Ameren Exhibit 2.0

ILLINOIS COMMERCE COMMISSION

DOCKET No. 11-________

DIRECT TESTIMONY

OF

NANCY L. GUDEMAN

SUBMITTED ON BEHALF

OF

AMEREN ILLINOIS COMPANY

d/b/a Ameren Illinois

August 30, 2011

TABLE OF CONTENTS

Page

I. INTRODUCTION AND BACKGROUND..1

II. RIDER EUA 3

III. RIDER GUA..7

IV. INTERNAL AUDITS 11

V. CONCLUSION 15

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NANCY L. GUDEMAN

Submitted on Behalf Of

Ameren Illinois

I. INTRODUCTION AND BACKGROUND

Q. Please state your name and business address.

A. My name is Nancy L. Gudeman. My business address is 1901 Chouteau Avenue, St. Louis, Missouri.

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

A. I am a Regulatory Specialist providing regulatory services for Ameren Illinois Company d/b/a Ameren Illinois (AIC).

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

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

Q. Please describe your duties and responsibilities as Regulatory Specialist.

A. My duties and responsibilities include analysis and development of supporting data for natural gas and electric pricing for AIC, preparing reports and schedules as they relate to tariffs and rate filings, coordinating regulatory filings for AIC's riders such as, but not limited to, Riders PER, HSS, EDR, GER, PSP, EUA, GUA and TS. I am also responsible for regulatory research and other rate or regulatory projects as assigned.

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

A. The purpose of my direct testimony is to explain how the mechanics of Rider EUA - Electric Uncollectible Adjustment (Rider EUA) and Rider GUA - Gas Uncollectible Adjustment (Rider GUA) work. That is to say, I explain the method by which charges to customers for uncollectible amounts are calculated under Riders EUA and GUA.

Q. Are you sponsoring any exhibits with your testimony?

A. Yes. I am sponsoring Ameren Exhibit 2.1, the Final Order in Docket No. 09-0399 which approved Riders EUA and GUA subject to a stipulation reached in that docket. I am also sponsoring Ameren Exhibits 2.2 and 2.3, Riders EUA and GUA, as well as Ameren Exhibits 2.4 and 2.5 which are the annual verified internal audit reports for the 2008 and 2009 reporting years.

Q. What is the purpose of an Uncollectible Rider?

A. Both the electric and natural gas uncollectible riders are meant to provide for monthly incremental uncollectible adjustments to customer bills to account for over- or under-recoveries of AIC's actual uncollectible expense amounts for a reporting year for each Rate Zone. Specifically, the riders recover the incremental difference between: (1) AIC's actual uncollectible amount as set forth in Account 904 in AIC's most recent annual Federal Energy Regulatory Commission (FERC) Form 1 for electricity and Form 21 ILCC for natural gas, and (2) the uncollectible amount included in AIC's rates for the period reported in such annual FERC Form 1 and Form 21 ILCC.

Q. What are incremental uncollectible adjustment amounts?

A. As explained in Docket No. 09-0399 and above, incremental uncollectible adjustment amounts represent the difference between actual uncollectible expense amounts for account 904, as reported on FERC Form 1 for electric and Form 21 ILCC for natural gas, and the uncollectible amounts included in AIC's rates that were in effect for such reporting year. This measurement is also explained in 220 ILCS 5/16-111.8 (electric utilities) and 220 ILCS 5/19-145 (natural gas utilities).

II. <u>RIDER EUA</u>

Q. What are the Rider EUA Incremental Uncollectible Adjustments based on?

A. Incremental monthly adjustments for Rider EUA are based on the difference between actual uncollectible expense (as recorded in FERC Form 1 Account 904 and Form 21 ILCC) for a reporting year and uncollectible expense included in rates. Separate incremental monthly adjustments are developed for delivery and supply services, respectively.

Q. To which customers does Rider EUA apply?

A. Rider EUA contains two sections, one for all customers taking delivery services from AIC and another for customers taking power and energy supply service from AIC. The uncollectible adjustments under Rider EUA thus apply to all customers taking delivery services, and supply-related uncollectible adjustments apply only to those customers taking power and energy supply services from AIC.

