

**ILLINOIS COMMERCE COMMISSION**

**DOCKET Nos. 11-0354, 11-0355, 11-0356**

**DIRECT TESTIMONY**

**OF**

**DAVID J. BRUEGGEMAN**

**Submitted On Behalf**

**Of**

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

**February 8, 2012**

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7   **I.     INTRODUCTION**

8       **A.     Witness Identification**

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

10  A     My name is David J. Brueggeman, and my business address is 1901 Chouteau  
11  Avenue, St. Louis, Missouri 63103.

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

13  A     Effective October 1, 2010, Central Illinois Light Company d/b/a AmerenCILCO  
14  and Illinois Power Company d/b/a AmerenIP were merged with and into Central Illinois  
15  Public Service Company d/b/a AmerenCIPS (“AmerenCIPS”), resulting in AmerenCIPS  
16  being the surviving legal entity. Simultaneously, AmerenCIPS changed its name to  
17  Ameren Illinois Company d/b/a Ameren Illinois (“Ameren Illinois” or “Company”). I  
18  refer to the legacy companies collectively as the "Ameren Illinois Utilities" or the "AIUs".  
19  I am currently a Capacity Trader/ Power Supply Consultant of Ameren Illinois, and it is  
20  within this capacity that I am testifying in this proceeding.

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

22 A The duties of my current position consist of supporting the Illinois Power Agency  
23 (“IPA”) procurement process in a manner consistent with the Illinois Public Utilities Act  
24 (“PUA”), procuring sufficient power supply products to serve the Company’s customer  
25 load, managing the portfolio of the Company’s power supply products that result  
26 following IPA procurement events, and administering all power supply contracts entered  
27 into by the Company.

28 **Q Please provide your educational background and relevant work experience.**

29 A Please see my Statement of Qualifications, attached as an Appendix to this  
30 testimony.

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

32 **Q What is the purpose of your Direct Testimony in this proceeding?**

33 A In this testimony, I describe the power supply procurement process and the  
34 products that were purchased in order to satisfy the power supply needs of Ameren  
35 Illinois’ retail customers taking service under the Basic Generation Service rider (“Rider  
36 BGS”) for the Reconciliation Period of June 1, 2009 through May 31, 2010  
37 (“Reconciliation Period”). Finally, I address the prudence of Ameren Illinois in its  
38 efforts to obtain the power supply products needed to satisfy the needs of its customers  
39 taking service on Rider BGS, at a reasonable cost.

40 **Q Are you sponsoring any exhibits with your Direct Testimony?**

41 A No, I’m not.

42 **II. DISCUSSION OF RIDER BGS POWER SUPPLY PROCUREMENT**

43 **Q Please provide an overview of the power supply products that were procured**  
44 **in order to satisfy the power supply needs of Rider BGS customers during the**  
45 **Reconciliation Period.**

46 A The Ameren Illinois Utilities procured full requirements supply contracts which I  
47 will refer to as Supplier Forward Contracts (“SFCs”) for approximately 1/3 of the supply.  
48 These purchases may also be known as auction purchases. The AIUs also maintained a  
49 supply portfolio of capacity and energy swap contracts along with spot purchases from  
50 the Midwest Independent Transmission System Operator (“MISO”) energy markets for  
51 approximately 2/3 of the supply. In addition, the AIUs procured one year Renewable  
52 Energy Credit (“REC”) contracts to fully satisfy the Illinois Renewable Portfolio  
53 Standard (“RPS”) that went into effect on June 1, 2009. These purchases may also be  
54 known as IPA purchases. RECs are defined by the IPA Act as “a tradeable credit that  
55 represents the environmental attributes of a certain amount of energy produced from a  
56 renewable energy resource.” (IPA Act, 20 ILCS 3855/1-10.)

