Ameren Exhibit 3.0

ILLINOIS COMMERCE COMMISSION

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

DIRECT TESTIMONY

OF

DOMINIC S. PERNICIARO

Submitted On Behalf

Of

AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois

February 8, 2012

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I. INTRODUCTION

A. Witness Identification

Q. Please state your name and business address.

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

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

A. I am employed by Ameren Services Company, a service company affiliate of Ameren Illinois Company d/b/a Ameren Illinois ("AIC" or the "Company"), as the Supervisor of Power Accounting. My duties include direct supervision of the accounting for calculations necessary to implement the Rider Purchased Electricity Recovery ("Rider PER") and Rider Hourly Supply Service ("Rider HSS") for each rate zone of AIC.

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

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

B. Purpose, Scope and Identification of Exhibits

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

A. In its Order initiating these dockets, the Illinois Commerce Commission ("Commission") calls for a reconciliation of the revenues associated with the various procurement tariffs in effect during the period of June 1, 2009 through May 31, 2010. In my testimony I explain the manner by which the revenues for each AIC rate zone were collected, how they were accounted for, any accounting adjustments made during the course of the reconciliation period, and the costs attributable to the relevant procurement activities.

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

A. Yes. I am sponsoring the following exhibits:

- Ameren Exhibit 3.01 - Rate Zone I Rider PER reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.02 - Rate Zone II Rider PER reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.03 - Rate Zone III Rider PER reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.04 - Rate Zone I Rider HSS reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.05 - Rate Zone II Rider HSS reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.06 - Rate Zone III Rider HSS reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.07 - Rate Zone I Summary reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.08 - Rate Zone II Summary reconciliation of costs and revenues for the period ending May 31, 2010
- Ameren Exhibit 3.09 - Rate Zone III Summary reconciliation of costs and revenues for the period ending May 31, 2010

- Ameren Exhibit 3.10 - Automatic Balancing Adjustment
- Ameren Exhibit 3.11 - Internal Administrative and Operational Costs Associated with Procurement

Q. Please describe the exhibits you are sponsoring.

A. Ameren Exhibits 3.01, 3.02 and 3.03, as they are labeled, show the recovery of the Company's total allowable costs over the 12-month reconciliation period ending May 31, 2010 for the BGS-FP fixed price and hourly price for small customer products ("RTP") under Rider PER. Ameren Exhibits 3.04, 3.05 and 3.06 show the recovery of the Company's total allowable costs over the twelve-month reconciliation period ending May 31, 2010 for the hourly price product for large customers under Rider HSS. Ameren Exhibits 3.07, 3.08 and 3.09 summarizes the Company's total allowable costs over the twelve-month reconciliation period ending May 31, 2010 under Riders PER and HSS and the Factor O requested by Ameren based upon the proposed adjustments. Ameren Exhibit 3.10 shows the amounts filed for each recovery period since January 2007 compared to how they should have been reported and the resulting variance. Ameren Exhibit 3.11 is a schedule of the internal administrative and operational costs associated with procuring electric power and energy for retail customers over the twelve-month reconciliation period ending May 31, 2010.

Q. Is AIC providing a schedule with this filing that presents the cumulative totals of incremental costs and cumulative totals of recoveries, by customer class, to the extent such information is reasonably available?

A. No. Ameren Exhibits 3.01 through 3.09 reflect the costs and revenues by supply product. Any detail beyond supply product (*i.e.*, fixed price load and hourly load) is not available because there is no further granularity associated with these costs. Cost data is only collected on a total "supply product" basis. This was the intended rate design for the Supply Fixed Charges, where suppliers were paid for each summer or non-summer kWh at the stated contract amount, regardless of whether the kWh was provided to a BGS-1, BGS-2, BGS-3, or BGS-5 customer. This is also the reason why all BGS customers pay the same over/under value for each of the respective rate zones. To provide any further cost data would be extremely burdensome as the data sets simply do not exist in a format that would be conducive to any further data analysis.

