

**ILLINOIS COMMERCE COMMISSION**

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

**REVISED DIRECT TESTIMONY**

**OF**

**DOMINIC S. PERNICIARO**

**Submitted On Behalf**

**Of**

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

**(successor to the Ameren Illinois Utilities)**

**March 8, 2011**

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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 (successor to the Ameren Illinois Utilities or "AIUs"). Simultaneously,  
18 AmerenCIPS changed its name to Ameren Illinois Company d/b/a Ameren Illinois  
19 ("Ameren Illinois" or "Company"). I am the Supervisor of Power Accounting for  
20 Ameren Services Company ("Ameren Services"), a service company affiliate of Ameren  
21 Illinois.

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

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

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

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

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

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

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

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

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

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

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

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

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

60 **II.     DISCUSSION REGARDING MONTHLY RECONCILIATIONS.**

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

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

71 product for small customers was supplied from contracts entered to serve the BGS-FP  
72 category of service.

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

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

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

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

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

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

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

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

111

112

	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

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

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

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

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

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

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

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

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

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

151 In October 2010, internal analysis found revenue collected by Ameren Illinois that  
152 was not included in the total revenue collected for Rider HSS as a result of a mapping  
153 error. The issue resulted in under reported revenues of \$6,619,363.01 from June 2008  
154 through June 2010. Of this amount, \$585,403.10 of the over-recovered amount was  
155 related to the reconciliation period from June 2010 through May 2011 and was included  
156 as a Factor A in the January 2011 filing. The remaining over-recovered amount of  
157 \$6,033,959.91 split by Reconciliation Period is:

158	AmerenCIPS:	\$673,988.38 for the period from June 2008 – May 2009
159		\$1,191,872.42 for the period from June 2009 – May 2010
160	AmerenCILCO:	\$370,161.52 for the period from June 2008 – May 2009
161		\$450,530.27 for the period from June 2009 – May 2010
162	AmerenIP:	\$1,296,706.26 for the period from June 2008 – May 2009
163		\$2,050,701.06 for the period from June 2009 – May 2010

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

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

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

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

180 AmerenCIPS: \$51,384.55 over-recovered in Rider PER related to Rider QF  
181 \$82,850.75 under-recovered in Rider PER related to Rider LFP

182 AmerenCILCO: \$56,190.40 over-recovered in Rider PER related to Rider QF  
183 \$352,778.82 under-recovered in Rider PER related to Rider LFP

184 AmerenIP: \$228,060.39 over-recovered in Rider PER related to Rider QF  
185 \$101,108.85 over-recovered in Rider PER related to Rider LFP

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

189 **III. CONCLUSION**

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

191 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.