

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

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| Illinois Power Agency |) | |
| |) | |
| |) | Docket No. 15-0541 |
| Petition for Approval of Procurement Plan |) | |

**AMEREN ILLINOIS COMPANY’S VERIFIED OBJECTIONS AND COMMENTS
TO THE ILLINOIS POWER AGENCY’S PROPOSED PROCUREMENT PLAN**

The Illinois Power Agency (“IPA”) filed a petition for approval of its procurement plan (“Plan”) with the Illinois Commerce Commission (“Commission”) on September 28, 2015. Ameren Illinois Company (“Ameren Illinois” or “AIC”) offers the following objections and comments pursuant to Section 5/16-111.5(d)(3) of the Illinois Public Utilities Act (“Act”), 220 ILCS 5/16-111.5(d)(3). Ameren Illinois appreciated the opportunity to file informal comments before the IPA Plan was submitted to the Commission. While some of the comments provided by Ameren Illinois were addressed, there remain significant areas of concern that warrant modification of the IPA Plan and/or clarification of the IPA Plan’s intent. Ameren Illinois respectfully submits the following objections and comments, and requests that the Commission modify the IPA Plan in a manner consistent with the positions set forth below, as well as in the redline of the IPA Plan attached as Exhibit A. The objections and comments below track the order in which the issues are presented in the IPA Plan.

I. OBJECTIONS

A. Consensus on Forecast Updates (Section 1)

In several places throughout the IPA Plan, the IPA proposes that forecast updates should be pre-approved by the Commission, but only after final approval by the IPA. *See, e.g.*, IPA Plan, Petition/Application (PART 1) Entry 2 (September 28, 2015), at 6 (hereafter “IPA Plan”). This is contrary to the longstanding protocol approved in prior IPA Plans by the Commission

whereby the IPA, Commission Staff, the Procurement Monitor and the applicable utility reach consensus on whether to use the forecast updates to modify procurement quantities.

Ameren Illinois is not aware of any reason why the longstanding protocol should be changed in this IPA Plan. The current protocol remains preferred because it ensures appropriate checks and balances. Therefore, Ameren Illinois recommends the Commission reject the IPA proposal and instead pre-approve the forecast updates subject to the consensus of the IPA, Commission Staff, the Procurement Monitor and the applicable utility.

B. Existing Resource Portfolio and Supply Gap (Section 4)

The IPA Plan states that “in February 2015, DOE funding support for Future Gen 2.0 was suspended, potentially eliminating the project as a source of supply.” IPA Plan at 48. Ameren Illinois recommends striking the phrase “as a source of supply” because Ameren Illinois is not aware of any prior determination by the Commission that FutureGen would act as a supply hedge for eligible retail customers. Instead, the Commission ordered that the cost of the Sourcing Agreement between FutureGen and the applicable utility should be recovered from all delivery service customers and hedging was not referenced.

C. Incremental Energy Efficiency (Section 7)

1. Multi-year Contracts (Section 7.1.2.1)

The IPA Plan makes certain statements about what it “tentatively understands” that the utilities “will” be offering with respect to multi-year contracts (up to 3 years in length) for Section 5/16-111.5B programs solicited in the future for inclusion in the 2017 IPA Plan. IPA Plan at 83. However, there has been no decision on what will or will not happen in the 2017 IPA Plan at this time. Ameren Illinois would like it to be clear to future bidders that any program attributes, including length, will be set forth in the RFP for 2017 IPA Plan—which has not even been discussed or developed yet. Accordingly, Ameren Illinois has proposed several small

modifications in the attached redline to this section, with the goal of restoring the more conditional language that was included in the draft IPA Plan.

2. Prior Year Consensus Items (Section 7.1.3)

The IPA proposes to adopt an extensive list of prior year consensus items, essentially copying and pasting those items proposed by Staff during the informal comment process and seeking the application of those consensus items to not just the current planning process, but also the next (i.e., for the 2017 IPA Plan). The list includes items from both workshops that were held during both the 2013 and 2014 IPA planning processes. The IPA's proposal should be rejected. First, the 2013 consensus items should be stricken from the IPA Plan. They are contradictory to some of the 2014 consensus items and, in any event, are stale at this point. While Ameren Illinois does not object to the inclusion of the 2014 consensus items for approval in the 2016 IPA Procurement Plan, any consensus items reflected in the IPA Plan should only be applicable to the current plan under consideration. There are significant changes and discussions occurring between parties with respect to the future development, planning, implementation and evaluation of energy efficiency in Illinois. Parties should not have to be bound by a set of rules that may no longer reflect the current and/or future landscape for energy efficiency in the State. Accordingly, AIC respectfully submits that consensus items should be limited to apply to the *current* IPA Plan cycle (i.e., the 2016 IPA Plan), as they are reflective of the parties' preferred approaches to those challenges at this time. Past experience shows that the nature of the challenges facing Section 5/16-111.5B program selection and implementation can vary from plan to plan, and that consensus items reached in prior years should not unnecessarily bind the parties from addressing them.