57 **Q Please describe the power supply products pertaining to Rider BGS.**

58 A The full requirements supply contracts, SFCs, were obtained through the auction  
59 purchase, which supplied energy and capacity (including all energy losses, energy  
60 imbalance service, and congestion costs associated with the provision of such services).  
61 The power supply products obtained through the IPA purchases consisted of capacity,  
62 energy, and RECs. The capacity product gives the right of the Buyer (the AIUs), in  
63 accordance with the requirements of the MISO protocol, to designate the source with  
64 MISO as a Planning Resource Credit (“PRC”) that satisfies the resource adequacy

65 requirement obligations of the MISO Transmission & Energy Markets Tariff (“TEMT”).  
66 The energy product consisted entirely of financial swaps which settle on a fixed for  
67 floating basis. The floating price is calculated as the average MISO Day-Ahead  
68 Locational Marginal Pricing (“LMP”) for each hour of each settlement month at the  
69 AIUs’ Load Zone. The parties will then net the difference between the agreed upon fixed  
70 price and the floating price.

71 **Q Please describe the IPA procurement process.**

72 A The IPA procurement process utilizes a portfolio of standard wholesale products  
73 which are then supplemented by spot market energy purchases and other services that  
74 make up the full requirement product. The IPA procurement process requires the  
75 development of a procurement plan which specifically identifies the wholesale products  
76 to be procured following approval of the plan by the Illinois Commerce Commission  
77 (“Commission”). The process also requires that an independent third party (the  
78 “Procurement Administrator”) be utilized to administer the actual procurement of the  
79 products.

80 **Q Under the IPA procurement process, who is responsible for hiring the**  
81 **Procurement Administrator?**

82 A On March 9, 2009, the IPA notified the Commission that it had selected Levitan  
83 Associates Inc. (“LAI”) to serve as the Procurement Administrator for the 2009  
84 procurement cycle for the AIUs’ procurement requirements. On March 11, 2009, the  
85 Commission voted to accept the IPA’s selection of LAI as Procurement Administrator.

86 **Q Did the Procurement Administrator implement a process to procure the**  
87 **wholesale energy products identified in the Commission-approved procurement**  
88 **plan for this Reconciliation Period?**

89 A Yes. Consistent with the PUA, LAI issued a request for proposal (“RFP”) to  
90 procure the capacity, energy, and RECs identified in the Commission-approved  
91 procurement plan. In each case, LAI followed the prescribed process laid out in the PUA  
92 when designing the process, submitting the required confidential reports, and providing  
93 recommendations to the Commission following each RFP process.

94 **Q Did the AIUs enter into any contracts as a result of these RFP processes?**

95 A Yes. Following the conclusion of each RFP, the AIUs entered into contracts with  
96 the winning suppliers identified in LAI’s recommendation made to, and approved by, the  
97 Commission.

98 **Q You stated previously the IPA procurement process procures a portfolio of**  
99 **standard market products which are then supplemented by spot market purchases**  
100 **and other services that make up the full requirement product. Did the AIUs make**  
101 **spot market purchases during this Reconciliation Period?**

102 A Yes. The Commission-approved procurement plan identified energy swap  
103 contracts as the mechanism to hedge the cost of energy. The result is that all of the actual  
104 energy came from the MISO energy markets, which was used to supply approximately  
105 2/3 of the Rider BGS load, while the fixed for floating swaps provided financial  
106 protection to such load. This was accomplished in the manner specified in the  
107 Commission-approved procurement plan.

108 **Q What are the other services you were referring to?**

109 A The other services I am referring to are network transmission service, ancillary  
110 services, and auction revenue rights (“ARRs”). Each of these services with the exception  
111 of network transmission service, were also included in the full requirements product that  
112 was procured in the Illinois Auction and are required services to supply the load under  
113 the portfolio approach specified in the IPA procurement process. For each of these  
114 services, the process utilized by the Company to acquire the service is specified in the  
115 ICC approved procurement plan.

116 For example, the process utilized to nominate and subsequently receive  
117 allocations of ARR is specified on page 38 of the procurement plan. That section of the  
118 plan reads as follows:

119 “Auction Revenue Rights (“ARRs”) are not a power and energy resource.  
120 However, the nomination and subsequent allocation of such rights to Ameren  
121 generally serves to reduce the cost of congestion borne by Ameren (and, thus,  
122 ultimately by their customers).

123 As part of the 2008 ARR allocation process at MISO, Ameren received a set of  
124 ARR entitlements and were awarded ARR for the 2008 planning year.

125 For future planning years, Ameren shall continue to actively participate in the  
126 MISO ARR nomination and allocation process and shall seek to nominate those  
127 ARR with an expected positive value, recognizing that they may be required by  
128 the MISO to accept certain ARR which do not have an expected positive value  
129 and further that though nominated, they ultimately may not be allocated all of the  
130 ARR requested.

