

ILLINOIS COMMERCE COMMISSION

DOCKET No. 11-_____

DIRECT TESTIMONY

OF

NANCY L. GUDEMAN

Submitted on Behalf

of

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

October 3, 2011

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8 **I. INTRODUCTION AND BACKGROUND**

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

10 A. My name is Nancy L. Gudeman. My business address is 1901 Chouteau Avenue, St.
11 Louis, Missouri, 63103.

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

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

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

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

17 **Q. Please describe your duties and responsibilities as a Regulatory Specialist.**

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

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

24 A. The purpose of my direct testimony is to provide background information on Rider
25 PSP - Power Smart Pricing (Rider PSP) and present the annual reconciliation for years 2007-
26 2010.

27 **Q. Are you sponsoring any exhibits with your direct testimony?**

28 A. No.

29 **II. GENERAL INFORMATION ON RIDER PSP**

30 **Q. Have there been any Rider name changes to Rider PSP?**

31 A. Yes, Rider PSP was initially named Rider PRP-Price Response Program. Only the
32 initial filing, filed February 20, 2007, effective March 1, 2007 was filed under the name of
33 Rider PRP. On March 13, 2007, AIC made a filing to rename Rider PRP to Rider PSP,
34 effective April 27, 2007.

35 **Q. Why was the name changed from Rider PRP to Rider PSP?**

36 A. The Community Energy Cooperative (the Program Administrator hired to administer
37 the residential real-time pricing program) preferred to market the service under the name of
38 Power Smart Pricing. AIC agreed to the change and in order to simplify tariff references in
39 the enrollment, marketing and communication materials, revised the name of Rider PRP to
40 Rider PSP.

41 **Q. What is the purpose of Rider PSP?**

42 A. The purpose of Rider PSP is to comply with 220 ILCS 5/16-107(b-5) of the Public
43 Utilities Act (Act), which requires electric utilities to file residential real-time pricing tariffs.
44 Sections (b-10) through (b-25) provide relevant direction on elements to consider in the

45 development of the tariff. Section (b-10) requires installation of a meter capable of
46 measuring hourly usage (i.e., interval meter). Section (b-15) requires hiring a non-affiliated
47 program administrator tasked with providing technical and other customer assistance
48 necessary to enable the customers to manage their electric usage. The Program
49 Administrator is also required to develop an annual report describing the operation and
50 results of the program. Section (b-20) directs the Illinois Commerce Commission
51 (Commission) to monitor the performance of the program. Pursuant to the tariff, the program
52 is to run for no more than four (4) years before an evaluation of its net benefits is made by
53 the Commission. In conjunction with Commission Staff (Staff) and interested parties, AIC
54 developed a methodology for evaluating the program. Staff is tasked with reviewing AIC's
55 evaluation and other information to determine whether the program should be continued,
56 terminated or modified. The initial four (4) years of the program's operation concluded in
57 December 2010, AIC has conducted its evaluation of the program and submitted it to the
58 Commission, and the Commission has initiated its evaluation activities in Docket No. 11-
59 0547. Finally, Section (b-25) provides for the recovery of costs associated with complying
60 with the residential real-time pricing provisions of the Act.

61 **Q. Who can participate in the Rider PSP program?**

62 A. Service under Rider PSP is available to any customer served under Rate DS-1 -
63 Residential Delivery Service who elects to purchase company-supplied power and energy
64 under Rider RTP - Real-Time Pricing (Rider RTP), and agrees to the requirements of the
65 Terms and Conditions related to Rider RTP.

66 **Q. Please describe the Program Administrator.**

67 A. Due to restrictions on the marketing of power supply options by integrated
68 distribution companies, Rider PSP is administered by a Program Administrator as provided
69 for in 220 ILCS 5/16-107 (b-15) of the Act. The responsibilities of the Program
70 Administrator include, but are not limited to, the following:

- 71 • Develop and implement a program to provide consumer outreach, enrollment, and
72 education concerning real-time pricing to customers; and
- 73 • Establish, and administer an information system, plus technical and other customer
74 assistance necessary to enable customers to manage their electric usage.