3. Duplicative Program Screening (Section 7.1.4)

Each year, Ameren Illinois sends out a Request for Proposals (“RFP”) soliciting bids for energy efficiency measures and initiatives to be included in the IPA Plan, as required by Section 5/16-111.5B(a)(3). This year, Ameren Illinois received thirty-two bids—ten for the residential sector and twenty-two for the business sector. Four bids withdrew or were never completed, leaving twenty-eight for review. Ameren Illinois, working collaboratively with a group of interested stakeholders,¹ reviewed those twenty-eight bids to determine whether they were compliant with the RFP, including whether any were duplicative of programs already being implemented pursuant to Section 5/8-103 of the Act or already approved for implementation pursuant to the 2015 IPA Plan.² All parties agreed that eleven bids were duplicative and thus did not comply with the RFP instructions. And, because they were non-compliant, Ameren Illinois did not put the duplicative bids through cost-effectiveness screening.³

The IPA now recommends that Ameren Illinois conduct TRC analysis “for all programs meeting the requirements of the RFP, even those for which a duplicative determination is made.” IPA Plan at 93. This recommendation should be rejected because it needlessly increases costs and is inherently contradictory, impractical, and contrary to the terms of the Act. Ameren Illinois respectfully requests that the IPA’s requested directive be removed and Section 7.1.4 be modified as set forth at the end of this discussion section.

¹ The group included the Illinois Power Agency (“IPA”), representatives from the Environmental Law & Policy Center (“ELPC”), the Natural Resources Defense Council (“NRDC”), Commission Staff, and the Department of Commerce and Economic Opportunity (“DCEO”).

² Pursuant to the 2015 IPA Plan, approximately \$38,003,062.50 in energy efficiency programs were already approved for contracting and implementation in AIC’s service territory in 2016.

³ There were a few exceptions, where the IPA and DCEO (with agreement from ELPC and NRDC) asked for cost-effectiveness analysis to be performed for a select group of bids that were determined to be duplicative of current DCEO Section 5/8-103 programs, out of a concern that DCEO may not have funding to implement those programs.

First, as acknowledged by the IPA, performing the TRC analysis on a bid requires a substantial investment of time and resources. *See* IPA Plan at 93. It is not as simple as plugging a set of known inputs into a calculator and getting a result. It requires review by Ameren Illinois and other stakeholders, as well as a detailed and complicated analysis by an expert consultant. Many of the inputs needed for the analysis come from the bidder, which must be reviewed for reliability, accuracy and completeness. If there is a problem with the information provided by the bidder, AIC and its consultant must request additional information and, if it is received, must begin the review process anew. Sometimes the bidder challenges the TRC analysis or the assumptions made by AIC, further complicating the process. In short, it is no small thing to perform a complete TRC analysis on a bid, something the IPA rightly notes. This time and effort should be spent on bids that comply with the RFP's requirements; ratepayers should not be required to spend additional funds analyzing non-compliant, duplicative bids.

Second, the IPA's requested directive is inherently contradictory. The IPA acknowledges that the duplicative programs at issue were not compliant with the RFP, and it states that the TRC analysis should only be run "for ... programs meeting the requirements of the RFP[.]" *See* IPA Plan at 93. But it then goes on to say that the TRC analysis should be run on duplicative programs anyway, *id.*, because the duplicative determination is "sufficiently subjective" to warrant different treatment. IPA Plan at 93 ("While it could be argued that the RFPs require the bidder to assess if their proposal is duplicative of existing programs, that assessment is sufficiently subjective that it should be treated differently from other RFP requirements.") (emphasis added). In fact, determining whether a bid seeks to duplicate savings, and is therefore out of compliance with the RFP, is not difficult. For example, this year the RFP was reviewed by Staff and other interested stakeholders, *including the IPA*. The resulting RFP made clear that

bidders should not bid programs that attempted to duplicate savings achieved by programs already implemented or approved for implementation, whether pursuant to Section 5/8-103 or Section 5/16-111.5B. Specifically, the RFP stated:

In an effort to avoid market conflict and confusion, as well as [to] efficiently and cost-effectively capture incremental savings contemplated by the Act, bidder's proposed programs should not be duplicative of programs currently offered in the AIC or DCEO energy efficiency portfolios.

AIC is currently in its seventh program year (PY7) of administering an integrated energy efficiency portfolio. The proposed programs that result from this bidding process will be implemented during program year 9 (PY9) of the portfolio (June 1, 2016-May 31, 2017). In addition, in ICC Docket No. 14-0588, the Commission approved seven incremental energy efficiency programs to be implemented by AIC through the Illinois Power Agency procurement plan in PY9.

Bidders should use the current AIC three year planned portfolio approved by the Commission in Docket No. 13-0498 ("Plan 3"), the seven incremental energy efficiency programs approved in ICC Docket No. 14-0588 and the DCEO three year planned portfolio approved by the Commission in Docket No. 13-0499 as the basis for determining whether programs will be new or expansions of current AIC or DCEO program offerings. Descriptions of these programs can be found in Attachment E. The AIC 8-103 portfolio and its programs can be further researched at the portfolio's website; www.actonenergy.com. Templates providing a description of current programs are provided in Attachment F. Further detail regarding the estimate of net savings is provided in section 2.0.

Section 1.1, AIC's RFP for Third-Party Energy Efficiency Programs (revised Feb. 13, 2014).

The RFP language went above and beyond to make clear what programs were already being implemented and paid for by ratepayers—even going so far as to provide the program templates themselves for review. Bidders who, for whatever reason, went ahead and submitted duplicative programs anyway did not comply with the RFP in the same way as a bidder who provided an incomplete or inaccurate submission did not comply with the RFP. And

importantly, *every* duplicative program determination at issue in this IPA Plan was unanimous. See Ameren Illinois Submittal, Petition/Application (PART 2) Entry 2, at 17 (September 28, 2015) (hereafter “AIC Submittal”). That makes sense, as adherence to the RFP’s instruction not to submit a program that duplicates savings is no more “subjective” than a bidder’s failure to include a program incentive level or other relevant data point.