131 Ameren shall retain the allocated ARR and receive associated credits for its  
132 customers. Ameren should make no further changes except to the extent that  
133 should the delivery point for one or more of the energy resources be other than  
134 within the AMIL balancing authority, Ameren may attempt to reallocate the  
135 applicable ARR from their historical resource points to those which align more  
136 closely with the designated energy resource delivery point.”

137 We abided by the above plan of action. Similar processes are included in the  
138 procurement plan for network transmission service and ancillary services, and again, we  
139 abided by the requirements in the plan.

140 **Q Were there any other products procured on behalf of the Company's real**  
141 **time pricing tariffs?**

142 A Yes. In addition to the products discussed above, the Company procured the  
143 capacity and energy required to supply the load associated with real time pricing tariffs.  
144 This is described in detail in testimony provided by Mr. Richard L. McCartney.

145 **III. PRUDENCE DISCUSSION FOR RIDER BGS**

146 **Q Please discuss the legislative provisions related to the prudence of purchases**  
147 **that result from the IPA procurement process.**

148 A Section 16-111.5(l) of the PUA governs an electric utility's recovery of costs of  
149 procuring power and energy via the IPA procurement process. This section explicitly  
150 allows for full cost recovery of all of Ameren Illinois' cost of procuring power and  
151 energy via the IPA procurement process, including the cost associated with the long term  
152 energy swaps mandated by Section 16-111.5(k) of the PUA.

153 **Q Did Ameren Illinois comply with the procurement plan approved by the**  
154 **Commission?**

155 A Yes. The purchases made via the IPA procurement process were made in a  
156 manner consistent with the procurement provisions of the PUA and the Company has  
157 performed all prudent acts in a manner consistent with the law and the Commission's  
158 order in Docket No. 08-0519.

159 **Q** What are the mechanisms through which Ameren Illinois recovers costs  
160 incurred for power procurements pertaining to Rider BGS?

161 A Ameren Illinois recovers these costs through Rider PER.

162 **Q** In your opinion, are the costs incurred under Rider PER reasonable?

163 A Yes.

164 **Q** What is the basis for that opinion?

165 A As explained above, the purchases made via the IPA procurement process (a  
166 Commission-reviewed and approved process) were made in a manner consistent with the  
167 procurement provisions of the PUA. Moreover, Ameren Illinois has reasonably  
168 performed all acts in a manner consistent with the law, including the Commission's Order  
169 in Docket No. 08-0519.

170 **IV. CONCLUSION**

171 **Q** Does this conclude your direct testimony?

172 A Yes, it does.

**APPENDIX**

**STATEMENT OF QUALIFICATIONS**

**DAVID J. BRUEGGEMAN**

I obtained a Bachelor of Science degree in Mechanical Engineering from the University of Missouri-Rolla in 1979, and a Masters in Business Administration degree from DeVry University's Keller Graduate School of Management in 1997. I received my registration as a Professional Engineer in 1985. My work experience started as a Sales Engineer for Nooter Corporation in June of 1979. In January of 1983, I accepted a position with the McDonnell Douglas Corporation as a Plant Engineer. In 1985, I left McDonnell Douglas to accept a position with Monsanto Corporation as a Senior Maintenance Engineer. In 1986 I accepted a position at Union Electric Company at Callaway Nuclear Plant as a Quality Assurance Engineer, I transferred to Labadie Power Plant as a Mechanical Engineer in 1990. In 1995, I transferred to Ameren Services' Division Marketing Planning Department where I held the position of Engineer, DSM and Energy Efficiency. In 1997, I transferred to Ameren Services' as a Senior Engineer, Resource Planning. On January 1, 2004, my title was changed to Senior Engineer Resource Acquisition. On October 15, 2004, my position was transferred to the Strategic Initiatives Department and my title was changed to Power Supply Acquisition Consultant. In 2007 my title was changed to Capacity Trader/Power Supply Acquisition Consultant. My position was then transferred from Ameren Services to AmerenCILCO effective January 1, 2009 and AmerenCILCO, along with AmerenIP was merged into AmerenCIPS and renamed Ameren Illinois Company on October 1, 2010.