliminates, the independent EM&V-recommended NTG value that is instrumental in determining these net savings values.

(Compare 220 ILCS 5/8-103(f); 8-104(f) with AG Ex. 1.1, ELPC 1.4; and Staff Ex. 3.1 (as modified at the hearing); see also AIC Cross Ex. 1 at 9, 14, 54, 59).

In conclusion, imposing needless and significant costs and burdens on Ameren Illinois, the independent evaluators, and the Commission is not justified and, indeed, should be avoided for all the reasons stated above. The Commission should reject Staff's and AG/ELPC's proposed frameworks and instead approve Ameren Illinois' more streamlined, concrete and efficient proposal which relies on the expert opinion and analysis provided by an independent evaluator subject to Commission oversight. (Ameren Ex. 6.0 at 6-8:123-175).

Alternatively, while Ameren Illinois opposes such a result, if the Commission is inclined to adopt a more complicated and expensive modified NTG Framework, the framework set forth in Staff Exhibit 3.1 would be preferable, so long as the Commission also ordered the following modifications.

First, while Ameren Illinois agrees with Staff that the "voting" rights element from AG/ELPC's proposal should be eliminated, the Commission should limit participation of those SAG members who have a conflict of interest, as recommended by AG witness Mr. Mosenthal, because the work of the SAG, including setting NTG values, should be done free from such conflicts of interests.

Second, the Commission should replace paragraph 8 to state as follows:

In cases where consensus is not reached on an individual NTGR value by February 20 (i.e., a Party's NTGR Objection Memo is received regarding an individual NTGR value and is not resolved by February 20), the non-consensus individual NTGR value for the applicable program year (PY_{t+1}) shall be deemed at the average of the SAG participants' proposed NTGR values for PY_{t+1}.

Changing the term "evaluated NTGR" to the phrase "average of the SAG participants' proposed NTGR values for PY_{t+1}" is necessary because Staff's proposed definition of "evaluated NTGR"

would result in an overly restrictive data set that may not always be present (therefore resulting in non-consensus and Commission involvement). This proposed change also eliminates the requirement to go to the Commission to resolve non-consensus items and instead simply provides for an average of the proposed NTGR values to be used as a proxy. By setting the default as providing certainty to the utilities by March 1st, as opposed to more litigation, the Commission would be minimizing costs and streamlining the resolution of non-consensus items in as fair a way as has been proposed by other parties.

Third, Staff's proposed framework does not provide any certainty for unanticipated new programs that are implemented during a Plan Year. To remedy this, Ameren Illinois proposes adding the following item, which incorporates other parties' proposals as well, to the list:

For new unanticipated programs implemented during the program year after June 1, the utility's evaluator will provide a recommended NTGR value for that program to be deemed for that first year of implementation. The evaluator will provide the recommended value in writing with appropriate justification. The utility will provide the evaluator's NTGR value to the SAG membership and request a recommended NTGR value for the new program from SAG participants. The average of all SAG participant recommended NTGR values will be the deemed value for that new program for that year (PYt). The utility will file that deemed value in the applicable Plan approval docket within 60 days accompanied by verification of the SAG and evaluator's values. Otherwise, the utility is subject to a retroactive application of the program's NTGR value as determined per this framework.

Fourth, Ameren Illinois recommends that the filing of NTG values pertaining to PY 7-9 be made in this docket, which covers the same period, rather than in ICC Docket No. 12-0528, which does not. By the time PY 7 begins, Docket No. 12-0528 will have been closed for over a year (and the time period will only get longer as PY 8-9 begin). Therefore, the filing of NTG values pertaining to PY 7-9 should be made in this docket (and not in Docket No. 12-0528, as Staff has proposed).

Finally, the Commission should allow the SAG to modify any NTG Framework, without Commission approval, through the consensus process.

The parties present the Commission with two options: Ameren Illinois proposes a streamlined approach that that preserves the role of the independent evaluator under the Act (and prior Commission Orders) and reserves Commission guidance on big policy matters and required dockets. Staff and Intervenors propose an inconsistent, complicated eleven step process that would improperly change SAG’s role and almost certainly increase the frequency of the parties seeking Commission guidance to resolve disputes regarding measure-level NTG values. Ameren Illinois urges the Commission to adopt its proposal.

B. Energy Efficiency Policy Manual

1. Intervenors’ Position(s)

AG recommends that “the Commission direct Ameren to work with the SAG on the following: . . . An Illinois Energy Efficiency Policy Manual, designed to streamline and encourage consistency on various program-related policies for review and approval by the Commission.” (AG Ex. 1.0 at 52:23-25). AG provides no additional detail about the Policy Manual or reasons why it is necessary.

2. Staff’s Position

Staff does not support the development of a Policy Manual as suggested by AG witness Mr. Mosenthal. Staff provides four major reasons why the Commission should reject the AG’s recommendation: (1) the recommended “policy manual” is not clearly defined; (2) it is unnecessary given the guidance provided in each utility’s plan docket and the TRM policy manual; (3) it would divert resources from more important matters; and (3) it would impose additional commitments on the SAG, a group that should spend its time on other previously-assigned duties.

First, Staff asserts that “the scope of the Policy Manual is not clearly defined, other than noting a broad-slated purpose that it would somehow ‘streamline and encourage consistency on various program-related policies[.]’” (Staff Ex. 3.0 at 25:565-567 (citing AG Ex. 1.0 at 52)).

Second, Staff argues the Policy Manual is unnecessary. Staff notes that each utility’s plan will likely not be consistent with other utilities’ plans, as recognized by the energy efficiency and demand response statutes (8-103 and 8-104). Thus, “it would be more appropriate to tailor each utility’s plan to the characteristics of its specific service territory.” The record and findings in each utility’s Plan filing docket provide sufficient guidance on how each utility should implement the EE programs in its unique service territory, and thus a policy manual is unnecessary. Furthermore, the SAG has created a TRM Policy Document, which is a policy manual concerning policy issues limited to the TRM.

Third, Staff argues that creating a Policy Manual that would require “consistency on various program-related policies” for all Illinois utilities would impose an undue and unnecessary burden on all parties and would divert resources from more important matters such as ensuring the programs are running effectively and updating the IL-TRM.

Finally, Staff is concerned about imposing additional commitments upon the SAG. The development of a Policy Manual is expected to be a significant endeavor requiring significant resources to create. SAG has enough duties dealing with the annual TRM and NTG updates and reviewing the utilities’ quarterly reports and program changes such that it should concentrate on those given the responsibility the Commission has previously directed the SAG to undertake. Accordingly, Staff recommends the Commission not adopt AG’s proposal to create a Policy Manual at this time. (Staff Ex. 3.0 at 25-28:563-627).

3. Ameren Illinois’ Position

Ameren Illinois agrees with Staff that the Commission should reject AG's proposal regarding the development of an energy efficiency Policy Manual. It is unclear what issues the policy manual would be meant to address and Ameren Illinois is concerned with the level of resources that would have to be spent on the development of a statewide manual. However, Ameren Illinois commits to discussing with other SAG members whether there would be a need for such a policy manual in the future. (Ameren Ex. 6.0 at 26:588-592).

C. Aligning the Timing of the Application of the Net to Gross Framework and Illinois Technical Reference Manual

Through untold hours of work over the last two years, the utilities and stakeholders, including Staff, have compromised and reached consensus on technical values to be used across the state of Illinois. These technical values comprise the Illinois Technical Reference Manual ("TRM"), which is supposed to be updated by March 1 of each year. In this proceeding, Ameren Illinois proposes to align the current framework used to set net-to-gross (or "NTG") ratio values so that NTG ratios are updated on the same schedule as TRM values on or by March 1st. (Ameren Exhibit 1.0 at 11:246-249).