Further, TRC results are only as good as the underlying information upon which the analysis is run. A bidder who cannot follow simple instructions, or who exhibits a fundamental lack of awareness of the programs that are already being run in the state, sends a strong message that its underlying data and assumptions may not be reliable. Therefore, bidders who have not complied with the RFP, including those who bid duplicative programs, should be screened out early in the process so that additional resources are not expended on them.

Third, while the IPA appears to believe that TRC analyses for duplicative programs are worth including in the future because they will “aid the IPA in its review of programs for consideration for inclusion in the Plan,” IPA Plan at 93, the IPA never provides any detail as to how such analysis would or could be helpful. In fact, TRC values are typically calculated for a specific program under the assumption that the program is the *sole* program designed to achieve the estimated savings. When one runs TRC values on *duplicative* programs without regard to the fact that they would be run together, the results are not reliable, as the results would not account for any increased costs needed to account for competing with a duplicative program, or any double-counted savings and/or quantifiable societal benefits. If a TRC value cannot reliably be calculated, it does not provide a useful tool to determine whether a program, as incrementally installed, would be cost-effective. The IPA has not identified any good reason to inject this unreliable and complicated issue into an already complicated process.

Finally, screening out programs that do not comply with the RFP because they are duplicative is supported by the Act itself, which directs utilities to use the RFP process to identify “*new or expanded* cost-effective energy efficiency programs or measures that are *incremental* to those included in energy efficiency and demand-response plans approved by the Commission pursuant to Section 8-103[.]” 220 ILCS 5/5/16-111.5B(a)(3)(C) (emphasis added). Programs that merely duplicate (as opposed to expand) Section 5/8-103 savings are obviously not “incremental” to programs producing the same savings, and programs that merely duplicate existing Section 5/16-111.5B savings are not “new or expanded” energy efficiency programs or measures. Because duplicative programs do not meet the statutory standard, they are not to be included in a utility’s assessment.

In conclusion, Ameren Illinois asks that the Commission reject the IPA’s suggestion that AIC perform a TRC analysis on “all programs meeting the requirements of the RFP,” including bids that did *not* comply with the RFP because they proposed programs duplicative of programs already being implemented and paid for by customers under Section 5/8-103 and/or approved for implementation pursuant to Section 5/16-111.5B. IPA Plan at 93. Performing the additional, complicated analysis would be a waste of resources which the statute does not require and which cannot produce information reliable enough to be of any use to the IPA or to the Commission. Accordingly, AIC requests that the Commission adopt following modifications to Section 7.1.4 set forth in the attached redline.

4. Multi-Year Bids (Section 7.1.4)

Ameren Illinois agrees with the position set forth by Commonwealth Edison Company (“ComEd”) in its informal comments on the draft IPA Plan. Those comments made clear that Section 5/16-111.5B does not permit consideration of “incremental” energy efficiency bids without reference to an underlying or “baseline” set of programs approved under Section 5/8-

103. Accordingly, eliciting multi-year bids that would necessarily flow into the next planning cycle is not appropriate. The Commission already decided this issue in Docket No. 13-0546 (*See* Final Order (Dec. 18, 2013) at 146-147) and, as explained by ComEd, further litigation on this topic is neither appropriate nor helpful. Ameren Illinois agrees and would request any language included in the IPA Plan inviting further litigation on this issue be removed from the IPA Plan.

5. Total Resource Cost Test (Section 7.1.5.2)

The IPA Plan includes a critical assessment of Ameren Illinois’s administrative cost adder, which should be removed. Specifically, the IPA Plan states that “Ameren Illinois employed a blanket administrative cost adder of 13.58% to all programs, and provided only rudimentary information on how that 13.58% figure was reached.” IPA Plan at 95. And it criticizes the inclusion of what the IPA describes as “fixed, non-incremental, non-program specific costs” in the TRC analysis, before arbitrarily reducing Ameren Illinois’ administrative adder from 13.58% to 11.5%:

In its submittal, Ameren Illinois explained the costs as “3.5% for Evaluation, Measurement & Verification activities (“EM&V”), 5% for program implementation oversight; portion of the costs to conduct the potential study (estimated at \$1.5 million), ~3% for education and awareness activities as well as planning, assessment and tracking of the programs, as required under Section 5/16-111.5B.”

* * *

[T]he IPA believes that including fixed, non-incremental, non-program-specific costs in the TRC calculation such as those for Ameren’s potential study (the development of which is a standalone requirement under Section 16-111.5B(a)(3)(A), and must occur whether Ameren Illinois administers 10, 30, or zero energy efficiency programs) is inappropriate and inconsistent with the direction taken by the Commission in Docket No. 14-0588. If costs associated with Ameren Illinois’ potential study are removed, the administrative cost adder would then constitute 11.5% (by coincidence, the same amount reported by ComEd in its submittals). Section lists the TRC results as submitted by Ameren Illinois, and the TRC as adjusted by the IPA to reflect an 11.5% administrative adder.

IPA Plan at 95-96. Ameren Illinois respectfully submits that the IPA's criticisms are unfounded, and that its administrative adder should be left unchanged, at least for this IPA Plan cycle, for several reasons.

First, the IPA's criticisms are not based in fact. Ameren Illinois is using the same figures it has used for years, which the Commission has consistently approved. *See, e.g.*, Docket No. 15-0588, IPA Petition for Approval of the 2015 IPA Procurement Plan, Final Order at 160.⁴ Last year was the first time *any* party questioned Ameren Illinois' administrative adder, and the Commission resolved the issue by ordering Ameren Illinois to "track administrative costs by program in order to aid in future determinations of appropriate administrative cost assumptions to use in the TRC analysis of the Section 16-111.5B programs." Docket No. 14-0588, Final Order at 224. Ameren Illinois has begun to track those costs, as ordered, and its tracking efforts to date show that the administrative adder it has applied every single year, including this year, is approximately correct. If that changes, such that a year of tracking administrative costs at the program level shows Ameren Illinois' current estimate is actually incorrect, then Ameren Illinois will use the correct figure in future IPA Plan Submittals. When this data based approach is contrasted with the IPA's arbitrary slashing of the administrative adder, it becomes clear that the reduction should be rejected.