75 **Q. Who did AIC select, and the Commission approve, as the Program**
76 **Administrator?**

77 A. AIC selected and the Commission approved Community Energy Cooperative (CNT
78 Energy) as the Program Administrator.

79 **Q. Who did AIC select to conduct its evaluation of the program?**

80 A. AIC selected Summit Blue Consulting, which was later purchased by Navigant
81 Consulting.

82 **Q. Have there been any significant language changes to Rider PSP since it started**
83 **in 2007?**

84 A. Yes, there have been two significant modifications to Rider PSP. The first involved
85 AIC's request that the Commission modify the termination date of the program from
86 December 31, 2010 to an open termination date that is subject to the discretion of the
87 Commission. The new language filed on January 11, 2010, was approved and went into

88 effect on February 25, 2010, and enabled the program to continue to operate while the
89 Commission evaluates its future.

90 The other significant modification involved the Staff requesting that AIC amend the
91 tariff and include an annual reconciliation review clause. This new language was filed on
92 July 27, 2011, and was made effective September 10, 2011.

93 **Q. What was the reconciliation language added to Rider PSP?**

94 A. Yes. The reconciliation language added was:

95 “The Company shall file a petition annually with the Commission no later
96 than July 1, seeking initiation of an annual review to provide for
97 correction of any accounting errors that may occur in the application of the
98 provisions of this Rider for the prior year. The information submitted shall
99 allow the Commission to verify revenues recovered through Rider PSP
100 Charges during the reconciliation year. The first such petition shall be
101 filed no later than October 1, 2011, covering the 2007 through 2010
102 reporting years.”

103 **Q. Where there any other language changes made to Rider PSP?**

104 A. No.

105 **III. RIDER PSP COST RECOVERY FORMULA**

106 **Q. Please describe the Rider PSP cost recovery formula.**

107 A. The cost recovery formula contained in Rider PSP is as follows:

108
$$RIC_t = (WIC(t-1) + PA(t-1) - PC(t-1) + PE(t-1) + DP_t) / C_t$$

109 Where:

110 RICt = Residential Incremental Charge, in \$/Customer, rounded to the nearest
111 \$0.01, to be added and incorporated into the DS-1 Customer Charge, for period
112 (t). This charge is determined semi-annually, representing period (t). The initial
113 RIC will be applicable January 2, 2007 or within sixty days of ICC approval of
114 this tariff, whichever occurs later. Said initial RIC shall include applicable
115 experience with all variables in the numerator of the equation above through the
116 month immediately preceding the filing month of the RIC. Subsequently, the RIC
117 will be adjusted semi-annually for rates effective on or about July 1 and January
118 1. In the event Rider PSP is terminated, the currently effective RIC will continue
119 and a final RIC will be computed and applied to monthly bills subsequent to the
120 period in which Rider PSP was terminated.

121 WIC(t-1) = The sum balance of waived Incremental Metering Charges for Rider
122 RTP, for the period prior to the current period, (t-1).

123 PA(t-1) = Program Administrator administrative costs incurred during period, (t-
124 1). In the event that the Program Administrator invoice covers costs for durations
125 greater than a period, (t-1), such costs shall be prorated to reflect monthly costs
126 for the period prior to the current period, (t-1).

127 PC(t-1) = Participation Charge revenue billed to Customers within Rider PSP for
128 the period prior to the current period (t-1).

129 PE(t-1) = Program Evaluation cost to determine if program is resulting in net
130 benefits to the residential customers of Company as provided for in 220 ILCS
131 5/16-107 (b-20) of the Act.

132 DPt = Expenses expected to be incurred for software and data processing systems
133 required to enable processing large numbers of interval-metered Customers taking
134 service in conjunction with Rider PSP. The amount included within DPt shall
135 equal \$94,800 for each period, t.
136 Ct = Customers, equal to the number of Residential Customers for the applicable
137 period used to develop prices in the Company's most recently approved Delivery
138 Services rate cases.

139 **Q. Is the Residential Incremental Charge (RIC) differentiated by Rate Zone?**

140 A. No, the RIC is the same across each of the Rate Zones. The cost recovery mechanism
141 approved in Docket Nos.06-0691 (cons.) developed a uniform charge across the AIC legacy
142 utilities. The legacy utilities have since merged, and the RIC retained its uniformity.