Q. How are Incremental Uncollectible Adjustments computed?

A. Incremental uncollectible adjustment amounts for both delivery services and power supply services are computed separately for each Rate Zone and rate class designation.

Q. What is a Rate Zone?

A. A Rate Zone is an area that corresponds to the separate AIC legacy utilities prior to their merger on October 1, 2010. The former AmerenCIPS service territory is now Rate Zone I, the former AmerenCILCO service territory is now Rate Zone II, and the former AmerenIP service territory is now Rate Zone III.

Q. What is a rate class designation?

A. A rate class designation follows the delivery services rate designations of AIC. The availability provisions of AIC's rates are identical among the Rate Zones. The supply rate class designations are synchronized with the availability provisions of delivery services rates. That is, DS-1 and BGS-1 serve the same pool of customers; DS-2 and BGS-2/RTP-2 serve the same pool of customers, etc. The table below shows the alignment between delivery and supply rate class designations.

IDUA Delivery Rate Designations	**ISUA Supply Rate Designations**
DS-1 Residential Delivery Service	BGS-1/RTP-1/PSP - Residential Service
DS-2 Small General Delivery Service	BGS-2/RTP-2 – Small General Service
DS-3 General Delivery Service	BGS-3/RTP-3/HSS under 1000kW – General Service
DS-4 Large General Delivery Service	RTP-LI/HSS ≥ 1000 kW – Large General Service
	BGS-5 – Lighting Service

Q. Please explain how AIC customer charges are computed pursuant to Rider EUA for delivery services.

A. Ameren Exhibit 2.2 contains a replica of Rider EUA. As shown on page 3 (Sheet No. 45.002), the Incremental Delivery Services Uncollectible Amount (IDUA) is developed according to the following formula:

$[F904D_{Yc} - DUR_{Yc} + REUR_{Yc} + AB_c + O_c] / EDB_{EPc}$

Where:

- $F904_{Yc}$ = Delivery Services Uncollectible Costs, in dollars, equal to the delivery-related bad debt expense for which customer designation, C, is applicable for the applicable reporting year, Y, in Account No. 904 of the FERC Form 1 of AIC. For reporting years 2008 and 2009, Account 904 values were allocated between supply and delivery, based on relative revenues for each revenue category.
- DUR_{Yc} = Delivery Uncollectible Revenue, in dollars, representing the amount of uncollectible cost included in base rates for delivery services for which customer designation, C, is applicable for the reporting year, Y. The amounts for 2008 and 2009 were based on the Stipulation in Docket No. 09-0399.
- $REUR_{Yc}$ = Uncollectible Costs expressly included in Rider EDR charges, in dollars ($), for customer designation, C, for the applicable reporting year, Y. The factor for January 1, 2008 through April 30, 2010 is deemed to be zero (0) due to the Stipulation in Docket No. 09-0399.
- EDB_{EPc} = Expected Delivery Services Bills issued by AIC during the effective period (EP) the applicable IDUA will be in effect for customer designation, C. This value shall represent the estimated number of times the monthly customer charge for each customer designation, C, will be billed during the IDUA effective period.
- AB_c = AIC-determined Automatic Balancing component for each customer designation C, equal to the cumulative debit or credit balance (over-or-under recovery) resulting from application of the IDUA for a prior period. The (AB) amount shall be expressed in dollars ($).

- O_c = Commission ordered adjustment amount, in dollars ($), for customer designation C, resulting from a Commission Order in a reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the IDUA.

For the development of Incremental Uncollectible Adjustment values for the 2008 and 2009 reporting years, values for AB_c, and O_c were zero, since those years were the first calculated, and factors applied concurrently through much of 2010.

Q. Please explain how Incremental Uncollectible Adjustments are computed pursuant to Rider EUA for supply services.

A. The process is nearly identical to that described above, except Supply Uncollectible Revenue, representing an amount of supply-related uncollectible expense included in supply rates, is determined from AIC records of uncollectible percentage adjustment factors applied to supply-related charges (i.e., Riders BGS, RTP, HSS, and TS, as applicable) rather than from the Stipulation from Docket No. 09-0399. Also, the Incremental Supply Uncollectible Adjustment is applied on a cents/kWh basis rather than a per customer adjustment.