⁴ There, the IPA recounts Ameren's list of dockets in which the same value was presented and approved:

"Ameren says those adders comprised: Portfolio Administration 5.0%; Evaluation, Measurement & Verification 3.5%; Education 2.5%, and Marketing 2.5%, with the total rounded to 14%. Ameren claims these approximate percentages have been used for years, including in Docket No. 10-0568 (Plan 2 approval); Docket No. 13-0498 (Plan 3 approval docket); Docket No. 12-0544 (2013 IPA Procurement Plan approval); and Docket No. 13-0546 (2014 IPA Procurement Plan approval)."

Docket No. 14-0588, Final Order at 160.

Second, the IPA totally ignores the practical effects of arbitrarily cutting Ameren Illinois' administrative budget, but those effects are real and problematic. Despite the fact that the IPA picks the programs and the Commission approves them, the responsibility to contract with bidders falls on the utility. And the implementation of programs and measures adopted pursuant to Section 5/16-111.5B requires time and effort to administer and assist. Even those prospective implementers who manage to submit compliant bids face challenges. For example, one of the programs currently being proposed by the IPA, which would offer demand control ventilation, was approved last year, though submitted by a different bidder. Since implementation began, the program has been faced with significant challenges, and it appears unlikely that the originally-estimated savings will be achieved. In order to avoid—or at least minimize—such eventualities, Ameren Illinois has hired a third-party firm to provide support to the IPA program implementers, to assist with day-to-day implementation, and to provide AIC with information relating to the performance (or lack of performance) of the implementers. The third-party service comprises about 4.5-6% of the IPA program budgets, and accounts for the same portion of the 13.58% administrative adder. This arrangement was made clear in the RFP, which was reviewed and approved by the IPA. But now, the IPA has arbitrarily proposed slashing about half of the funds necessary to contract for such oversight from Ameren Illinois' administrative budget, for no reason other than to make Ameren Illinois' administrative adder appear, “by coincidence,” to be the same as ComEd's. IPA Plan at 96.

Third, the idea—which keeps getting raised in IPA Plan approval dockets before the Commission—that the *percentage* of total program costs assigned to ComEd and Ameren Illinois' administrative costs should be the same is unsupported and misleading. ComEd runs much larger Section 5/16-111.5B programs than Ameren Illinois. For example, last year's IPA

Procurement Plan process resulted in a two-year budget of approximately \$103 million for ComEd and \$76 million for Ameren Illinois, despite the fact that the two utilities were running a similar number of programs.⁵ Thus, even if Ameren Illinois and ComEd have the exact same administrative costs, those administrative costs would make up a larger percentage of Ameren Illinois' total program costs than they do of ComEd's total program costs, because the denominator is a smaller number.⁶ Focusing myopically on the percentages, as the IPA now advocates doing, misleadingly leads to a comparison of apples to oranges. ComEd's service area includes dense, urban areas with approximately 10 million residents in the metropolitan statistical area. Ameren Illinois' service territory covers a much smaller customer base spread out over a much larger geographical space. The challenges of marketing, administering and monitoring energy efficiency programs in the two service territories are different, and the IPA's attempt to ignore this fact should be rejected.

In light of all of the foregoing, Ameren Illinois respectfully requests that the Commission reject the IPA's misguided attempt to lower AIC's administrative adder and adopt the

⁵ ComEd's residential lighting program alone had a budget the size of Ameren Illinois' entire approved budget.

⁶ This argument is particularly salient when some of the costs in question are "fixed" costs, which, contrary to the IPA's assertion, *are* recoverable, and are thus countable on a prorated per-program basis for TRC purposes. The cost of the potential study provides an example. Section 5/16-111.5B(a)(3)(A) requires Ameren Illinois to execute an annual potential study regardless of whether any programs discovered by the study are eventually approved for implementation by the Commission. But that does not mean those costs—appropriately prorated—should not be included in each program's TRC analysis. Section 5/16-111.5B(a)(6) provides that "[a]n electric utility shall recover its costs," including, among other things, "all costs associated with complying with this Section and all start-up and administrative costs." The Act's plain language clearly contemplates that Ameren Illinois may recover its costs incurred in executing the potential study, even though they are "fixed." And if the cost of the potential study is a cost that will be passed through to ratepayers, then it is a cost that should be taken into consideration when calculating each prospective program's cost/benefit ratio, as the TRC test is designed to do. Excluding such a cost simply because the potential study was performed for additional reasons other than the requirements set forth in Section 5/16-111.5B would produce a misleading TRC figure by hiding costs associated with the provision of energy efficiency programs pursuant to that section. To be sure, the fact that the study is mandatory regardless of whether the number of programs eventually adopted is 10, 30, or zero, is relevant in terms of deciding how to prorate the cost among the programs for TRC purposes. But it is irrelevant for purposes of determining whether it should be a factor in the TRC test in the first place. The only relevant considerations to that analysis are whether the cost is actually incurred and recoverable, and those points are undisputed.

modifications to the IPA's discussion of Ameren Illinois' administrative costs reflected in the attached redline.