This proposed alignment makes sense because changes in either NTG or TRM values cause changes in how portfolio savings will be achieved, how funding will be distributed for incentives, what measures will be offered, how programs are implemented, and ultimately how customers and the program ally network can participate in the portfolio. Therefore, changes in values necessitate complicated programmatic changes in analyzing the impact of changes, revising implementation plans, re-training program allies, revising program applications and documentation and revising all marketing materials. A mid-year adjustment results in causing market confusion, eliminating previously offered measures and incentives, eliminating previously approved projects and thus disenfranchising customers. Therefore, having values

fixed for both the TRM and NTG ratio values by March 1st of each year would enable solid preparations to be made for the re-engineering of the following program year, and re-education of program allies in preparation for the program year, that starts June 1st. (Ameren Ex. 1.0 at 11-12:251-260).

Ameren Illinois requests that the Commission order both the NTG values and the TRM values be fixed on or by March 1st. Ameren Illinois notes that the March 1st timing for the TRM has already been agreed to per Docket No. 13-0077,¹⁴ but has not been formally adhered to, creating portfolio inefficiencies. As the TRM update process should result in known values by March 1 of a given year, or three months before a given Plan Year (which begins on June 1st), if NTG values are set by that time as well, it would go far in mitigating the risks associated with changing values and in achieving the benefits to ratepayers that come with regulatory certainty. (Ameren Ex. 1.0 at 15:342-345). Indeed, NRDC witness Mr. Grevatt agrees with Ameren Illinois “on the[] issues [of aligning the timing for application of the IL net-to-gross framework and the IL Technical Resource Manual to the program years], in that TRM values need to be determined early enough to provide sufficient planning time to effectively manage these programs in terms of customer and trade ally expectations.” (NRDC Ex. 1.0 at 26-27:439-445).

Accordingly, Ameren Illinois proposes consistency in timing using the already agreed-to schedule. It is uncontested that this alignment should bring benefits to the administration and implementation of energy efficiency programs. Ameren Illinois therefore requests that the Commission streamline and modify the process for determining savings values whereby the

¹⁴ “Policy Document for the Illinois Statewide Technical Reference Manual for Energy Efficiency,” page 8 (filed January 24, 2013).

NTG and the TRM values that are known by March 1st of any year apply to the determination of savings for the following program year.¹⁵ (Ameren Ex. 1.0 at 14-15:318-330).

D. Portfolio Flexibility

Ameren Illinois seeks the flexibility to adjust all portfolio elements (program budgets, goals, incentives, etc., in addition to stopping or starting programs) as needed to achieve portfolio success, as it has been granted in previous Plan orders. (Ameren Ex. 1.0 at 10:217-223). Staff and Intervenors recommend that the Commission impose limits on Ameren Illinois' flexibility, but, importantly all parties agree flexibility is crucial for portfolio success.

1. Staff's Position

Staff is generally supportive of Ameren Illinois' request for flexibility, noting, "it is critical the Company is granted flexibility to prudently respond to changing circumstances over the course of the Plan." (Staff Ex. 1.0 at 31:747-748). Staff recommends that Ameren Illinois should include a discussion of how it uses its flexibility in its quarterly ICC activity reports submitted to the Commission. However, Staff proposes that Ameren Illinois' flexibility be limited as follows: "the Commission [should] grant Ameren Illinois the flexibility to adjust its portfolio in order to increase net benefits for ratepayers." (Staff Ex. 1.0 at 30-31:773-751).

2. Intervenors' Position(s)

(a) AG

AG proposes limiting Ameren Illinois' flexibility in two ways: (1) budget shifts that result in variance from planned annual program budgets of 20% or more would result in

¹⁵ Ameren Illinois notes that the prospective application of values is consistent with the Commission's recent Order on Rehearing in Docket No. 13-0077. *See* 10/2/13 Order on Rehearing at 18; *see also*, 10/2/13 Bench Session Transcript at 12-13 ("[I]n order to further facilitate the 21 energy efficiency programs that are innovative in hard-to-reach populations, we think that the non-consensus values should be applied in the following year... in doing that, (inaudible), we will do some of the things that we talked about in our policy committee meeting, which is to try to encourage the utilities to be proactive in terms of the programs that they're putting out and not constantly be having kind of a gotcha look-back at these particular programs.").

modification of savings goals; and (2) *any* change Ameren Illinois wants to make to its Plan 3 portfolio must be brought to the SAG “for discussion and ideally to build consensus around the change.”

Although AG would ideally like Ameren Illinois to have “unfettered” flexibility to “make plan and program design modifications . . . based on what [Ameren Illinois is] learning in the field, how markets are responding, and to effectively and in a timely manner make mid-course corrections to improve program effectiveness,” AG is concerned that unfettered flexibility will allow Ameren Illinois to “game the system.” (AG Ex. 1.0 at 29:6-12). As AG witness Mr. Mosenthal explained, “now that the budget constraints are drastically limiting the goals selected, allowing unfettered flexibility simply all but guarantees Ameren can easily meet virtually any goal that might be set simply by shifting from more expensive to less expensive programs.” (AG Ex. 1.0 at 29:14-17).

Therefore, AG suggests the Commission establish limits on flexibility. First, AG proposes that “any shifts of budgets that result in a variance from planned annual program budgets of 20% or more would trigger goal adjustments.” (AG Ex. 1.0 at 32:7-8). As an alternative, AG suggests setting a limit on shifts based on the total amount of shifts as a percentage of total portfolio spending, but AG prefers the first approach. It is important to note that under either of AG’s proposals, Ameren Illinois would not be prevented from shifting funds, just that goals would be adjusted. AG asserts that it would not be a burdensome process to calculate new savings goals. Additionally, even though some programs may naturally have variances greater than 20% without Ameren intentionally changing its plan, even that level can have dramatic impacts on Ameren’s ability to meet goals.

AG suggests the 20% threshold because it is consistent with the direction given to the SAG in Ameren Illinois' first Plan order that the stakeholder process should review any program budget shifts where the change is more than 20%. (AG Ex. 1.0 at 34:8-11 (citing ICC Docket No. 07-0539, 2/6/08 Final Order, at 24)).

Second, AG recommends the ICC order Ameren Illinois to first bring any proposed modifications to the SAG for discussion and ideally to build consensus around the change. This should happen whether or not the 20% limit is exceeded, but is particularly important for big changes. AG notes, however, that "it is often the case that without any intentional plan modifications a particular program can be somewhat under-or over-spent," and that such budget variations would not need to be discussed with SAG under AG's proposal. (AG Ex. 1.0 at 35, n.18).

(b) CUB

In its Direct Testimony, CUB supported Ameren Illinois having the flexibility it was granted in previous Plan filings. (CUB Ex. 1.0 at 16:349-356 (citing Final Order in ICC Docket No. 07-0539 at 26; Final Order in ICC Docket No. 10-0568 at 86)).

In Rebuttal, however, CUB stated that it "does not support Ameren's request to (1) [m]aintain portfolio flexibility because "the amount [of flexibility] requested in the Plan filing is too great." (CUB Ex. 2.0 at 9:177-187, 190-191).

CUB agrees with NRDC's and AG's concerns regarding Ameren Illinois' requests for flexibility. CUB provided an example of how Ameren Illinois could misuse its flexibility: "under Ameren's proposal, the Company could shift funding from the moderate income multifamily program, which has a TRC of 1.14, to the Standard CFL program, which has a TRC of 1.98, because the CFL program is cheaper. . . . [T]his would mean that moderate income multifamily customers, an important customer sector to reach, would have fewer offerings

available to them, and overall, the portfolio would include fewer offerings with deeper and longer savings.” For this reason, CUB recommends that the Commission adopt AG’s proposal that “[a]ny shifts of budgets that result in a variance from planned annual program budgets of 20% or more would trigger goal adjustment” and that Ameren discuss all proposed program and budget changes with the SAG. (CUB Ex. 2.0 at 10:203-213, 217-220).

