

**ILLINOIS COMMERCE COMMISSION
DOCKET Nos. 10-0272, 10-0273, 10-0274**

**DIRECT TESTIMONY
OF
DOMINIC S. PERNICIARO**

Submitted On Behalf

**Of
AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois**

(formerly the Ameren Illinois Utilities)

February 22, 2011

TABLE OF CONTENTS

	Page No.
I. INTRODUCTION.....	1
A. Witness Identification.....	1
B. Purpose, Scope and Identification of Exhibits	2
II. DISCUSSION REGARDING MONTHLY RECONCILIATIONS.....	3
III. CONCLUSION	9
APPENDIX.....	1

1 **ILLINOIS COMMERCE COMMISSION**

2 **DOCKET Nos. 10-0272, 10-0273, 10-0274**

3 **DIRECT TESTIMONY**

4 **OF**

5 **DOMINIC PERNICIARO**

6 **Submitted On Behalf Of**

7 **Ameren Illinois**

8 **I. INTRODUCTION**

9 **A. Witness Identification**

10 **Q. Please state your name and business address.**

11 A. My name is Dominic Perniciaro. My business address is 1901 Chouteau Avenue,
12 St. Louis, Missouri 63103.

13 **Q. By whom are you employed and in what capacity?**

14 A. Effective October 1, 2010, Central Illinois Light Company d/b/a AmerenCILCO
15 and Illinois Power Company d/b/a AmerenIP were merged with Central Illinois Public
16 Service Company d/b/a AmerenCIPS, resulting in AmerenCIPS being the surviving legal
17 entity (formerly the Ameren Illinois Utilities or "AIUs"). Simultaneously, AmerenCIPS
18 changed its name to Ameren Illinois Company d/b/a Ameren Illinois ("Ameren Illinois"
19 or "Company"). I am the Supervisor of Power Accounting for Ameren Services
20 Company ("Ameren Services"), a service company affiliate of the Ameren Illinois.

21 **Q. Please describe your current job duties and responsibilities.**

22 A. My responsibilities in the Power Accounting Department include direct
23 supervision of the accounting for calculations necessary to implement the Rider
24 Purchased Electricity Recovery (“PER”) and Rider Hourly Supply Service (“HSS”) in
25 each rate zone of Ameren Illinois Company.

26 **Q. Please describe your educational background and relevant work experience.**

27 A. See my Statement of Qualifications, attached as an Appendix to this testimony.

28 **B. Purpose, Scope and Identification of Exhibits**

29 **Q. What is the purpose of your direct testimony in this proceeding?**

30 A. In its Order initiating these dockets, the Commission calls for a reconciliation of
31 the revenues associated with the various procurement tariffs in effect during the period of
32 June 1, 2008 through May 31, 2009. In my testimony I explain the manner by which the
33 revenues for each of the AIUs were collected, how they were accounted for, any
34 accounting adjustments made during the course of the reconciliation period, and the costs
35 attributable to the relevant procurement activities.

36 **Q. Will you be sponsoring any exhibits with your direct testimony?**

37 A. Yes. I am sponsoring the following exhibits:

- 38 • Ameren Exhibit 2.1 - Rate Zone I Rider PER reconciliation of costs
39 and revenues for the period ending May 31, 2009
- 40 • Ameren Exhibit 2.2 - Rate Zone II Rider PER reconciliation of costs
41 and revenues for the period ending May 31, 2009
- 42 • Ameren Exhibit 2.3 - Rate Zone III Rider PER reconciliation of costs
43 and revenues for the period ending May 31, 2009
- 44 • Ameren Exhibit 2.4 - Rate Zone I Rider HSS reconciliation of costs
45 and revenues for the period ending May 31, 2009

- 46 • Ameren Exhibit 2.5 - Rate Zone II Rider HSS reconciliation of costs
47 and revenues for the period ending May 31, 2009
- 48 • Ameren Exhibit 2.6 - Rate Zone III Rider HSS reconciliation of costs
49 and revenues for the period ending May 31, 2009
- 50 • Ameren Exhibit 2.7 - Automatic Balancing Adjustment

51 **Q. Please describe in detail the exhibits you are sponsoring.**

52 A. Ameren Exhibits 2.1, 2.2 and 2.3, as they are labeled, show the recovery
53 of the Company's total allowable costs over the 12-month reconciliation period ending
54 May 31, 2009 for the BGS-FP product under Rider PER. Ameren Exhibits 2.4, 2.5 and
55 2.6 show the recovery of the Company's total allowable costs over the twelve-month
56 reconciliation period ending May 31, 2009 for the BGS-LRTP product under Rider HSS.
57 Ameren Exhibit 2.7 shows the amounts filed for each recovery period since January 2007
58 compared to how they should have been reported and the resulting variance.