6. Prevailing Cost of Comparable Supply as an Additional Consideration (Section 7.1.5.3)

In its submittal, Ameren Illinois provided its assessment that all of the cost-effective, non-duplicative programs responsive to the RFP *could* be included in the IPA Procurement Plan, but recommended that the Commission refrain from approving the final two, consisting of an electric-only behavioral modification program and an agricultural energy efficiency program. AIC Submittal at 6. Ameren Illinois' assessment proposed excluding those two programs because those programs would cost customers more than simply procuring supply at the prevailing cost. *Id.* The IPA disagrees with Ameren Illinois' approach and analysis. The IPA suggests that the Commission is bound to approve *all* programs that the TRC test concludes are "cost-effective," emphasizing that term as it appears in Section 5/16-111.5B(a)(5). *See* IPA Plan at 97. But that is not correct. The Act simply directs the Commission to approve incremental energy efficiency "to the extent practicable[.]" 220 ILCS 5/16-111.5B(a)(5). And the IPA, like every stakeholder, knows that there are limiting principles. For example, it is a matter of general consensus that certain duplicative or competing programs should not be included in the final IPA Plan approved by the Commission, regardless of whether they pass the TRC test. Ameren Illinois' submittal simply identified and applied another one of those limiting principles, grounded squarely in the Act itself and in fairness to Ameren Illinois' customers.

As explained in Ameren Illinois' submittal to the IPA, every year since the IPA began procuring incremental energy efficiency; Ameren Illinois has prepared a submission for use by the IPA when developing its Plan to procure electricity for Illinois electric utilities for the upcoming year. And, nearly every year, the cost ultimately passed through to ratepayers for the

measures adopted by the IPA and by the Commission has grown. This year will be more of the same. Importantly, the costs of the programs included in the IPA Plan currently under review will be *in addition to the \$38 million in spending this year on energy efficiency programs which were approved as part of the previous procurement plan's two-year energy efficiency programs*. The year-over-year increase in costs for incremental energy efficiency is substantial:

| Program Year | Approved in Docket | Estimated Budget |
|---------------------|---------------------------|------------------------------|
| PY6 | 12-0544 | \$27,143,236.00 |
| PY7 | 13-0546 | \$23,219,957.00 |
| PY8 | 14-0588 | \$38,559,717.50 |
| PY9 | 14-0588 15-0541 | \$50,035,644.50 ⁷ |

Thus, should the Commission approve the Plan currently submitted by the IPA, it would represent an 85% increase in approved budgets over the last four years. Stated another way, if approved, the combined \$50 million budget for PY9 would result in an estimated budget *higher* than Ameren Illinois's current estimated annual budget for its Section 5/8-103 portfolio. However, unlike the Section 5/8-103 portfolio, which costs are recovered from all rate classes including the medium and large business (DS-3 and DS-4) rate classes, the costs related to the IPA Procurement Plan are borne only by the residential and small business (DS-1 and DS-2) rate classes. And the impact on Ameren Illinois DS-1 and DS-2 customer bills attributable to energy efficiency spending is significant. Prior to June 1, 2013, when the IPA began accepting energy efficiency programs as an alternative to supply, the average annual electric energy efficiency rider charges (via Rider EDR) totaled approximately \$20 for DS-1 customers and \$61 for DS-2 customers for energy efficiency programs procured as part of the Section 5/8-103 portfolio. For

⁷ This figure consists of the \$38,003,062.50 for two-year programs approved last year, plus the \$12,032,582 for programs recommended by the IPA for inclusion in this year's Plan.

PY9, the annual cost of electric energy efficiency procurement (under both Section 5/8-103 and Section 5/16-111.5B) will exceed \$55 for DS-1 customers and \$175 for DS-2 customers, over half of which will be attributable to energy efficiency procured as part of the IPA Procurement Plan.

Against that background, Ameren Illinois highlighted, in its submittal, the need for the utilities, the IPA, and the Commission to grapple with the practical limits of energy efficiency procurement for 2016. AIC Submittal at 2. The decision to use the prevailing cost of comparable supply as a reference point was not, as the IPA Plan suggests, an attempt to “read out of the law” the statutory cost-effectiveness threshold “in favor of a utility’s new preferred alternative approach.” IPA Plan at 97. To the contrary, it was a reference to the explicit, plain language of the Act itself, which offers more than one limiting principle. Section 5/16-111.5B(a)(3)(E) provides that an electric utility shall include the following information in its assessment:

Analysis of how the cost of procuring additional cost-effective energy efficiency measures compares over the life of the measures to the prevailing cost of comparable supply.

The IPA correctly notes that parties have agreed, in the past, to consider the (a)(3)(E) threshold satisfied when the TRC test is satisfied. IPA Plan at 97. But in light of the increased costs borne by customers, and particularly DS-1 and DS-2 customers, Ameren Illinois respectfully suggests that the time has come to re-evaluate and change that approach.

First, the language of Section 5/16-111.5B makes clear that a showing of cost-effectiveness and an “[a]nalysis of how the cost compares over the life of the measures to the prevailing cost of comparable supply” are two different things. The Act provides that only “cost-effective” energy efficiency programs should be included in a utility’s assessment, and it even

provides that a comparison to the prevailing cost of comparable supply should only be run on programs which are already determined to be “cost-effective.” 220 ILCS 5/16-111.5B(a)(3), (a)(3)(E). In practice, a program that is cost-effective, and thus worthy of inclusion in a utility’s assessment (or in the IPA Plan), is a program with a TRC value greater than one. If that is the case, then “prevailing cost of comparable supply” cannot *also* mean a TRC value greater than one. *See* IPA Plan at 91-92. The Illinois Supreme Court has instructed to “construe statutes so as not to render any term superfluous,” *People v. Gutman*, 959 N.E.2d 621, 632 (Ill. 2011), and the Section 5/16-111.5B(a)(3)(E) directive would be duplicative and superfluous if all it really required was that cost-effective measures be cost-effective.