(c) ELPC

ELPC opposes “allowing unlimited flexibility,” but does not indicate any specific limit that the Commission should order. ELPC is concerned that allowing “unlimited” flexibility may jeopardize the regulatory process surrounding portfolio design and implementation and “would not be reasonable.” (ELPC Ex. 1.0 at 19:14-20:7). Furthermore, it would make the three year formal review and program development process moot, which would thwart public input and program improvement. (ELPC Ex. 1.0 at 19:16-17, 20-23; 20:7-8).

(d) NRDC

NRDC proposes that the Commission should allow the Company “complete flexibility within certain parameters.” (NRDC Ex. 1.0 at 26:427-428). If Ameren Illinois desires to make a change that exceeds the designated parameters, Ameren Illinois would be required to obtain stakeholder input and Commission approval. NRDC proposes that a possible parameter could be if the cost impact is greater than 10% of the annual portfolio budget. Limiting flexibility in this way, according to NRDC, will guard against inappropriate program modifications, such as shifting the entire portfolio budget into a single program or unjustifiably reducing savings targets. (NRDC Ex. 1.0 at 26:427-438).

3. Ameren Illinois’ Position

(a) Type of Flexibility Requested

As an initial matter, Ameren Illinois does not seek unfettered flexibility. The Company only seeks the flexibility to adjust portfolio elements (program budgets, goals, incentives, etc., in addition to stopping or starting programs) as needed to achieve portfolio success. Such flexibility should include, but not be limited to, changing the level of rebates paid to participants, adding or deleting measures from programs, shifting budget dollars between programs within the natural gas or electric portfolios, and discontinuing unsuccessful programs. The Company should have the authority to make these or other similar modifications to its programs without the requirement to create litigation and obtain pre-approval from the Commission and without seeking possibly difficult to obtain consensus and ambiguous approval from other parties (even SAG membership is undefined and can be conflicted at times). Granting Ameren Illinois this flexibility to modify programs will allow for rapid deployment of improvements in program design and program implementation in each program year. Further, allowing the Company to have such flexibility will allow the Commission and the resources of other parties to focus on more important issues. Ameren Illinois witness Dr. Robert Obeiter testified that, “[b]ased on [his] years of experience designing, implementing and managing energy efficiency programs, . . . granting program administrators flexibility to modify programs greatly improves program delivery and maximizes the savings potential of ratepayer funds.” (Ameren Ex. 10.0, at 2:35-3:47).

Further, it is important to remember that the flexibility Ameren Illinois seeks is not “unlimited” because the Company is still under an obligation to act “reasonably and prudently” to be able to recover the costs of its energy efficiency and demand response programs. (220 ILCS 8-103(a), 8-104(a)). And if any party disagrees with a change that the Company makes, that party can petition or seek redress from the Commission. (Ameren Ex. 10.0 at 3:47-49).

(b) Flexibility Allows Quick Response to Market and Program Changes

Flexibility allows the portfolio to respond to market conditions and enables program implementers to adjust specific designs as dictated by customer and program ally response. Flexibility also provides the ability to rebalance the portfolio based on individual program performance and emerging opportunities. Prior Commission Orders have approved such flexibility, which has proven vital for portfolio success. (Ameren Ex. 1.0 at 10:217-223).

First, past experience shows that by allowing the Company to modify its programs based on market conditions, programs can be quickly re-engineered to optimize results. (Ameren Ex. 5 at 5:100-102). Flexibility to modify the portfolio, both in program offerings and in budgeting, has led to the strength of Ameren Illinois' relationships with its customers and program allies, as well as the development of the energy efficiency market in the Company's service territories. For example, during Plan 1, the Ameren Illinois territory had zero Building Performance Institute ("BPI") certified contractors eligible to install energy efficient insulation. BPI certification requires training, testing and field experience. Therefore, there was an initial absence of achieved savings for insulation measures during Plan 1. As a result, Ameren Illinois had to invest funds in training the program allies, partnering with educational programs, creating awareness and ultimately cultivating the labor pool of these certified contractors. After several years, Ameren Illinois was successful in creating market transformation where today there are at least 64 BPI certified contractors in Ameren Illinois' market. Without flexibility, the Ameren Illinois territory and its customers would not currently benefit from the energy efficiency derived from insulation measures or from the relationships made and customer awareness achieved. There are many other examples of where market challenges require the fluid redistribution of funds to ensure the achievement of portfolio goals in both the short and long term. (Ameren Ex.

3.0 at 7:101-115). If Ameren Illinois were required to obtain Commission approval or SAG consensus such fluid and quick market responses would not occur.

(c) No Evidence that Ameren Illinois Has Used Flexibility Improperly

No party has provided a single instance where Ameren Illinois improperly used its Commission-granted flexibility for nearly the six years of portfolio implementation during either Plan 1 or Plan 2. In fact, despite the parties' concerns about the breadth of Ameren Illinois' flexibility, all parties who commented on the topic have embraced portfolio flexibility as an appropriate way to enable the program administrator to maximize savings and effectively respond to unpredicted or unseen changes in market conditions. (Ameren Ex. 10.0 at 3:57-60).

Furthermore, the purpose of Ameren Illinois' request for flexibility is to enable the Company to achieve goal attainment and maximize cost effectiveness. Ameren Illinois has a proven track record of using the flexibility afforded to it by the Commission productively and with integrity, as shown by the fact that Ameren Illinois surpassed its savings goals in Plan 1 and Plan 2. Therefore, there is no basis for Mr. Grevatt's concerns in terms of the overall success of the portfolio. As has been stated previously, Ameren Illinois will continue its current practice of keeping stakeholders and the Commission apprised of portfolio changes; however, the ultimate decision to initiate program modifications should rest with the Company. Further, granting program administrators this authority without the need for a prolonged regulatory review process is an appropriate and effective way to streamline program deployment and maximize potential savings. (Ameren Ex. 10.0 at 5:101-6:119).

Several parties, including AG and NRDC, have raised the concern that the degree of flexibility requested by Ameren Illinois might undercut the approval process and enable the Company to "game the system." (AG Ex. 1.0 at 29:11-12; ELPC Ex. 1.0 at 19:14-20:7).

Ameren Illinois has requested a similar degree of portfolio flexibility in previous plan years that have been approved by the Commission. (*See, e.g.*, 2/6/08 Final Order, Docket No. 07-0539, at 26; 12/21/10 Final Order, Docket No. 10-0568, at 86). All parties providing comment on flexibility have embraced the merits of granting flexibility to program administrators. It is unclear why the degree of flexibility being requested in this docket has become a point of contention among parties, especially given Ameren Illinois' proven track record of asserting its flexibility in good faith and in a way that improves programs. (*See* 12/21/10 Final Order, Docket No. 10-0568, at 86 (granting Ameren Illinois the flexibility it requested, and noting, "it does not appear that any party is suggesting that Ameren has abused the flexibility that the Commission has thus far granted it.")). (Ameren Ex. 10.0 at 7:138-151).

(d) Ameren Illinois Will Continue to Report to SAG and the Commission on How It Uses Flexibility

Ameren Illinois has been and will continue to be transparent in asserting its flexibility in participation with the SAG, keeping SAG participants – including those parties to this docket – informed of how Ameren Illinois is implementing its approved portfolio of services. In addition Ameren Illinois' quarterly reports to the Commission on portfolio activity will continue to include portfolio adjustments to program costs and savings. Ameren Illinois has and will continue to respond to all questions or concerns regarding its energy efficiency programs. Ameren Illinois was also instrumental in the creation of the IL-TRM, a consensus, Commission-approved document that contains values used during the implementation and evaluation of Ameren Illinois' programs and remains integral to the TRM update process as well. These examples refute the hypothetical reasons raised by other parties for the Commission to reverse course on the flexibility it has granted Ameren Illinois in prior plan approval dockets. (Ameren Ex. 6.0 at 18:403-414; *id.* at 20:440-45).