143 **Q. How is the RIC applied?**

144 A. All residential customers receive the RIC, even if they are not participating in the
145 program. The RIC applies each month and is added to the customer charge of DS-1
146 customers.

147 **Q. How often is the RIC changed?**

148 A. Updates to the RIC are filed with the Commission bi-annually. The initial RIC was
149 filed on February 20, 2007 (under the name Rider PRP) effective March 2007 (within 60
150 days of Commission approval of the residential hourly pricing tariff). Subsequent updates to
151 the RIC were filed each December 20th, for a rate effective January 1 through June 30 and
152 June 20th, for a rate effective July 1 through December 31.

153 **IV. RIDER PSP RECONCILIATION**

154 **Q. Please describe the Rider PSP reconciliation.**

155 A. In general, the reconciliation for Rider PSP takes into account AIC's costs for Rider
156 PSP compared to the revenue Rider PSP has received from the program.

157 **Q. What were the costs to be recovered through Rider PSP?**

158 A. There were four cost "buckets" for Rider PSP. They were:

- 159 • The sum balance of waived Incremental Metering Charges (WIC(t-1)) for Rider RTP.

160 The waived fee was \$5.00 per participating customer, per month.

- 161 • Data processing (DPt) system expenses expected to be incurred for software systems.

162 The amount included within DPt was \$94,800 for each period, t.

- 163 • Program Administrator (PA(t-1)) administrative costs incurred during period, (t-1).

164 CNT Energy invoiced AIC when services were rendered.

- 165 • Program Evaluation (PE(t-1)) cost to determine if the program was resulting in net

166 benefits to the residential customers. Summit Blue was hired in February 2009 to

167 evaluate Rider PSP. Invoices were received when services were rendered.

168 **Q. What were the amounts associated with the four cost "buckets" listed above for**

169 **2007-2010?**

170 A. The following table lists the costs:

Cost		2007	2008	2009	2010	Total
Waived Incremental Metering Charge	WIC(t-1)	\$ 60	\$ 16,997	\$ 156,912	\$ 393,887	\$ 567,857
Data Processing Cost	DP(t)	\$ 189,600	\$ 189,600	\$ 189,600	\$ 189,600	\$ 758,400
Program Administrator Cost	PA (t-1)	\$ 248,744	\$ 522,848	\$ 416,700	\$ 446,717	\$ 1,635,008
Program Evaluation Cost	PE (t-1)	\$ -	\$ -	\$ 60,408	\$ 5,817	\$ 66,225
Total Cost		\$ 438,404	\$ 729,445	\$ 823,620	\$ 1,036,021	\$ 3,027,490

172 **Q. What were the revenues associated with Rider PSP?**

- 173 A. There were two types of revenues associated with Rider PSP. They were:
- 174 • Participation Charge (PC(t-1)) revenue billed to Customers within Rider PSP for the
- 175 period prior to the current period (t-1). The Participation charge was \$2.25 per
- 176 participating customer per month.
- 177 • Residential Incremental Charge (RICt). This was the accumulation of the charges
- 178 added to the DS-1 customer charge for all residential customers. The actual amount
- 179 was acquired from the General Ledger system (GL). The accounting for the RICt
- 180 was Major 440, Minor DIR and Activity RINC.

181 **Q. How much revenue was received from Rider PSP for 2007-2010?**

- 182 A. The following table lists the revenues:

<u>Revenue</u>		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Participation Charge Revenue	PC(t-1)	\$ 27	\$ 7,649	\$ 70,610	\$ 177,249	\$ 255,535
Total Revenue Collected	(GL)	\$ 409,629	\$ 704,630	\$ 768,441	\$ 833,318	\$ 2,716,018
Total Revenue		\$ 409,656	\$ 712,279	\$ 839,051	\$ 1,010,567	\$ 2,971,553

184 **Q. Please indicate the results of adjusting the costs less revenues for 2007-2010.**