Second, the Act’s directives to the Commission would not make any sense if simple cost-effectiveness is the only test. As previously mentioned, the Act provides that the Commission should only approve cost-effective measures “*to the extent practicable*.” In other words, as Staff has itself stated, “the requirement under the law is that the programs or measures included in the procurement plan must be cost-effective (220 ILCS 5/16-111.5B(a)(4)), not that ‘all’ cost-effective programs or measures must be recommended for approval in procurement plans.” Staff’s Informal Comment on the Draft Procurement Plan at 25. And the Commission has previously recognized its own discretion to exclude cost-effective programs. *See, e.g.*, Final Order, Petition for Approval of the 2014 IPA Procurement Plan, Docket No. 13-0546, 148-149 (December 18, 2013) (providing for the exclusion of competitive or duplicative programs, in the Commission’s discretion). Reference to a given limiting principle is not, therefore, a creative effort to conform the proceedings to the “utility’s new preferred alternative approach,” as stated by the IPA. IPA Plan at 97. It is a reference to the existing framework recognized by all parties, including the IPA. Ameren Illinois respectfully suggests that the circumstances of this particular

docket require the application of a different limiting principle—one which exists in the plain language of the Act itself. 220 ILCS 5/16-111.5B(a)(3)(E).

Third, Section 5/16-111.5B is inexorably tied to Section 5/16-111.5, as both are part of the same planning process, and Section 5/16-111.5 comes with its own set of limiting principles. In particular, Section 5/16-111.5(d)(4) provides that the Commission shall approve the procurement plan only “if the Commission determines that it will ensure adequate, reliable, *affordable*, efficient, and environmentally sustainable electric service at the lowest total cost over time....” *Id.* (emphasis added). To be sure, Ameren Illinois understands the TRC test, and understands that it is designed to ensure that any measures that pass the test will prove, over an extended time horizon, to be economically superior to traditional supply. And Ameren Illinois is an active supporter of this State’s energy efficiency initiatives. Since 2007, Ameren Illinois has achieved an estimated 1,736,380 MWh of first-year energy savings through an innovative portfolio of energy efficiency programs offered through Section 5/8-103 and Section 5/8-104 of the Act. AIC Submittal at 1. But, at a certain point, all parties must ask themselves when a given year’s EE procurement has grown large—and expensive—enough. Ratepayers may ultimately enjoy the “quantifiable societal benefits” which flow from their adoption of energy efficiency initiatives, but they do not see them on their bill. Customers *do* see the increase due to energy efficiency procurement, however, an amount which could approach \$200, on an annual basis, for many ratepayers in the DS-2 class. When it comes to “affordability” as a limiting principle, Ameren Illinois believes bill impact matters, and if procuring energy efficiency would be more expensive than procuring supply (not distribution or transmission) at the prevailing cost of supply, then the Commission should use its limiting powers accordingly.

In summary, Ameren Illinois respectfully requests that the Commission recognize the significant costs borne by DS-1 and DS-2 customers due to the procurement of energy efficiency and use its authority to set practical limits on Section 5/16-111.5B procurement. Here, there are two programs that, if procured, would cost more than the procurement of comparable supply. For all of the foregoing reasons, Ameren Illinois requests that the modifications to the discussion of Ameren Illinois's cost-of-comparable-supply screening be accepted, and that the two programs identified as failing to meet the threshold not be approved for implementation.

7. DCEO Duplicative Programs (Section 7.1.5.4)

The IPA Plan appears to contemplate the “conditional” approval of two programs that it acknowledges are duplicative of programs scheduled to be implemented by DCEO pursuant to Section 5/8-103. IPA Plan at 99. The Plan says of the two programs:

As of the filing of this Plan, DCEO's budget for the current Fiscal Year has not yet been enacted. Without that budget in place, it is unclear whether any funding is available for DCEO to run energy efficiency programs in the current Fiscal Year or what the cascading repercussions may be on following Fiscal Years. If DCEO cannot run its programs, then these two programs would no longer be duplicative and should be included.

IPA Plan at 99.

For a variety of reasons, the IPA's attempt to get conditional approval should be rejected, and Ameren Illinois respectfully requests that the Commission remove it from the IPA Plan. First, the IPA openly acknowledges that it cannot say whether the programs in question will be “new or expanded” programs “incremental” to DCEO's efforts pursuant to Section 5/8-103, or if they will remain duplicative. As the Commission cannot make a finding that the statutory threshold for inclusion is met, and it makes no difference whether the threshold *might* be met at some time in the future, and these duplicative programs should not be included, conditionally or otherwise. *See* Section 5/16-111.5B. Second, as noted in Section I.C.3 above, there is no

reliable TRC analysis for these programs because it is not yet known whether the program will ultimately be duplicating savings or not. Accordingly, it cannot be determined at this time whether or not the programs will be cost-effective, which is another requirement under the Act.⁸ Finally, as a practical matter, the IPA's proposal is simply unworkable and would be extremely difficult to administer by AIC. Coming to terms with IPA bidders takes significant time and requires a determination by a set period of time (here, by the end of the docket) that the programs have been approved for implementation. A "conditional approval," which only springs if and when the Illinois legislature decides to take action, would make it nearly impossible to come to terms with bidders and then have them implement these programs in a manner timely enough to produce the proposed estimated savings. Ameren Illinois respectfully requests that the language set forth above be removed from the IPA Plan.