Q. When did the incremental uncollectible adjustments apply?

A. For the 2008 reporting year, the effective period started with the first full monthly billing period occurring after Commission approval of Rider EUA and continued through the December 2010 billing period. In other words, 2008 reporting year Incremental Uncollectible Adjustments applied from March 2010 through December 2010. For the 2009 reporting year, the charges began with the first billing cycle of the June 2010 billing period and extended through the last billing cycle of the subsequent May 2011 billing period. Thus, from June 2010 through December 2010, Incremental Uncollectible Adjustments applied for both the 2008 and 2009 reporting years.

III. <u>RIDER GUA</u>

Q. What are the Incremental Uncollectible Adjustments based on for Rider GUA?

A. Incremental Uncollectible Adjustments for Rider GUA are based on the difference between actual uncollectible expense (as recorded in Form 21 ILCC, Account 904) for a reporting year and uncollectible expense included in rates. Separate incremental monthly adjustments are developed for delivery and supply services, respectively.

Q. To which customers does Rider GUA apply?

A. The Incremental Uncollectible Adjustments developed pursuant to Rider GUA contain two sections, one for all customers taking delivery services from AIC and another for customers taking natural gas supply service from AIC. The uncollectible adjustments under Rider GUA thus apply to all customers taking delivery services, and supply-related uncollectible adjustments apply only to those customers taking natural gas supply services from AIC.

Q. Are the charges computed according to Rate Zone and rate class designation as under Rider EUA?

A. Yes. Incremental uncollectible adjustment amounts for both delivery services and natural gas supply services are computed separately for each Rate Zone and class designation.

Q. Please explain the rate class designations as used under Rider GUA.

A. The rate class designation follows the delivery services rate designations of AIC. The availability provisions of AIC's rates are identical among the Rate Zones. The supply rate class designations are synchronized with the availability provisions of delivery services rates. That is, GDS-1 and Rider S-PGA serve the same pool of customers; GDS-2 and Rider S-PGA serve the same pool of customers, etc. The table below shows the alignment between delivery and supply rate class designations.

IDUA Gas Delivery Rate Designations	**ISUA Supply Rate Designations**
GDS-1 Residential Delivery Service	Rider S-PGA
GDS-2 Small General Delivery Service	Rider S-PGA
GDS-3 Intermediate General Delivery Service	Rider S-PGA
GDS-4 Large General Delivery Service	Rider S-PGA
GDS-5 Seasonal Delivery Service	Rider S-PGA
GDS-7 Special Contract Delivery Service	Rider S-PGA

Q. Please explain how customer charges are computed pursuant to Rider GUA for delivery services.

A. Ameren Exhibit 2.3 contains a replica of Rider GUA. As shown on page 3 (Sheet No. 42.002), the Incremental Delivery Services Uncollectible Amount (IDUA) is developed according to the following formula:

$[F904D_{Yc} – DUR_{Yc} + RGUR_{Yc} + AB_c + O_c] / EDB_{EPc}$

Where:

- $F904_{Yc}$ = Delivery Services Uncollectible Costs, in dollars ($), equal to the delivery-related bad debt expense for which customer designation, C, is applicable for the applicable reporting year, Y, in Account No. 904 of the ILCC Form No. 21 of AIC. For reporting years 2008 and 2009 Account 904 allocated between supply and delivery, based on relative revenues for each revenue category. The class allocation factors for

$F904D_{Yc}$ for the period 2008 and 2009 derived from prior rate case cost of service information. For subsequent periods, Account 904 amounts for supply and delivery by class shall be directly assigned, based on AIC records.

- DUR_{Yc} = Delivery Uncollectible Revenue, in dollars, representing the amount of uncollectible cost included in base rates for delivery services for which customer designation, C, is applicable for the reporting year, Y. The amounts for 2008 and 2009 were based on the Stipulation in Docket No. 09-0399.
- $RGUR_{Yc}$ = Uncollectible costs expressly included in Rider GER charges, in dollars ($), for customer designation, C, for the applicable reporting year, Y. The factor for January 1, 2008 through April 30, 2010 is deemed to be zero (0) due to the Stipulation in Docket No. 09-0399.
- EDB_{EPc} = Expected Delivery Services Bills issued by AIC during the effective period (EP) the applicable IDUA will be in effect for customer designation, C. This value shall represent the estimated number of times the monthly customer charge for each customer designation, C, will be billed during the IDUA effective period.
- AB_c = AIC-determined Automatic Balancing component for each customer designation C, equal to the cumulative debit or credit balance (over-or-under recovery) resulting from application of the IDUA for a prior period. The (AB) amount shall be expressed in dollars ($).
- O_c = Commission ordered adjustment amount, in dollars ($), for customer designation C, resulting from a Commission Order in a reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be

applied from the end of the reconciliation period until the O component is refunded or charged to customers through the IDUA.