(e) Any Requirement to Consult With or Obtain Approval From SAG/Commission Should Be Rejected

The Commission should reject any proposal that would require Ameren Illinois to consult with or seek approval from either the SAG or the Commission for program or budget changes. Such a requirement would create an untenable situation for Ameren Illinois and would likely prevent it from timely reacting to market changes or implementing most necessary revisions. The SAG is not a formal group, has no rules governing who may join, when it meets, or how the group should come to agreement on anything as evidence by the current lack of guidance on how to apply the current NTG Framework during Plan 2. Ameren Illinois would be faced with the burden of ensuring compliance with the Commission's order, but would have no assurance that any other member the SAG (over whom the Commission would not have jurisdiction) would act properly or in good faith or without conflict. For example, if the Commission requires Ameren Illinois to consult with or seek approval from the SAG, it could lead to Ameren Illinois' program vendors joining the SAG (if they have not already joined, as certain vendors already participate) and disputing Ameren Illinois' attempt to curtail those vendors' programs. Such disputes would create an improper conflict of interest for the SAG and would unnecessarily detract resources from other administrative matters and implementation of the portfolio. Ameren Illinois also notes that there are current SAG members who have historically already acted as utility program implementers or responded to utility program RFPs.

Additionally, a requirement to consult or seek approval from the SAG or the Commission would hinder Ameren Illinois' ability to rapidly and effectively respond to changing market conditions. Making mid-course adjustments to programs involves a significant investment of time and resources to coordinate among all market actors. Conducting a formal review process for each program modification will increase regulatory costs, will take considerable time (away

from program deployment) and is unnecessarily burdensome to all stakeholders. Such cumbersome guidelines would ultimately prevent the utility from making any revisions to the portfolio. (Ameren Ex. 10.0 at 5:101-108; Ameren Ex. 6.0 at 19-20:403-437).

Furthermore, as of now, the SAG meets monthly, so at a minimum program or budget changes would be delayed by a month or more after the market identifies a need for such changes. Moreover, even with expedited treatment, a request for approval by Ameren Illinois for a programmatic or budget change could take even longer, thus making any change untimely when implemented. Flexibility has contributed towards Ameren Illinois' ability to achieve and exceed goals and restricting flexibility would impede this outcome. For these reasons, the Commission should reject other parties' proposals that would restrict previously granted flexibility. (Ameren Ex. 6.0 at 18:403-414).

(f) Staff's Proposal To Allow Flexibility Only When Net Benefits Are Increased Should Be Rejected

Staff argues that Ameren Illinois should only be granted flexibility to the extent that flexibility increases portfolio net benefits. Limiting flexibility in this way restricts modifications to those measures that have the highest TRC ratio. In other words, imposing this limitation will disallow any modification to measures with lower (yet still positive) TRC ratios, since increasing these measures may reduce the overall net benefits of the overall portfolio (and portfolio-level TRC is the relevant calculation, as explained by Ms. Hinman in response to data request AIC-Staff 2.13 (AIC Cross Ex. 1 at 53)). Modifying programs to increase measures with lower TRC ratios is sometimes necessary in order to maximize the efficacy of program implementation and achieve savings goals. For example, if Ameren Illinois decided to eliminate the Behavior Modification program there would be a large budget amount that would need to be reallocated. Under Staff's recommendation, only the program with the highest TRC ratio (Business Custom

or whatever program has the highest TRC ratio) would be able to receive the available funds. This would detract from one of the portfolio goals of providing a well-balanced portfolio of programs available to all rate classes and would hamstring portfolio funds from being spent on appropriate adjustments to the portfolio. (Ameren Ex. 10.0 at 4:68-80).

Permitting modifications to only those measures or programs with the highest TRC ratios unduly encumbers the Company's ability to make changes where the portfolio may be most in need of improvement. Furthermore, there may be no options available that increase TRC, in other words the choices will be among options that all lower overall portfolio TRC to some degree. For example, a code change may result in a program modification that allows a specific measure to remain in the portfolio, albeit with less net benefits, yet also require additional costs. (Ameren Ex. 10.0 at 4:81-86). For all of the reasons, Staff's recommendation should be rejected.

(g) Commission Should Reject AG's Proposal To Modify Goals With Budget Shifts

The Commission should reject AG's recommendation that "any shifts of budgets that result in a variance from planned annual program budgets of 20% or more would trigger goal adjustments." (AG Ex. 1.0 at 32:7-8). Adjusting program savings goals when modifications exceed an arbitrary and ambiguous threshold will unfairly inhibit Ameren Illinois' ability to make sound decisions and further dis-incentivizes them from doing so. Program administrators consider many diverse factors in making decisions to modify programs, many of which have already been discussed at length in this docket. The ultimate impact of program changes is outside the control of a program administrator like Ameren Illinois because shifts in budgets can be arbitrary. While Ameren Illinois may hope for and plan on expenditures to occur it cannot require market participation to an exact level and thus should not be penalized by an adjustment to goals as a result. Although the Company initiates program changes to maximize savings and

respond to the vagaries of market conditions, it is unreasonable to arbitrarily mandate a given outcome as a result of program changes and cumbersome, if not impossible to track for the purposes of adjusting savings goals. Following program changes with automatic goal adjustments will introduce more uncertainty and risk for administrators, program allies, and stakeholders. (Ameren Ex. 10.0 at 6:125-135).

Neither AG nor any other party has put forth a valid reason to justify the added administrative and implementation burdens that this proposal would bring. And given that Ameren Illinois has acted in good faith and the substantial benefits of flexibility, the Commission should reject this proposal along with the others.

E. Application of Total Resource Cost Test

As noted elsewhere, the Illinois Total Resource Cost (“TRC”) test is a statutorily proscribed formula that relies heavily on subjective values that can change depending on who calculates them, when, and how. Accordingly, the TRC test is used for planning purposes using estimated and assumed values to determine whether measures, programs and the portfolio as a whole are cost-effective and should not be used as an exclusive dispositive test for measure implementation. Each program in Plan 3 has been screened for program design purposes as passing the TRC cost-effectiveness test with a value greater than 1.0. Certain programs have a higher TRC than others, with Business Custom having the highest TRC in the Business portfolio and Residential Lighting having the highest TRC in the Residential portfolio. The Ameren Illinois portfolio as a whole has an estimated total resource cost test benefit-cost ratio of 2.30. (Ameren Ex. 7.0 at 11 (Table 3)). The table below shows the results of the program cost-effectiveness analysis:

Program-Level TRC Comparison

	TRC	
	Filed	Remodel
RES-Appliance Recycling	1.12	1.12
RES-Behavior Modification	1.33	1.33
RES-ENERGY STAR New Homes	1.33	1.33
RES-HPwES	1.23	1.19
RES-HVAC	1.01	1.18
RES-Lighting	1.98	2.45
RES-Moderate Income	1.14	1.18
RES-Multifamily In-Unit	1.97	1.97
RES-School Kits	1.41	1.41
RESIDENTIAL PORTFOLIO TOTAL	1.38	1.50
BUS-Standard	3.22	3.18
BUS-Custom	4.45	4.06
BUS-RCx	2.06	2.06
BUS-Large C&I	N/A	5.59
BUSINESS PORTFOLIO TOTAL	3.51	3.77
AMEREN ILLINOIS PORTFOLIO TOTAL	2.24	2.30

Accordingly, while Ameren Illinois has calculated the TRC values for each measure (noting that some passed and others did not) and program (noting that all passed) included in Plan 3, Ameren Illinois requests that the Commission reaffirm, as it has in prior orders,¹⁶ that the Company can apply the TRC test at the portfolio level.