Rider PSP Annual Reconciliation						
<u>Cost</u>		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Waived Incremental Metering Charge	WIC(t-1)	\$ 60	\$ 16,997	\$ 156,912	\$ 393,887	\$ 567,857
Data Processing Cost	DP(t)	\$ 189,600	\$ 189,600	\$ 189,600	\$ 189,600	\$ 758,400
Program Administrator Cost	PA (t-1)	\$ 248,744	\$ 522,848	\$ 416,700	\$ 446,717	\$ 1,635,008
Program Evaluation Cost	PE (t-1)	\$ -	\$ -	\$ 60,408	\$ 5,817	\$ 66,225
Total Cost		\$ 438,404	\$ 729,445	\$ 823,620	\$ 1,036,021	\$ 3,027,490
<u>Revenue</u>						
Participation Charge Revenue	PC(t-1)	\$ 27	\$ 7,649	\$ 70,610	\$ 177,249	\$ 255,535
Total Revenue Collected	(GL)	\$ 409,629	\$ 704,630	\$ 768,441	\$ 833,318	\$ 2,716,018
Total Revenue		\$ 409,656	\$ 712,279	\$ 839,051	\$ 1,010,567	\$ 2,971,553
Over/(Under) Recovery		\$ (28,748)	\$ (17,166)	\$ 15,431	\$ (25,454)	\$ (55,936)

186 **Q. Please describe the above table.**

187 A. The total cost for 2007-2010 was \$3,027,490 and a total of \$2,971,553 was collected
188 through rates and the Participation Charge.

189 **Q. What does the reconciliation show?**

190 A. The reconciliation shows that AIC under-recovered \$55,936 under Rider PSP for
191 reporting years 2007-2010

192 **Q. Please describe why these differences occurred?**

193 A. The majority of the differences was due to the Ct = Residential Customers component
194 in the formula. As stated above, Ct is equal to the number of residential customers for the
195 applicable period used to develop prices in the Company's most recently approved Delivery
196 Services rate cases. Actual customers billed differed by small amounts. For the time period
197 February 2007- December 2008, the residential customer count came from Docket Nos. 06-
198 0070 (cons.). For the time period January 2009-June 2010, the residential customer count
199 came from Docket Nos. 07-0585 (cons.) and for the time period July 2010-December 2010,
200 the residential customer count came from Docket Nos. 09-0306 (cons.).

201 **Q. What relief is AIC seeking from the Commission?**

202 A. AIC respectfully requests the Commission affirm the reconciliations described above.

203 **Q. Is there anything else AIC is requesting from the Commission?**

204 A. Yes, as mentioned earlier, the Reconciliation Clause to Rider PSP was filed on July
205 27, 2011, and was made effective September 10, 2011. At this time, Rider PSP is silent as to
206 the means by which to manage any over/under recoveries that may occur from the
207 reconciliation process. AIC proposes to modify the tariff formula to include a mechanism to
208 manage any over/under recovers incurred.

209 **Q. What are the proposed changes to the formula in the tariff?**

210 A. The following formula (as stated above) needs to include two new components:

211 AB = Company-determined Automatic Balancing component, equal to the cumulative
212 debit or credit balance (over-or-under recovery) resulting from application of the
213 RICt for a prior period. The (AB) amount shall be expressed in dollars (\$).

214 O = Commission ordered adjustment amount, in dollars (\$), resulting from a
215 Commission Order in a reconciliation proceeding, plus the calculated interest
216 attributable to the O component. Interest shall be at the rate established by the
217 Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall
218 be applied from the end of the reconciliation period until the O component is
219 refunded or charged to customers through the RICt.

220 **Q. What does the proposed formula look like after the changes are made?**

221 A.
$$\text{RICt} = (\text{WIC}(t-1) + \text{PA}(t-1) - \text{PC}(t-1) + \text{PE}(t-1) + \text{DPt} + \text{AB} + \text{O}) / \text{Ct}$$

222 **V. CONCLUSION**

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

224 A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
NANCY L. GUEDEMAN

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 then, I have provided testimony in Dockets 09-0077, 09-0078, 09-0079, Rider MV Reconciliations, and Docket 11-0603, Rider EUA and GUA Reconciliations.