For the development of Incremental Uncollectible Adjustment values for the 2008 and 2009 reporting years, values for AB_c, and O_c were zero, since those years were the first calculated, and factors applied concurrently through much of 2010.

Q. Please explain how Incremental Uncollectible Adjustments are computed pursuant to Rider GUA for supply services.

A. The process is nearly identical to that described above. Unlike supply service for the electric business, a separate uncollectible component was not assessed during the 2008 and 2009 reporting years. As such, the Supply Uncollectible Revenue dollar values were determined according to the Stipulation from Docket No. 09-0399. The Incremental Supply Uncollectible Adjustment is applied on a $/customer basis, just as is the Incremental Delivery Uncollectible Adjustment.

Q. When did the incremental uncollectible adjustments apply?

A**.** For the 2008 reporting year, the effective period started with the first full monthly billing period occurring after Illinois Commerce Commission (Commission) approval of Rider GUA and continued through the December 2010 billing period. In other words, 2008 reporting year Incremental Uncollectible Adjustments applied from March 2010 through December 2010.

For the 2009 reporting year, the charges began with the first billing cycle of the June 2010 billing period and extended through the last billing cycle of the subsequent May 2011 billing period. Thus, from June 2010 through December 2010, Incremental Uncollectible Adjustments applied for both the 2008 and 2009 reporting years.

Q. When are the Uncollectible Rider adjustment amounts collected?

A. Because the uncollectible adjustments for the 2008 reporting year were not applied to customer bills until after Commission approval of the Riders, there is a lag between when the uncollectible adjustment amounts is accrued and when it is recovered through the Riders. As stated above, the 2008 reporting year Incremental Uncollectible Adjustments was applied for billing periods March 2010 through December 2010, and for the 2009 reporting year, the charges were applied from June 2010 through the May 2011 billing period. Incremental Uncollectible Adjustments under the riders were thus collected for reporting years 2008 and 2009, but not until 2010-2011.

Q. Are you sponsoring the Rider EUA and Rider GUA reconciliations?

A. No, AIC witness, Leonard A. Mans, Managing Supervisor General Accounting, is sponsoring the reconciliations in Ameren Exhibit 3.0.

IV. <u>INTERNAL AUDITS</u>

Q. Did AIC conduct internal audits of its costs and recoveries of such costs pursuant to Riders EUA and GUA?

A. Yes, as called for in Riders EUA and GUA, AIC conducted internal audits for costs and recoveries of such costs pursuant to both Riders EUA and GUA for reporting years 2008 and 2009. The verified audit reports are attached as Ameren Exhibits 2.4 and 2.5.

Q. Did the 2008 and 2009 Rider EUA internal audit reports identify any issues that could impact the reconciliation?

A. Yes, there is one issue noted by the internal audit report. The internal audit report discovered an allocation used to assign costs and expenses to customer classes was based on customer count for Rate Zone III, while the same allocation was based on relative uncollectible cost responsibility for Rate Zones I and II. Past rate cases allocated costs based on historic uncollectible cost responsible for each respective class. This allocation process was the same for each of the three Rate Zones. Rate Zone III calculations should have been based on relative uncollectible cost responsibility.

Q. What was the impact of Rate Zone III using a customer count allocation?

A. The 2008 internal audit report indicates that if Account 904 had been allocated using relative uncollectible cost responsibility instead of customer count, the IDUA would have been about $13,000 greater, and the Incremental Supply Uncollectible Adjustment (ISUA) would have been about $99,000 greater. The same allocation used to assign costs and expenses to customer classes was also used during the 2009 audit report time period. The 2009 audit report states this adjustment resulted in an approximate $18,000 over recovery of the approximate $1 million in Rate Zone III adjustments during the 2009 reporting year.