F. Aligning Savings Goals According to Changes in Values

Ameren Illinois seeks approval to adjust its savings goals on a prospective basis at the beginning of each plan year, to account for changes in NTG and TRM values that vary from those values used to estimate the savings in its Plan 3 filing. This approach is further detailed in the Plan document (Ameren Ex. 6.1, Section 1.4, Item 4 and Section 4.0, Items 6, 7), but it can be summarized as simply taking the values used to calculate the savings goals for this filing and

¹⁶ ICC Docket Nos. 07-0359, 10-0568.

updating the calculation to reflect the adjusted values. (Ameren Ex. 1.0 at 16:358-363 (referring to Ameren Ex. 1.1, which was superseded by Ameren Ex. 6.1)). Ameren Illinois works in good faith with independent evaluators and stakeholders to update the TRM and NTG values. By aligning the savings goals to the approved TRM and NTG values, the modified goals get aligned with updated information.

1. Staff's Position

Staff “recommend[s] the Commission approve annually adjusting savings goals based strictly on changes in NTG values and IL-TRM values (subject to the Commission making it clear that the Company is still responsible for prudently managing its portfolio to respond to market changes and new information as it becomes available).” (Staff Ex. 3.0 at 9:201-205). Additionally, Staff acknowledges that the update process would be fairly straightforward and would be “administratively easy to implement as it involves simply changing an assumed NTG or TRM value in a spreadsheet to calculate the revised goals.” (Staff Ex. 3.0 at 10:216-219).

2. Intervenors' Position

AG, NRDC and CUB do not support any adjustments based on changes to TRM or NTG values. These parties argue that the update process would be administratively difficult and that Ameren Illinois would somehow try to “game” the system. (NRDC Ex. 1.0 at 27:448-449, 451-456, 461-463, 465; AG Ex. 1.0 at 40:1-18, 41:1-14, 19-22, 42:1-12; CUB Ex. 2.0 at 11-12:226-231, 233-240, 241-243, 245-248, 250-252). These parties apparently believe that Ameren Illinois would somehow cease funding programs mid-year, simply because the Company may have met its savings goals (something that cannot be verified until a subsequent ICC Docket).

3. Ameren Illinois' Position

Intervenors' concerns are unsupported and without merit. First, it should not be forgotten that the TRM and NTG values upon which the savings goals would be premised would be values

that were either provided by independent evaluators and the SAG/TAC, agreed-to by the parties or were derived from a Commission approved process. These would not be values chosen at the discretion of the utility. Second, Intervenor's concerns premise themselves on speculative, ominous statements if what a utility could do to "game" the system rather than on any facts. No party has challenged Ameren Illinois' commitment to energy efficiency or its integrity in administering and implementing its prior plan portfolios and furthermore points out how Ameren Illinois has exceeded historical savings goals. As explained by Ameren Illinois witness Mr. Goerss, Ameren Illinois has not stopped programs mid-year due to goal attainment; Ameren Illinois is already required to spend customer funds responding to changes in a reasonable and prudent fashion; Ameren Illinois has spent approximately 90% of its energy efficiency programs' budgeted funds over the last six years. (Ameren Ex. 6.0 at 11:244-258). As noted by Staff, such facts should dispel completely any additional concern regarding Ameren Illinois' request to annually modify goals. Third, many adjustments to NTG and TRM are the result of unforeseen market changes such as the degree to which EISA will cause the adoption of CFLs or changes in codes which then decrease planned savings or eliminate measures altogether (such as furnaces and boilers being eliminated now). It is therefore appropriate that the utility adjusts its goals according to these unforeseen market changes.

Accordingly, the Commission should grant Ameren Illinois' request to annually adjust its goals to align them with changes to TRM values and NTG ratio values.

G. Banking of Savings

The term "banked savings" means the amount of savings from a given Plan Year Ameren Illinois can "bank" and then apply to a future Plan Year. In Docket Nos. 07-0539 (Plan 1) and 10-0568 (Plan 2) the Commission granted Ameren Illinois the ability to "bank" savings, though notably Ameren Illinois did not account for any banked savings when modeling its Plan 3.

(Ameren Ex. 6.0 at 12:267-270). As explained by CUB witness Ms. Devens, the practice of banking between plan years was codified in the past year when the General Assembly amended the Act to allow ComEd and Ameren Illinois to either meet annual savings goals or to meet a cumulative three year savings goal. (CUB Ex. 2.0 at 13:290-296 (citing 220 ILCS at 5/8-103(b))). The statutory change means that ComEd and Ameren can bank savings within the years included in a Plan filing, beginning with this Plan filing.

1. Intervenor’s Position(s)

(a) AG’s Position

To address the issue of banked savings, AG proposes two options: (1) “the ICC could order that any approved goals for PY7-9 must be [] increased by the amount of cumulative accrued banked savings and CFL carry-forward that exist[] at the beginning of PY7,” or the ICC could (2) “discontinue current banking and carry-forward policies beginning with Plan 3, and [] no longer allow banking across plan periods.” (AG Ex. 1.0 at 26:11-13, 18-21). Thus, AG accepts the practice of banking between plan years, but rejects the possibility that Ameren Illinois could bank savings between Plans. As AG explains, this will allow electric utilities to overachieve in one year and apply those additional savings to a year they might fall short, so long as it is within the plan period. Both the Commission and Section 8-104 allow for this approach for the gas utilities. (AG Ex. 1.0 at 28:9-15).

(b) NRDC’s Position

Like AG, NRDC supports banking between plan years, but does not support banking between Plans, as this would not be in the best interest of Ameren’s ratepayers. (NRDC Ex. 1.0 at 4:80-82). NRDC argues that allowing banking across Plans could serve as a disincentive for Ameren to achieve as much savings as it could. Alternatively, the Commission could allow banking across Plans, but order that Ameren Illinois’ goals are increased by the amount of the

banked savings for the year and Plan to which the banked savings are applied. (NRDC Ex. 1.0 at 29-30:492-495, 500-502, 510-512).

(c) CUB's Position

Like AG and NRDC, CUB recommends the Commission disallow banking between plans, but permit it between plan years. (CUB 2.0 at 16:359-360). CUB points out that allowing Ameren Illinois to bank savings between PYs 7-9 addresses the potential issue of Ameren Illinois discontinuing programs after goals have been met. (CUB Ex. 2.0 at 15:345-16:346).

2. Staff's Position

Staff offered no opinion regarding banking of savings prior to briefing.

3. Ameren Illinois' Position

AG, CUB, and NRDC all appear to support banking between PY7-9, but oppose applying any achieved or planned banked savings from PY1-6 to PY7-9. (CUB Ex. 2.0 at 16:358-62; NRDC Ex. 1.0 at 4:79-5:85, 29:492-30:515; AG Ex. 1.0 at 5:24-28). In an effort to eliminate a contested issue from this docket, Ameren Illinois will not oppose the concept of eliminating the banking of savings from Plan 2 to Plan 3 as it has already modeled its Plan 3 without accounting for any banked savings achieved or planned from prior Plans. However, to the extent the Commission makes a policy decision to allow banking of savings between Plans, Ameren Illinois would request that the Commission allow it for all utilities, including Ameren Illinois. With respect to intra-plan banking, that is allowing banking to occur for the plan years within Plan 3 (PY7-9), Ameren Illinois agrees with CUB, NRDC and the AG that the Commission should allow this practice to continue. (Ameren Ex. 6.0 at 13:283-290).

H. CFL Carry-Forward Savings

Ameren Illinois' compact fluorescent lamp ("CFL") program promotes the sale of CFLs as a replacement for less efficient incandescent bulbs. Past evaluations have indicated from

customer surveys that only a portion of the CFLs that are purchased in one year are installed in the same year. The remainder is mostly installed in the following two years. Thus, the TRM instructs utilities to account for only a portion of the savings from CFLs in the first year, and the remainder of savings in the following two years (“carry-forward” or “carryover” savings). The issue in this proceeding is whether Ameren’s Plan 3 savings goals should be adjusted upward by the amount of CFL carryover savings from PY5-6 (even though this amount is not yet known).