II. <u>DISCUSSION REGARDING MONTHLY RECONCILATIONS</u>

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

A. There are three different products procured for customers that choose to take power from Ameren Illinois: fixed price, small hourly price, and large hourly price. The fixed price product, Basis Generation Service – Fixed Price ("BGS-FP") is procured under Rider PER. During the reconciliation period, BGS-FP was available to customers with demands under 400 kW, although customers with demands between 400 kW and 1,000 kW had been declared competitive and were in a transition period whereby they could stay on BGS-FP so long as they did not take supply from Alternative Retail Suppliers ("ARES") or Rider HSS. RTP is the real-time hourly pricing product for small customers, with approximately one-third of supply coming from Supplier Fixed Contracts ("SFCs") associated with the 2006 Illinois Auction and approximately two-thirds of supply coming from the Midwest Independent Transmission System Operator ("MISO") market. In both cases, customers under RTP were charged MISO Locational Marginal Prices ("LMPs") for energy and both BGS-FP and RTP were recovered under Rider PER. The HSS product is the "Hourly Supply Service" to allow customers with demands equal to or greater than 400 kW to elect real-time hourly pricing under Rider HSS.

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

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

The cost components are provided by different groups. The cost of power from auction suppliers is provided by Ameren's Transmission Services Business Center ("TSBC") group based on the supplier bills. The cost of power and market settlement costs from MISO are provided by the Power Accounting group based on the MISO settlement statements. The cost of power provided by Qualified Facilities ("QF") is calculated from the output provided by the TSBC, priced at the average locational marginal price ("LMP") for the month. The ancillary services expenses for Schedules 1, 2, 3, 5, 6, 25 and 26 are based on MISO tariff pricing for the HSS- category. Capacity costs are primarily from suppliers bills. However, for HSS, some excess capacity from BGS-FP was allocated at cost during the reconciliation period so as to reduce overall customer cost and in additional, some incremental capacity was purchased from MISO's Voluntary Capacity Auction ("VCA") from February 2010 through May 2010 as a result of increasing loads. The free service load (power supply provided to municipalities pursuant to franchise agreements) is provided by the Energy Delivery Customer Service group and the company use load is set in the rate case: these volumes are priced at the monthly average cost. The calculations for company use and free service include an adjustment for line losses.

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

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

	Cost Item	Category of Service
1	Auction Suppliers	BGS-FP; RTP
2	MISO Energy Costs	BGS-FP; RTP; HSS
3	MISO Market Settlement	BGS-FP; RTP; HSS
4	Rider QF Costs	BGS-FP; RTP
5	Ancillary Services	BGS-FP; RTP; HSS
6	Capacity	BGS-FP; RTP; HSS
7	Company Use & Free Service under Franchises	BGS-FP; RTP

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

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

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

A. Yes, there was an accounting adjustment. Internal analysis conducted in December of 2009 by our load settlement personnel discovered that a tie-line meter between two legacy utilities, Central Illinois Public Service Company d/b/a AmerenCIPS ("AmerenCIPS") and Illinois Power Company d/b/a AmerenIP ("AmerenIP"), had the sign reversed since June 4, 2009. Once the error was discovered, settlement data provided to MISO had been corrected; however, MISO only accepts corrections up to 105 days. Thus, data back to September 10 had been corrected, but settlement data accepted at MISO for the period from June 4 – September 9 still reflects the tie-line meter sign reversal. A "shadow" settlement estimate that we would provide to MISO if resettlement were to be allowed for the mentioned period was created by the load settlement personnel to determine the MWHs in question on an hourly basis. The hourly MWHs were priced at the hourly real-time LMP and aggregated. The result is approximately 183,721 MWH and $7,187,828 will be taken from AmerenCIPS and given to AmerenIP. In other words, AmerenCIPS costs have been lowered and AmerenIP costs have been increased by an offsetting amount – as if a MISO settlement had been accepted for June 4 – September 9.