8. Cost Overruns (Section 7.1.5.6)

In its submittal, Ameren Illinois requested permission to recover costs exceeding estimated program costs, so that it need not prematurely discontinue programs prior to the estimated budget being expended. Regarding that request, the IPA Plan states:

With respect to Ameren's second request above pertaining to cost recovery of costs in excess of estimated program costs, the IPA notes that the consensus language previously approved by the Commission in Docket No. 13-0546 (and set forth the consensus items above) allowed for the utilities to recover reasonable and prudent costs that incidentally (3-5%) exceeded excess program costs. However, it is unclear to the Agency whether this consensus item was intended to serve as a hard cap on allowable expenditures, or merely meant to predetermine the prudence and reasonableness of expenditures which incidentally surpassed estimated costs. For purposes of the 2016 Plan, absent a showing by Ameren Illinois (or other parties) that customers are likely to benefit from additional expenditures exceeding that "incidental" 3-5% threshold, the IPA believes that the

⁸ While Ameren Illinois did run a TRC analysis on these programs, it did so only at the request of the IPA and other interested parties and subject to a reservation that the outcome would not yield meaningful results.

threshold previously established in consensus language should be followed and Ameren Illinois' second consensus item should not be adopted.

IPA Plan at 100. To be clear, Ameren Illinois never intended to request a license for unlimited cost overruns. The request meant only to reaffirm that incidental overruns would be handled consistently between Ameren Illinois' Section 5/8-103 and 5/16-111.5B portfolios. Ameren Illinois therefore agrees with the IPA's framing of the issue, but asks that the language be modified slightly as set forth in the attached redline.

9. Miscellaneous

AIC also proposes additional minor and/or technical points of clarification throughout the IPA Plan, which are displayed in the attached redline.

D. Renewable Resources Availability and Procurement (Section 8)

1. Solar Renewable Energy Credit Procurement (Section 8.1.1.1)

The IPA states that the REC target for total renewables and the sub-target for wind RECs are forecasted to be met during 2016/2017. But the IPA states that the solar and distribution generation REC sub-targets are not forecast to be met. The IPA therefore recommends conducting a spring 2016 procurement of Solar Renewable Energy Credits (SRECs) using the remaining renewable resources budget ("RRB") for 2016/2017.

Similar to last year, Ameren Illinois again questions the need to satisfy REC sub-targets in a year where the total REC target has been exceeded. Doing as proposed by the IPA would add costs to eligible retail customers, but unlike last year, such costs would be incurred at a time when upward pressure on MISO capacity prices has significantly increased overall supply costs. The Commission may deem the incremental costs of the proposed one-year SREC unnecessary.

This issue was previously addressed in the 2013/14 IPA Plan approved by the Commission and the Commission's Final Order summarized the IPA's position as follows:

[O]n a total portfolio basis, there is no compelling reason to purchase additional renewable resources during the planning horizon, even though there may be dollars ‘left over’ to spend.

ICC Docket No. 12-0544, Final Order at 51 (December 19, 2013).

Having reviewed the Renewable Portfolio Standard (“RPS”), it is unclear whether REC sub-targets must be met in a year where the total REC target has been exceeded. And since the total REC target for 2016/2017 has been exceeded with existing contracts, the Commission should clarify, as it did in Docket 12-0544, whether the IPA should spend the remaining RRB for a one-year SREC procurement.

The IPA proposal would result in the expenditure of approximately \$2.2 million. Based on the current forecast, provided to the IPA in July 2015, such expenditures would increase supply costs by approximately \$5 per year for a typical residential customer taking fixed price supply from Ameren Illinois. Again, these costs would come at a time when eligible retail customers are already bearing the burden of a dramatic increase in MISO capacity costs.

Setting aside the unnecessary cost to Ameren Illinois customers, there is little if any for Illinois to gain. Last year’s one-year SREC procurement resulted in the majority of SRECs coming from states other than Illinois. More specifically, approximately 80% of the SRECs procured for Ameren Illinois came from facilities located in states other than Illinois or adjacent states. There is no reason to expect a different outcome at this time, and therefore, there is no realistic expectation that another one-year SREC procurement event will promote the development of solar projects in the state.

Ultimately, the question before the Commission is whether a procurement of one-year SRECs serves any valid purpose or is required in a year where total REC targets are exceeded. To the extent that such procurement is not required under the law or the Commission follows

similar logic to that it followed in Docket 12-0544, Ameren Illinois favors an approach that keeps costs as low as possible for eligible retail customers. This means the rejection of the IPA proposal for a one-year SREC procurement.

2. Distributed Generation REC Procurement (Section 8.2.1)

The IPA recommends a procurement of distributed generation RECs (“DG RECs”) using renewable funds previously collected from Ameren Illinois real-time pricing customers. These funds are currently held by Ameren Illinois in a liability account. The IPA proposes a procurement term of five years with a solicitation date in early summer 2016.

Ameren Illinois recommends that any Commission approved DG REC procurement in the IPA Plan should recognize that the IPA is also pursuing supplemental solar REC procurements using the Renewable Energy Resources Fund. Under these procurements, the IPA will act as the contractual counterparty with suppliers and not the Utilities.

The proposed DG REC procurement associated with the IPA Plan would benefit all interested parties by stipulating that the IPA is the contractual counterparty with suppliers and not Ameren Illinois. Doing so would streamline the procurement process and the administration of resulting contracts. To compensate the IPA for DG REC expenses under its contracts, Ameren Illinois and the IPA would enter into a supplemental agreement whereby Ameren Illinois would use prior collections from real time pricing customers to reimburse the IPA for contractual expenditures.