1. Intervenor’s Position(s)

(a) AG’s Position

Noting that Ameren Illinois’ proposed Plan 3 goals do not include any CFL carry-forward savings from bulbs purchased during Plan 2, AG argues that Ameren’s Plan 3 savings goals should be adjusted upward to take into account the yet unknown CFL carryover savings from bulbs purchased in PY5-6. AG is concerned that CFL carry forward has resulted in an additional “banking” of savings, over and above the 10% banking limit the ICC imposed in Order 07-0540. AG witness Mr. Mosenthal admits that he does not know the likely CFL carry forward savings that Ameren will have to apply to PY7-9, but AG is concerned that it could be substantial. (AG Ex. 1.0 at 25:5-16).

(b) NRDC’s Position

Like AG, NRDC notes that Ameren Illinois has not accounted for CFL carryover savings that will accrue in PY7-9 from purchases in PY5-6. (NRDC Ex. 1.0 at 13-14:210-212). NRDC understands that the CFL carryover values for PY5 and PY6 are still uncertain, but it argues that all values in Plan 3 are uncertain and “targets must be set with the best available information.” (NRDC Ex. 1.0 at 14:227-228). Thus, Mr. Grevatt proposed a method for estimating the savings that would accrue to the Plan 3 portfolio from bulbs installed in PY5 and PY6 (according to this

approach, the estimated amount was 21,000 MWh). NRDC argues that this amount should be added to Ameren's savings goals for Plan 3. (NRDC Ex. 1.0 at 22:354-355).

(c) CUB's Position

Like AG and NRDC, CUB recommends the Commission require Ameren Illinois to adjust goals upward based on the number of CFL carry-over savings. Unlike NRDC, however, which argues that an "estimated" amount of carryover should be added to Ameren Illinois' Plan 3 goals, CUB states that Ameren Illinois' goals should be adjusted based on carryover savings "reported in EMV." (CUB 2.0 at 16:360-362).

2. Staff's Position

Staff argues that Ameren Illinois is required to follow the TRM when submitting its Plan, and thus it must estimate the amount of savings from CFL carryover that should be included. Staff argues that Ameren Illinois applied the incorrect NTG ratio to calculate CFL carryover within PY7-9, as it used the NTG ratio for the years in which bulbs will be installed (instead of the correct NTG ratio, which is the one for the year in which the bulbs are purchased). (Staff Ex. 3.0 at 12:257-266).

In response to AG's request to get rid of CFL carryover, Staff argues AG should submit a recommendation for a TRM update through the TRM update process, as it is inappropriate to raise this issue in a single utility's three-year plan filing docket. Thus, Staff recommends that the Commission decline to rule on AG's request to get rid of CFL carryover in this docket. (Staff Ex. 3.0 at 11:247-252).

3. Ameren Illinois' Position

Intervenors and Staff argue that Ameren Illinois' Plan 3 savings goals should be adjusted upward to account for CFL carryover savings from PY5-6. As an alternative, AG suggests that the Commission simply eliminate the complicated practice of accounting for CFL carryover

savings as it is a zero sum game if the goals are adjusted upward in a commiserate manner. (Ameren Ex. 6.0 at 13:293-299 (citing AG Ex. 1.0 at 27:10-17)).

As noted by other parties, Ameren Illinois has not presently accounted for CFL carryover savings from PY5-6 in either its planned savings or proposed modified goal. Ameren Illinois notes that it did not include carry over savings because the value is presently unknown and has not been reviewed or approved by the Commission; the value still needs to be provided by EM&V for these future years and, as evidenced by the nature of estimates provided by Intervenors, cannot be an exact figure. Calculating CFL carryover savings and then adjusting the corresponding goal upward will not add any meaningful changes to either the planned savings or the goal because the increases would simply cancel each other out. (Ameren Ex. 6.0 at 13:299-303). Thus, in an effort to eliminate a contested issue in this proceeding, Ameren Illinois would accept adjusting its Plan 3 savings goals upward by the amount of CFL carryover savings from PY5-6 for future years that the Commission approves in the PY5 and PY6 savings goals compliance dockets.

Ameren Illinois agrees with Ms. Hinman that the IL-TRM controls the calculation of CFL carryover and that the correct NTG ratio is the one for the year in which the bulbs were purchased. However, Ameren notes that the final results of the NTG values for PY5-6 will not be known or verified until after the Commission issues its Final Order in the respective dockets reviewing and approving Ameren Illinois' achieved savings for those plan years. (Ameren Ex. 6.0 at 14:310-313).

Accordingly, Ameren Illinois has no objection if the Commission requires Ameren Illinois to adjust its Plan 3 savings goals upward by the amount of CFL carryover savings from

PY5-6 for future years that the Commission approves in the PY5 and PY6 savings goals compliance dockets.

I. Contracting with Independent Evaluators

Section 8-103(f)(7) requires that Ameren's Plan:

Provide for an annual independent evaluation of the performance of the cost-effectiveness of the utility's portfolio of measures and the Department's portfolio of measures, as well as a full review of the 3-year results of the broader net program impacts and, to the extent practical, for adjustment of the measures on a going-forward basis as a result of the evaluations. The resources dedicated to evaluation shall not exceed 3% of portfolio resources in any given year. (220 ILCS 5/8-103(f)(7) (emphasis added)).

The gas provision is similar. (*See* 220 ILCS 5/8-104(f)(8)). Staff states that Ameren Illinois' Plan meets the electric and gas requirements for providing for independent evaluation, and recommends the Commission adopt the same provisions concerning evaluator independence and evaluation cycles that the Commission adopted in Plan 2. Ameren Illinois agrees with Staff, subject to several modifications and clarifications, as explained below.

1. Staff's Position

Staff states that Ameren Illinois' Plan meets the electric and gas requirements for providing for independent evaluation, and recommends the Commission adopt the "same provisions" concerning evaluator independence and evaluation cycles that the Commission adopted in Plan 2. (Staff Ex. 1.0 at 23:568-24:596). In response to data request AIC-Staff 2.06, Staff clarifies that the "provisions" from the Plan 2 order that it recommends the Commission adopt again are "the seven provisions concerning evaluator independence and evaluation cycles on pages 68-69 of the Plan 2 order." (Ameren Cross Ex. 1 at 41).

With respect to contracting with independent evaluators, the seven provisions include the following:

- [Provision 1] "any contract between [Ameren Illinois Company] and an independent evaluator shall provide that this Commission has the right to:

approve or reject the contract; direct Ameren to terminate the evaluator, if the Commission determines that the evaluator is unable or unwilling to provide an independent evaluation; and approve any action by the utility that would result in termination of the evaluator during the term of the contract. ICC Order on Rehearing Docket No. 07-0539 at 4 (March 26, 2008).”

- [Provision 2] “[Ameren] shall submit any contract with an independent evaluator as a compliance filing in this docket within ten days of its execution”. ICC Order on Rehearing Docket No. 07-0539 at 4 (March 26, 2008).”
- [Provision 2] “Ameren must gain Commission consent to make the hiring and firing decisions regarding this evaluator.”

(Ameren Cross Ex. 1 at 41-42).

2. Intervenor’s Position(s)

No Intervenor offered an opinion regarding contracting with independent evaluators prior to briefing.

3. Ameren Illinois’ Position

In response to Staff’s recommendation that the Commission adopt the same provisions concerning evaluator independence as it did for Plans 1 and 2 (Staff Ex. 1.0 at 23:578-79), Ameren agrees, subject to the following clarifications and modifications. First, Ameren Illinois should have the option to renew its contract with its current independent EM&V contractor and should not have to rebid the contract. After the Plan 2 Order issued, Staff insisted that the Company rebid based on its interpretation of language from the Order. While the Company did not agree with that interpretation, it agreed to rebid the contract, and undertaking that took significant time and resources. In light of this, Ameren Illinois included in its current contract the right to renew the EM&V contractor, a provision which Staff reviewed and approved. Accordingly, Ameren Illinois assumes the right to renew under the terms of the current contract.