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

A. Yes. Internal analysis conducted in October of 2010 found that some AIC revenue was not being included in Rider HSS recoveries because the customer billing system characterized the billings as miscellaneous (rather than Rider) revenue. The issue resulted in Rider HSS under reporting revenues and an over recovery of $6,619,363.01 from June 2008 through June 2010. Of this total, $585,403.10 of the over-recovered amount related to the reconciliation period from June 2010 through May 2011 and was included as a Factor A in the January 2011 filing. $2,340,856.16 of the over-recovered amount related to the reconciliation period from June 2008 through May 2010 and will be included as a Factor A upon their order in Docket Nos. 10-0272, 10-0273, and 10-0274. The remaining over-recovered amount of $3,693,103.75 relates to the reconciliation period from June 2009 through May 2010:

AmerenCIPS: $1,191,872.42 for the period from June 2009 – May 2010

AmerenCILCO: $450,530.27 for the period from June 2009 – May 2010

AmerenIP: $2,050,701.06 for the period from June 2009 – May 2010

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

During the reconciliation process, it was determined that $9,574.34 in sales were made to City Water, Light, and Power ("CWLP") according to a boundary line agreement with Central Illinois Light Company d/b/a AmerenCILCO ("AmerenCILCO") and not included as revenue in Rider PER. These sales are typically the result of emergency situations and/or non-recurring in nature.

In addition, internal analysis conducted in January of 2011 determined that the work papers calculating the unamortized balance in the filings had a flaw that resulted in a reduction in said balance at a quicker pace than the general ledger. This resulted in an over-recovered balance, in aggregate, in the general ledger compared to the unamortized balance in the filing. Ameren Exhibit 3.7 indicates the amount per Rate Zone and reconciliation period for the periods from January 2007 through the most current filing. Staff was notified of the issue in February of 2011 and it was corrected in the March

2011 filing in order to correct the balances as quickly as possible to reflect the calculation correction in the work papers.

Q. Are there collateral costs included in the recoverable costs for the reconciliation period? If so, please provide the amount of collateral at each financial institution, the form of collateral, the interest earned on cash collateral posted by institution, and the interest paid on loans obtained to post collateral by institution. If not, please explain.

A. No collateral costs are included in the 2009-2010 Recoverable Costs. According to the order 07-0527, Ameren is allowed to pass through collateral costs related to energy procurement once Staff and Ameren agreed upon the methodology. The methodology has not been developed yet therefore we cannot include these costs in this reconciliation period, but reserve the right to do so in the future.

III. <u>CONCLUSION</u>

Q. Please summarize your recommendations.

A. I recommend that the Order in this proceeding:

1) Approve Ameren Exhibit 3.07 as the reconciliation for Rider PER and Rider HSS for AmerenCIPS with a Factor O refund of $(1,191,873) for the twelve month reconciliation period ending May 31, 2010;
2) Approve Ameren Exhibit 3.08 as the reconciliation for Rider PER and Rider HSS for AmerenCILCO with a Factor O refund of $(460,106) for the twelve month reconciliation period ending May 31, 2010;

3) Approve Ameren Exhibit 3.09 as the reconciliation for Rider PER and Rider HSS for AmerenIP with a Factor O refund of $(2,050,705) for the twelve month reconciliation period ending May 31, 2010; and

4) Direct AIC to refund $(1,191,873) for AmerenCIPS customers, $(460,106) for AmerenCILCO customers, and $(2,050,705) for AmerenIP customers in the first monthly Rider PER and Rider HSS informational filings after the date of the Order in these dockets.

Q. Does this conclude your direct testimony?

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 2010. As of July 2011, I have passed all four parts of the Uniform Certified Public Accountant Examination.

I began my professional career in 1998 at the Sabreliner Corporation. I began as an Accounts Payable Clerk and was promoted to Payroll Clerk and then Cost Accountant before leaving in 2001. In the 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 system in 2006.

I began working for Ameren Services Company in October 2008 in the Wholesale Power and Fuel Department as a Settlement Specialist where I was charged with, among other things, reviewing Midwest ISO invoice data for accuracy. In July of 2010, I was promoted to Supervisor, Power Accounting. Shortly thereafter, the responsibility of accounting for transmission cost over and under collection was transitioned to Power Accounting from Fuel Accounting.