59 **II. DISCUSSION REGARDING MONTHLY RECONCILIATIONS.**

60 **Q. Before you discuss monthly reconciliations, please generally describe the**
61 **tariffs that provide service to customer groups and how they relate to the various**
62 **purchased power and energy products.**

63 A. Ameren Illinois witness Mr. James Blessing describes two different products
64 procured for customers that choose to take power from Ameren Illinois: BGS-FP and
65 BGS-LRTP. Spelled out, BGS-FP is "Basic Generation Service – Fixed Price" and was
66 available to customers with demands under 1,000 kW. The BGS-LRTP product is "Basic
67 Generation Service – Large Real-Time Pricing" and was also available to customers with
68 demands equal to or greater than 1,000 kW. Ameren Illinois also offered small

69 customers (those with demands under 1,000 kW) service under Rider PER. The RTP
70 product for small customers was supplied from contracts entered to serve the BGS-FP
71 category of service.

72 **Q. Please describe the procedures your department follows in producing and**
73 **filing the monthly reconciliations.**

74 A. The monthly Riders PER and HSS revenues are calculated using Ameren Illinois'
75 reports for sales and estimated billed output. The "actual" revenues reported in the
76 filings are estimated based on actual rates for billed and estimated unbilled volumes.
77 Revenues are tracked for each category of service (i.e., BGS-FP and BGS-LRTP).

78 The cost components are provided by different groups. The cost of power from
79 auction suppliers is provided by the Transmission Services Business Center ("TSBC")
80 group based on the supplier bills. The cost of power, and market settlement costs from
81 MISO are provided by the Power Accounting group based on the MISO settlement
82 statements. The cost of power provided by Qualified Facilities ("QF") is calculated from
83 the output provided by the TSBC, priced at the average locational marginal price
84 ("LMP") for the month. The ancillary services expenses for Schedules 1, 2, 3, 5, 6, 25
85 and 26 are based on MISO tariff pricing for the BGS-LRTP category. Capacity costs are
86 from suppliers bills. The free service load (power supply provided to municipalities
87 pursuant to franchise agreements) is provided by the Energy Delivery Customer Service
88 group and the company use load is set in the rate case: these volumes are priced at the
89 monthly average cost.

90 **Q. Were there any special circumstances that may have bearing on power**
91 **purchases?**

92 A. Yes. AmerenCILCO and AmerenIP had pre-existing Special Contracts with
93 customers that extended beyond January 2, 2007. The cost of the power to supply these
94 customers is subtracted from the total costs for the BGS-LFP product for reconciliation
95 purposes, since the revenue for these customers is not included within the BGS-LFP
96 category. In other words, Special Contract customers were provided service under the
97 terms of their contracts, AmerenCILCO and AmerenIP supplied these customers from the
98 BGS-LFP category of service, but the cost of serving these customers was removed from
99 the monthly over/under reconciliation calculation in order to insulate other BGS-LFP
100 customers from the effect of serving the Special Contract customers. These contracts
101 ended within the first reconciliation period.

102 Further, AmerenCILCO bought power generated by Medina Valley in excess of
103 Caterpillar's needs, and these costs are included in the cost of power supplied to
104 customers and are calculated based on Medina Valley's production costs. The revenues
105 and costs are compared in the monthly informational filings and sent to the Illinois
106 Commerce Commission ("Commission") and its Staff ("Staff").

107 **Q. Do all customer categories incur the costs described above?**

108 A. No. The list below shows the applicable Cost Item cross referenced to the
109 category of service to which it applies.

110

	Cost Item	Category of Service
1	Auction Suppliers	BGS-FP; BGS-LRTP
2	MISO Energy Costs	BGS-FP; BGS-LRTP
3	MISO Market Settlement	BGS-FP; BGS-LRTP
4	Rider QF Costs	BGS-FP
5	Medina Valley Excess Generation	BGS-FP (AmerenCILCO Only)
6	Ancillary Services	BGS-FP; BGS-LRTP
7	Capacity	BGS-FP; BGS-LRTP
8	Company Use & Free Service under Franchises	BGS-FP

111 **Q. Please describe the procedures your department follows in producing and**
112 **filing the annual reconciliations.**

113 A. The Cost Item portion of the annual reconciliation are received from the sources
114 described above. Revenues are calculated from Company reports for sales and estimated
115 billed output. Adjustments are made for cycle billing (unbilled volumes).

116 **Q. Were any accounting adjustments made, and if so, how were they calculated?**

117 A. Yes, there were accounting adjustments. I will go through each adjustment
118 separately, explaining the reason for the adjustment, when it was made and how it was
119 calculated.

120 In the October 2008 filing for AmerenCIPS for the BGS-LFP rates, an adjustment
121 was made for accounts that were incorrectly classified. These accounts were classified as
122 BGS-LFP customers but they were actually BGS-FP and ARES customers. BGS-LFP

123 rates were decreased by these incorrect costs. The BGS-FP adjustment was made in the
124 October filing that was filed under Rider PER so it is not included in this reconciliation.
125 In the October 2008 filing for AmerenIP for the BGS-LFP rates, there were two
126 adjustments made for accounts that were incorrectly classified. The first adjustment was
127 for accounts that were classified as BGS-LFP customers but they were actually ARES
128 customers. BGS-LFP costs were decreased to correct for the oversight, and the Market
129 Value Adjustment factor applied to customers was adjusted accordingly. The second
130 adjustment was for AmerenIP Special Contracts; these contracts are served under the
131 BGS-LFP tariff but their costs should be excluded from the Rider. There were some final
132 settlements for the Special Contracts not included in the BGS-LFP costs in the
133 calculation in prior months. When making the monthly adjustment for the Special
134 Contracts, we began with AmerenIPs total cost and then reduce the costs by the Special
135 Contracts. However, when we adjusted for these final settlements, we erroneously
136 decreased the total costs for the Special Contracts cost which had already been once
137 excluded. In October 2008, we added back the amount of the Special Contracts costs that
138 were deducted twice.