Second, in Plan 2, the Commission ordered “Ameren should have all program impact evaluations completed at least three months before its next energy efficiency plan.” (12/21/10

Final Order, ICC Docket No. 10-0568, at 48). However, having program impact evaluations completed at least three months before the filing of the next plan causes immense problems because the final plan year is not yet concluded, and second plan year EM&V results may not yet be final by the time the next plan is to be filed; thus forcing all of the 3-year EM&V results to be concluded within the first year, which the 3% EM&V budget limit cannot absorb. This requirement should not be included for Plan 3.

Third, Staff recommends that “final evaluation plans shall be developed at the discretion of the independent evaluator with agreement from Staff.” (ICC Docket No. 10-0568, Final Order at 48). Ameren Illinois recommends that the final clause “with agreement from Staff” be eliminated so that EM&V has sole discretion to develop its work plans, subject to Commission oversight and the right to hire and terminate the EM&V contractor with notice. This is especially important noting the reliance on EM&V for the NTG values per the NTG framework (as is contemplated in Ameren Illinois’, SAG’s, and Staff’s proposed framework). Ameren Illinois notes that EM&V workplans and reports are circulated to Staff and SAG pursuant to the Final Order in Docket 10-0568 and contract provisions are circulated as well for input and review. (AIC Cross Ex. 1 at 17 (AIC-AG 2.20(c) (“[A]ll SAG parties have the opportunity to discuss and express opinions on evaluation plans on a regular basis.”))).

Fourth, in Plan 2, the Commission “agree[d] with Staff that Ameren should ensure the data used in the independent evaluations can be made available to the Commission upon request.” (ICC Final Order Docket No. 10-0568 at 69 (Dec. 21, 2010)). Ameren Illinois recommends that this sharing provision, too, be at the discretion of the independent EM&V evaluator, as Staff’s unfettered access could deter customers from participating in the survey required by EM&V to do its job. For example, such access may require that EM&V disclose to

survey and interview participants that their responses are shared with the Commission which could hamper participation and thus skews EM&V results. Also, once Staff has unfettered access to the underlying data, Staff will have access to a customer's identifying information, something not all customers might want to grant. Accordingly, the Commission should approve this provision, but make it conditional, at the discretion of the EM&V evaluator based on the implications of preventing or inhibiting customer participation.

Finally, to address any concern regarding independence, Ameren Illinois recommends that the Commission require any EM&V contractor to file in this docket an annual report (a reasonable time after evaluations for each Plan Year have been completed) to apprise the Commission of its ability to conduct itself independently. Such a requirement will encourage all parties to adhere to independence (for example, including any requesting party on written communications with the EM&V) and such information could be helpful to the Commission when assessing EM&V independence in the future. (Ameren Ex. 6.0 at 23-24:513-539).

J. Evaluation Cycle

Section 8-103(f)(7) requires that Ameren Illinois' Plan:

Provide for an annual independent evaluation of the performance of the cost-effectiveness of the utility's portfolio of measures and the Department's portfolio of measures, as well as a full review of the 3-year results of the broader net program impacts and, to the extent practical, for adjustment of the measures on a going-forward basis as a result of the evaluations. The resources dedicated to evaluation shall not exceed 3% of portfolio resources in any given year. (220 ILCS 5/8-103(f)(7) (emphasis added)).

The gas provision is similar. (*See* 220 ILCS 5/8-104(f)(8)). Staff states that Ameren Illinois' Plan meets the electric and gas requirements for providing for independent evaluation, and recommends the Commission adopt the same provisions concerning evaluator independence and evaluation cycles that the Commission adopted in Plan 2. Ameren Illinois agrees with Staff, subject to one clarification regarding NTG values, as explained below.

1. Staff's Position

Again, Staff states that Ameren Illinois' Plan meets the statutory requirements for providing for independent evaluation, and recommends the Commission adopt the same provisions concerning evaluator independence and evaluation cycles that the Commission adopted in Plan 2. (Staff Ex. 1.0 at 23:568-24:596). Staff also responds to AG's recommendation concerning the timing of EM&V reports.

In response to data request AIC-Staff 2.06, Staff clarifies that the "provisions" from the Plan 2 order that it recommends the Commission adopt again are "the seven provisions concerning evaluator independence and evaluation cycles on pages 68-69 of the Plan 2 order." (Ameren Cross Ex. 1 at 41). With respect to evaluation cycles, the seven provisions include the following:

- [Provision 6] "Ameren currently proposes a modified three year evaluation cycle that explicitly allows the independent evaluator to conduct less than one impact evaluation and less than one process evaluation every year, with a general goal of conducting one impact evaluation and one process evaluation for each program during each Plan cycle. Staff does not oppose Ameren's proposal subject to several conditions.... The three conditions proposed by Staff, to which Ameren does not object, appear reasonable and they are hereby approved. ICC Order Docket No. 10-0568 at 69 (Dec. 21, 2010)."
- [Provision 6] "Staff does not oppose Ameren's proposal subject to the following three conditions: 1. Ameren should have all program impact evaluations completed at least three months before filing its next energy efficiency plan... 2. Process evaluations should be conducted as early as possible for programs that do not appear to be achieving the gross megawatt-hour savings as forecasted; and 3. Since the independent evaluator is supposed to report its findings to the Commission so that the Commission can make a determination as to whether Ameren has met its energy efficiency standards, the final evaluation plans shall be developed at the discretion of the independent evaluator with agreement from Staff."
- [Provision 7] "the Commission agrees with Staff and directs Ameren to file the evaluations and reports required by Section 8-103(f)(7) and 8-104(f)(8) of the Act as they become available via the Commission's e-Docket system in Docket No. 10-0568. ICC Order Docket No. 10-0568 at 68-69 (Dec. 21, 2010)."

(Ameren Cross Ex. 1 at 44-45).

In response to AG's request that the Commission direct Ameren Illinois to work with the SAG on "[i]mproving the evaluation, measurement and verification (EM&V) process so that [the Evaluators'] reports are produced in a timely fashion to inform TRM and NTG updates," (AG Ex. 1.0 at 52:12-13), Staff agrees with the concept of the request. In fact, Staff has been working to encourage the Evaluators to deliver EM&V reports concerning TRM and NTG updates in a more timely fashion. However, Staff recommends that, rather than the Commission directing Ameren Illinois to work with the SAG concerning this evaluation timing issue (as requested by AG), the Commission should resolve this issue in this docket and adopt the workable timelines suggested by the Evaluators for TRM and NTG updates such that Ameren Illinois can have those incorporated in its evaluation contracts after approval of the Plan. (Staff Ex. 1.2 at 1).

Staff explains the reasoning behind the Evaluators' suggested timelines for TRM and NTG updates as follows: one of the apparent drivers of the date the NTG results are produced is the date the Evaluators receive the final EE program tracking system information from the utilities after the program year has ended. (Staff Ex. 1.3 at 2-3). Because final tracking system information is not needed for updating the TRM, the Evaluators suggest that the annual TRM Update Process can begin much earlier (i.e., July 1, with much of the work due from the Evaluators on August 1 and October 1) than the process for updating NTG ratios (November 1 for residential NTG ratios and December 1 for non-residential NTG ratios). Staff therefore recommends the Commission adopt the Evaluators' suggested EM&V schedules for TRM and NTG updates as set forth in Staff Ex 1.2. (Staff Ex. 3.0 at 23-33:520-523, 525-536, 542-546, 552-554).

2. Intervenor(s) Position(s)

AG recommends the Commission direct Ameren Illinois to work with the SAG on “Improving the evaluation, measurement and verification (EM&V) process so that reports are produced in a timely fashion to inform TRM and NTG updates.” (AG Ex. 1.0 at 52:12-13).