Q. Does the internal audit estimate change the total amount of uncollectible expense ultimately recovered from customers?

A. No. The Automatic Balancing (AB) component within Rider EUA ensures that only actual Account 904 expenses are recovered for any given reporting year. The AB component for 2008 is presently included within the 2010 reporting year values. That is, Rider EUA values in effect from June 2011 through May 2012 reflect the Incremental Uncollectible Adjustment values for the 2010 "reporting year" and include the AB component for the 2008 reporting year. The IDUA and ISUA amounts would have been slightly different under an alternative calculation but does not impact the total amount of Account 904 expense recovered by AIC. Alternatively, the use of slightly different IDUA and ISUA amounts resulted in a different AB total.

The AB component for 2009 follows the same process as described above, except it will be reflected in the 2011 reporting year values which will be in effect June 2012-May 2013.

Q. Did the 2008 Rider GUA internal audit report identify any issues that could impact the reconciliation?

A. Yes, there is one issue noted by the internal audit report concerning Rate Zone I. Rider GUA specifies that Account 904, uncollectible accounts expense, should be allocated to the supply and delivery components of the rate calculation, based on revenues related to supply and delivery. The allocation for the supply and delivery revenue amounts were derived manually from AIC's billing records. Some revenue types were misclassified as delivery instead of supply. These delivery and supply splits were developed in the Uncollectible Proceeding (Docket No. 09-0399).

Q. What was the result of this misclassification?

A. The reclassifying $1.577 million of revenue from delivery to supply would have changed Account 904 delivery/supply split as follows:

	Original		Audit Version		Difference	
	Amount	Percent	Amount	Percent	Amount	Percent
Delivery	$ 64,700,298	**27.8%**	$ 63,122,615	***27.1%***	$ (1,577,683)	**-0.7%**
Supply	$ 167,984,662	**72.2%**	$ 169,562,345	***72.9%***	$ 1,577,683	**0.7%**
Total	$ 232,684,960	100.0%	$ 232,684,960	100.0%	$ -	0.0%

Reclassifying these splits would have resulted in IDUA values for GDS-1 $.0.01/month lower and ISUA GDS-1 values $0.02 higher. Also, ISUA values for GDS-2 would have been $0.01/month higher. In total, if these values had been used, AIC would have collected about $15,000 more under Rider GUA. The correct split was used between supply and delivery revenue for the 2009 reporting year.

Q. Does the internal audit estimate change the total amount of uncollectible expense ultimately recovered from customers?

A. No. As with the Rider EUA, the AB component within Rider GUA ensures that only actual Account 904 expenses are recovered for any given reporting year. The AB component for 2008 is presently included within the 2010 reporting year values. That is, Rider GUA values in effect from June 2011 through May 2012 reflect the Incremental Uncollectible Adjustment values for the 2010 "reporting year" and include the AB component for the 2008 reporting year. The IDUA and ISUA amounts would have been slightly different under an alternative calculation but does not impact the total amount of Account 904 expense recovered by AIC. Alternatively, the use of slightly different IDUA and ISUA amounts resulted in a different AB total.

V. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
NANCY L. GUDEMAN

My name is Nancy L. Gudeman. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. I am a Regulatory Specialist for the Ameren Illinois Company d/b/a Ameren Illinois.

I am a 1988 graduate of Colorado State University with a Bachelor of Science degree in Business Administration, with a concentration in Finance. I had an internship with Illinois Power Company ("Illinois Power") the summer of 1988 and was hired full-time in August 1989. From 1989 through 2004, I was employed by Illinois Power as a Sr. Financial Analyst, Internal Auditor, Lead Internal Auditor, Senior Internal Auditor, Business Associate, Business Leader, Regulatory Affairs Representative, and Project/Case Manager. Shortly after completion of Ameren Corporation's (Ameren) acquisition of Illinois Power, I was assigned to my current position. Since being employed by Ameren, I have provided testimony in Docket Number 09-0077, 09-0078, 09-0079, reconciliation of revenue collected under power procurement riders with actual costs associated with power procurement expenditures.