139 **Q. Do any further accounting adjustments need to be discussed? If so, please**
140 **discuss how they were calculated.**

141 A. Yes. In the first reconciliation period, testimony was provided that indicates the
142 variable and fixed costs components of Medina Valley's generation should be excluded
143 from the cost calculation but the gas costs should be calculated using the formula
144 provided in Docket Nos. 00-0815 and 00-0816 instead of the actual cost of gas. This
145 resulted in an adjustment is \$1,885,614.19 for the first reconciliation period. Since this

146 issue continued through December 2008, an adjustment is needed for the second
147 reconciliation period in the amount of \$869,667.24 to reflect the adjustment needed from
148 June 2008 through December 2008.

149 In October 2010, internal analysis found revenue collected by Ameren Illinois that
150 was not included in the total revenue collected for Rider HSS as a result of a mapping
151 error. The issue resulted in under reported revenues of \$6,619,363.01 from June 2008
152 through June 2010. Of this amount, \$585,403.10 of the over-recovered amount was
153 related to the reconciliation period from June 2010 through May 2011 and was included
154 as a Factor A in the January 2011 filing. The remaining over-recovered amount of
155 \$6,033,959.91 split by Reconciliation Period is:

156	AmerenCIPS:	\$673,988.38 for the period from June 2008 – May 2009
157		\$1,191,872.42 for the period from June 2009 – May 2010
158	AmerenCILCO:	\$370,161.52 for the period from June 2008 – May 2009
159		\$450,530.27 for the period from June 2009 – May 2010
160	AmerenIP:	\$1,296,706.26 for the period from June 2008 – May 2009
161		\$2,050,701.06 for the period from June 2009 – May 2010

162 Once identified, these amounts were determined by summarizing the general ledger for
163 this specific revenue.

164 In January 2011, internal analysis determined that the work papers calculating the
165 unamortized balance in the filings had a flaw that resulted in a reduction in said balance
166 at a quicker pace than the general ledger, resulting in an over-recovered balance in
167 aggregate in the general ledger compared to the unamortized balance in the filing.
168 Ameren Exhibit 2.7 indicates the amount per Rate Zone and reconciliation period for the
169 periods from January 2007 through the most current filing. Staff was notified of the issue

170 in February of 2011 and it was corrected in the March 2011 filing in order to correct the
171 balances as quickly as possible to reflect the calculation correction in the work papers.

172 While reconciling the unamortized balance back to the general ledger each month
173 to address the unamortized balance issue, it was discovered that amounts related to the
174 discontinuation of Riders LFP and QF in June 2008 were never added to the unamortized
175 balance of the filing. These amounts were calculated by determining the residual balance
176 for each rider less any amount included in the Factor A relating to their inclusion in Rider
177 PER:

178 AmerenCIPS: \$51,384.55 over-recovered in Rider PER related to Rider QF
179 \$82,850.75 under-recovered in Rider PER related to Rider LFP

180 AmerenCILCO: \$56,190.40 over-recovered in Rider PER related to Rider QF
181 \$352,778.82 under-recovered in Rider PER related to Rider LFP

182 AmerenIP: \$228,060.39 over-recovered in Rider PER related to Rider QF
183 \$101,108.85 over-recovered in Rider PER related to Rider LFP

184 The last reconciling item found relates to the June 2008 revenues record for
185 AmerenCILCOs BGS-RTP product. Revenue was filed as \$3,688,716.15 when it the
186 correct revenue amount is \$3,686,716.15, resulting in an under recovery of \$2,000.

187 **III. CONCLUSION**

188 **Q. Does this conclude your direct testimony?**

189 A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
DOMINIC S. PERNICIARO

I received a Bachelor of Science in Business Administration with a concentration in Accounting from Saint Louis University in August 2001 and a Masters of Business Administration with a Finance emphasis from Webster University in March 2009. I will be sitting for the Certified Public Accountant examination starting in April 2011. In 1998, I started as an accounts payable at Sabreliner Corporation until I was promoted to payroll clerk shortly thereafter. In August 2000, I was promoted to Cost Accountant. In fall of 2001, I joined Laclede Gas Company as an analyst in the Financial Reporting department. I was promoted to Senior Business Analyst in 2004 and then administrator of their corporate performance management (CPM) system in 2006.

I began working in October 2008, in the Wholesale Power and Fuel Department as a Settlement Specialist at Ameren Services Company. In July of 2009, I was promoted to Supervisor, Power Accounting. Shortly thereafter, the responsibility for these processes became a part of Power Accounting and I succeeded Laura Moore in their oversight.