II. COMMENTS

A. Capacity (Section 1.1)

Ameren Illinois supports the IPA Plan proposal to solicit capacity for the second and third delivery years (2017/2018 and 2018/2019, respectively). The IPA does not propose any additional capacity procurement for the prompt delivery year (2016/2017) and therefore, with

50% of the current forecast already procured by the IPA, the other 50% would be procured *via* the MISO Planning Resource Auction (“PRA”).

The dilemma before the IPA is whether a 50% capacity hedge for 2016/2017 is appropriate leading into the MISO PRA. Unfortunately, the IPA does not know in advance whether the MISO PRA will result in high prices that approach Cost of New Entry or alternatively, if prices will return to the low levels as witnessed in prior years. Further, modeling the outcome of the MISO PRA with any degree of accuracy is impossible given unknown bidding strategies of MISO PRA buyers and sellers, import and export limits for Zone 4 which have yet to be finalized, an unknown pool of available capacity resources and reference price levels which have yet to be determined by the Independent Market Monitor.

Given this considerable uncertainty, Ameren Illinois does not object to the IPA proposal to procure 50% of forecasted capacity requirements for 2016/2017 through the MISO PRA. Further, Ameren Illinois supports the proposal to procure 75% of 2017/2018 forecasted requirements, and 25% of 2018/2019 forecasted requirements in a fall 2016 procurement.

B. Switching (Sections 3.5 and 3.6)

The IPA Plan makes note of a sizeable quantity of Commonwealth Edison Company (“ComEd”) customers that switched from their municipality’s aggregation plan and returned to eligible retail load. IPA Plan at 106, 131. The IPA Plan correctly states that Ameren Illinois has not realized a significant amount of load return from municipal aggregation, but then implies that the chances of the municipality aggregated load returning to Ameren Illinois eligible retail load is greater than load continuing to switch to other suppliers. IPA Plan at 44. The IPA Plan refers to the historical impact of individual customer switching having been dwarfed by the impact of municipal aggregation. IPA Plan at 45.

Ameren Illinois continues to view the load forecast for eligible retail customers as highly uncertain in both directions. While the Ameren Illinois base case forecast for eligible retail customers projects flat switching over the planning horizon, the high and low forecast scenarios demonstrate a broad range of possible outcomes which are intended to illustrate that considerable uncertainty remains. In addition, though undeniable that municipal aggregation has been the largest factor driving switching in recent years, this does not preclude the possibility that individual customer switching could become a greater factor in the future.

III. CONCLUSION

For the reasons set forth above, Ameren Illinois Company respectfully requests that the Commission adopt the positions and modifications set forth herein and in the attached Exhibit A, and grant any other such relief as is just and equitable.

Dated: October 5, 2015

Respectfully submitted,

The Ameren Illinois Company

By: /s/ Mark W. DeMonte

Mark W. DeMonte
One of its attorneys

Edward C. Fitzhenry
Eric E. Dearmont
Kristol L. Whatley
Counsel for Ameren Illinois
One Ameren Plaza
1901 Chouteau Avenue
P.O. Box 66149 (mc 1310)
St. Louis, MO 63166-6149
efitzhenry@ameren.com
edearmont@ameren.com
kwhately@ameren.com

Erika M. Dominick
Regulatory Paralegal

Ameren Services Company
One Ameren Plaza
1901 Chouteau Avenue
St. Louis, Missouri 63166
Telephone: (314) 554-3649
Facsimile: (314) 554-4014
edominick@ameren.com

Mark W. DeMonte
Daniel Bradley
JONES DAY
77 West Wacker Drive
Chicago, IL 60601-169
Telephone: (312) 782-3939
Facsimile: (312) 782-8585
mdemonte@jonesday.com
dbradley@jonesday.com

VERIFICATION

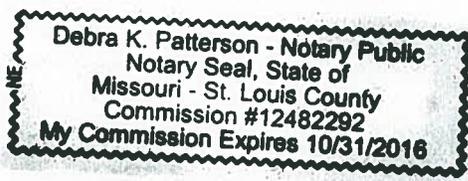
I R.L.M., certify that: (i) I have read the attached Objections and Comments;
(ii) I am familiar with the facts stated therein; and (iii) the facts stated therein are true and correct
to the best of my knowledge, information and belief.

Richard L. McCartney
NAME

Richard L. McCartney
Director, Power Supply
Amenen Illinois

SUBSCRIBED and SWORN to before
me this 5th day of October, 2015.

Debra K. Patterson
Notary Public



My commission expires: _____

VERIFICATION

I Keith Goerss, certify that: (i) I have read the attached Objections and Comments;
(ii) I am familiar with the facts stated therein; and (iii) the facts stated therein are true and correct
to the best of my knowledge, information and belief.

Keith Goerss

NAME

Keith Goerss

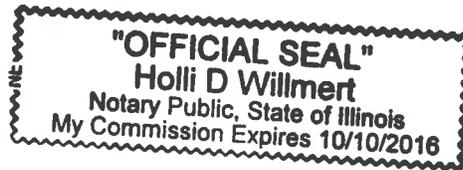
Sr. Manager, Energy Efficiency

Ameren Illinois

SUBSCRIBED and SWORN to before
me this 5 day of October, 2015.

Holli Willmert

Notary Public



My commission expires: 10/10/2016

CERTIFICATE OF SERVICE

I, Mark W. DeMonte, an attorney, certify that a copy of the foregoing Verified Objections and Comments were filed on the Illinois Commerce Commission's e-docket and was served electronically to all parties of record in this docket on this 5th day of October, 2015.

/s/ Mark W. DeMonte
Mark W. DeMonte
Attorney for Ameren Illinois Company