3. Ameren Illinois’ Position

Ameren Illinois agrees with Staff and recommends that the Commission reaffirm the EM&V framework as approved for Plan 2, with the changes that would be applicable for this Plan, so that the independent evaluator completes one impact evaluation and one process evaluation for each program within each 3-year plan cycle. This approach is also detailed in the Plan document, Ameren Exhibit 6.1, Section 4.0, Items 4 and 5. The evaluation activities, conducted on a 3-year cycle, will be in addition to annual EM&V and M&V activities necessary to verify program participation and program savings. As Ameren Illinois is subject to a limit of 3% of its total budget for evaluation activities, Ameren Illinois’ recommended approach of using known NTG and TRM values as of March 1 for the following program year will maximize resources available for process evaluations and allow for more robust approaches to impact assessments (including increasing participant and non-participant sample sizes, and conducting combination approaches to evaluation (e.g., metering and billing analysis)).

Unless the NTG Framework for Illinois is improved and the TRM timing adhered to as ordered, however, by confirming a prospective application of values, EM&V resources will continue to be severely hampered. Without sufficient direction provided by the current Illinois NTG Framework, an inordinate amount of EM&V resources has been spent as a result of uncertainty. By allocating a greater share of its EM&V budget to process evaluations, Ameren Illinois’ program management will be provided with the information to ensure that it is using optimal program management and delivery approaches to engage customers and maximize savings. (Ameren Ex. 5.0 at 3:57-70). Thus, Ameren Illinois strongly supports the prospective

application of NTG and TRM values, as it helps mitigate risk and uncertainty, drives down costs, and ultimately maximizes the savings potential of efficiency programs, and is in the best interest of the ratepayers.¹⁷ (Ameren Ex. 5.0 at 4:72-75).

Thus, the Commission should again approve the EM&V framework that provides for one impact and one process evaluation per program during the three year cycle, provides for annual reporting by the EM&V contractor on independence, in conjunction with modification of the current Illinois NTG Framework as discussed above. (Ameren Ex. 5.0 at 21:431-432).

K. Recommendation for Potential Study

Section 8-103A of the Public Utilities Act requires, “[b]eginning in 2013, an electric utility subject to the requirements of Section 8-103 of this Act shall include in its energy efficiency and demand-response plan submitted pursuant to subsection (f) of Section 8-103 an analysis of additional cost-effective energy efficiency measures that could be implemented” (220 ILCS 5/8-103A). This analysis is known as the “Potential Study,” which Ameren Illinois included in its Plan as Appendix D to Ameren Exhibit 6.1. Staff agrees that Ameren Illinois’ Plan meets the requirements of 8-103A, but suggests one change to future potential studies.

1. Staff’s Position

Staff states that Ameren Illinois’ Plan contains an energy efficiency analysis, as required by Section 8-103A of the Act, and points to “Appendix D of Ameren Ex. 1.1 (2nd Rev.) [as] contain[ing] the Company’s potential study analysis which is being submitted pursuant to Section 8-103A.” (Staff Ex. 1.0 at 26:639-644).

¹⁷ Again, Ameren Illinois notes that the prospective application of values is consistent with the Commission’s recent Order on Rehearing in Docket No. 13-0077. *See* 10/2/13 Order on Rehearing at 18; *see also*, 10/2/13 Bench Session Transcript at 12-13.

Staff witness Dr. Brightwell recommends that future potential studies should include an analysis of “economically efficient potential.” He explained that the potential study presented by Ameren Illinois measures what it refers to as technical potential and economic potential. Technical potential essentially measures how much savings could be realized if all energy using equipment was replaced with the most energy efficient technology available. (Ameren Ex. 6.1, Appendix D, Volume 1, p.2). Economic potential, as used in the Potential Study, measures the amount of savings possible from using the most technologically efficient replacement equipment that has positive net benefits compared to a base level of equipment. Dr. Brightwell’s concern is that this definition of economic potential is equivalent to asking “What is the potential energy savings from replacing current equipment with the most energy efficient piece of equipment that provides net benefits to customers?” It does not answer the question, “What is the potential energy savings if current equipment is replaced with the energy efficient equipment that maximizes net benefits to ratepayers?” (Staff Ex. 2.0 at 22:429-434). The second question addresses the issue of which equipment efficiency would maximize the welfare of ratepayers by providing the economically efficient level of energy efficiency. The answer to this question is what economists typically consider to be economic efficiency. (Staff Ex. 2.0 at 21-22:419-438).

Dr. Brightwell proposed measuring economically efficient potential as follows:

“The concept economists use to measure economic efficiency is called marginal analysis. In the context of the potential studies, one applies marginal analysis by ranking equipment in degree of energy efficiency relative to the current stock of equipment from the lowest to the highest. Once the ranking is complete, one examines the additional benefits and additional costs of moving from the current equipment to the piece of equipment that is ranked slightly higher. This examination would be completed again comparing the additional costs and benefits from the next highest-ranked piece of equipment to the previously examined more efficient equipment. This process is repeated until the additional benefits of the next highest-ranked piece of equipment are less than the additional costs of that piece of equipment. Economic efficiency is determined by choosing the last piece of equipment that achieves marginal benefits greater than marginal costs.” (Staff Ex. 2.0 at 22:439-23:451).

According to Dr. Brightwell, information about economically efficient potential is useful for the Potential Studies because “[i]t provides insight into how much more it costs to move from one level of efficiency to the next and what benefits are gained from doing so.” (Staff Ex. 2.0 at 25:498-500).

2. Intervenor’s Position(s)

No Intervenor offered an opinion regarding the potential study prior to briefing.

3. Ameren Illinois’ Position

Ameren Illinois does not endorse nor dispute Dr. Brightwell’s comments on this topic but instead agrees to submit Dr. Brightwell’s suggested methodology as to how to evaluate “economically efficient potential” to the contractor who will perform the next potential study, should Staff request the Company to do so, so that the contractor may decide to use it, if appropriate. (Ameren Ex. 6.0 at 26:581-583).

VII. Miscellaneous

A. Inclusion of TRM Codes

The Illinois Technical Reference Manual (“IL-TRM”) is used by the utilities, DCEO and the respective evaluators who assess, after the fact, the achieved savings of the programs. (Ameren Ex. 1.0 at 10:231-232). In developing its Plan, Ameren Illinois used the IL-TRM for all measure savings, incremental costs, and lifetimes, where applicable.

1. Staff’s Position

Staff agrees that Ameren Illinois used the IL-TRM in its Plan filing. However, Staff “had to submit a data request to receive the TRM measure codes associated with the measures included in Ameren Illinois’ Plan filing. In the future, [Staff] would recommend the Company include the TRM measure codes in its actual Plan filed with the Commission for ease of review.” (Staff Ex. 1.0 at 27:646-652).

2. Intervenor's Position(s)

No Intervenor offered an opinion regarding Staff's recommendation to include TRM measure codes in the Company's future Plan filings prior to briefing.

3. Ameren Illinois' Position

Ameren Illinois agrees to Staff's request that Ameren Illinois include with its next 3-year filing the IL-TRM codes used during the planning stages. (Ameren Ex. 6.0 at 26:594-596).

VIII. Conclusion

For the reasons set forth in this Brief, Ameren Illinois respectfully requests that the Commission approve its Plan 3 as well as any other relief or orders consistent with the positions taken in this docket by the Company.

Dated: December 3, 2013

Respectfully submitted,

AMEREN ILLINOIS COMPANY
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CERTIFICATE OF SERVICE

I, Mark DeMonte, hereby certify that a copy of the foregoing Initial Brief was filed on the Illinois Commerce Commission's e-docket and was served electronically to all parties of record in Docket No. 13-0498 on December 3, 2013.

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