Ameren Exhibit 1.0

ILLINOIS COMMERCE COMMISSION

DOCKET No. 13-________

DIRECT TESTIMONY

OF

KAREN R. ALTHOFF

SUBMITTED ON BEHALF

OF

AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois

April 1, 2013

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OF

KAREN R. ALTHOFF

Submitted on Behalf Of

Ameren Illinois

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Karen R. Althoff. My business address is 370 S. Main Street, Decatur, IL 62523.

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

A. I am a Supervisor, Rates and Analysis, providing regulatory services for Ameren Illinois Company d/b/a Ameren Illinois (AIC or Company).

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 relating to the gas and electric rates of AIC include developing rate analyses and rate design and cost of service studies, developing and interpreting gas and electric tariffs, testifying in regulatory proceedings, and performing other rate-related 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 Utility Consolidated Billing/Purchase of Receivable (UCB/POR) Program Charge work and to reconcile the estimated to actual experience of the various components of the UCB/POR Program for the Initial Period beginning October 18, 2009 through December 31, 2011. The program charge is calculated pursuant to Ameren Illinois electric tariffs.

Q. Please provide background regarding charges resulting from UCB/POR.

A. UCB/POR provides for the cost recovery of Start-Up Costs associated with the changes in systems necessary to implement this program. Cost recovery is outlined in AIC's Supplemental Customer Charges and Supplier Terms and Conditions. As agreed upon in workshops held, the Start-Up Costs were segregated by a 95% cost recovery for the UCB and 5% for cost recovery for the POR. The 95% UCB is then split for recovery purposes by 75% by Eligible Delivery Service Customers and 25% by Retail Electric Suppliers (RES). The 75% recovery via the Program Charge as outlined in AIC's Supplemental Customer Charges with the 25% recovery outlined in AIC's Supplier Terms and Conditions as is the 5% POR portion of the Start-Up Costs which are recovered through the Discount Rate.

Q. Are you sponsoring any exhibits with your testimony?

A. Yes. I am sponsoring Ameren Exhibit 1.1 which consists of the reconciliation of the various components of the UCB/POR Program Charge and Discount Rate. Specifically, the UCB/POR Program has the following components: Uncollectible Receivables, UCB portion of the UCB/POR Program Start-Up Costs (as allocated to Eligible Delivery Service

Customers and RES), POR portion of the UCB/POR Program Start-Up Costs, Fair Cost Allocation Adjustment, and Ongoing Administrative Costs.

Q. What is the purpose of the UCB/POR Program?

A. Utility consolidated billing with the purchase of receivables by the utility is a type of "Retail Access" program that is designed to promote the development of meaningful market choices for electric consumers in states that have "unbundled" electric commodity services from electric delivery. The underlying policy purpose is to eliminate utilities established mass market billing systems and administration as a barrier to entry for third party electricity providers. The concept is to transition the utilities billing systems to allow for access to those systems by other suppliers. The purchase of receivables enables a third party supplier to simply sell the accounts receivables associated with supply contracts to the utility who thereafter handles billing. In Illinois, the Public Utilities Act (the Act) Section 16-118 was amended effective November 9, 2007 to add language directing electric public utilities with more than 100,000 customers to file tariffs pursuant to Article IX of the Act establishing UCB and POR services. Subsection (c) of Section 16-118 relates to POR service which requires an electric utility to provide RES with the option to have the electric utility purchase their receivables for power and energy provided to residential and certain[1] non-residential retail customers. This purchase of these receivable are net of a discount rate which is based on the electric utility's historical bad debt, any start-up costs, and on-going administrative costs associated with this program. Subsection (d) provides for UCB where the electric utility must provide the RES with the option to have the electric utility produce and provide

[1] Non-residential customers with a non-coincident peak demand of less than 400 kW are eligible to be included in the POR program.

single bills to retail customers for both the electric power and energy provided by the RES and the delivery services (DS) provided by the electric utility. In 2008, Ameren Illinois filed tariffs to comply with Section 220 ILCS 16-118 (c) and allow for the initiation of a UCB/POR Program in Ameren Illinois' service territory.

II. <u>UCB/POR PROGRAM</u>

A. UCB/POR Program Charge

Q. What is the UCB/POR Program Charge?

A. This charge is a charge to all delivery service customers of Ameren Illinois eligible to take service pursuant to 220 ILCS 5/16-118(c) and set forth in AIC's Supplemental Customer Charges. It is collected as a small supplemental customer charge that has ranged between \$0.03[2] and \$0.06. In my testimony, I will provide a more complete explanation of the various components of the Program Charge and its operation. At a high level, the charge is intended to allow for recovery from customers for billing system improvements; provide recourse for losses and credits for gains from receivables purchased and later collected vis-à-vis the applicable discount rate; and credits customers for theoretical contributions or adders associated with a discount rate designed to provide contribution from suppliers to customers to offset the cost of billing system improvements. The design and function of this Program Charge is a result of the wording of the Section 16-118(c) as well as the results of the Office of Retail Development workshop process and docket that followed. The law, policy, and litigated docket (ICC Docket No. 08-0619 (cons.)) reviewing the tariffs defined what the Program Charge came to be.

[2] Through May 2012, the Program Charge was fixed at \$0.03.

Q. Please provide an overview of the charges resulting from the UCB/POR Program Charge?

A. I will first address the UCB portion of the UCB/POR Program Charge which consists of the following components:

1) the amount of the UCB portion of the UCB/POR Program Start-Up Costs assigned to Eligible Customers plus adjustments (USC);

2) plus Uncollected Receivables recovery variances (UR); and

3) plus Ongoing Administrative Cost recovery variances (OAR).

The sum of these three components are then divided by Number of Eligible Customers (EC) for the corresponding period of the UCB/POR Program Charge calculation then divided by 12 months. USC is determined as follows:

1) the UCB related portion of the UCB/POR Start-Up Costs (a 95% cost share of total UCB/POR start-up costs);

2) divided by a five-year amortization period (USR);

3) multiplied by 75% for Delivery Service Eligible Customers multiplied by a Fixed Charge Rate (FCR) of 24.44%;

4) plus any Automatic Reconciliation Adjustment (ARA) and any Ordered Reconciliation Adjustments (ORA).

The FCR was approved in the Order in ICC Docket No. 08-0619 (consolidated) as stated on page 33.

Q. How was the initial Program Charge established?

A. The initial Program Charge followed the formula outlined above and further described in the UCB/POR provisions in the Supplemental Customer Charges tariff (Sheets 38.002 through 38.011). Specifically, the UCB portion of Start-Up Costs allocated to be recovered from all eligible customers was divided by the total number of bills forecasted to be issued in the initial rate period concluding May 2012, rounded to the nearest whole cent. The Program Charge for the initial period was $0.03 per eligible customer account.

Q. How is the reconciliation of this to be handled?

A. The First Reconciliation Period for the USC Factor is for the period from the effective date, October 18, 2009, of the UCB/POR through December 2011. The First Reconciliation Period plus interest was included in Factor ARA effective with the June 2012 billing period. This proceeding encompasses the First Reconciliation Period. The Second Reconciliation Period for the USC Factor will cover calendar years 2012 and 2013 with any variances plus interest recovered or credited through Factor ARA effective for the June 2014 billing period. Periods after the Second Reconciliation Period shall also occur through Factor ARA. The USC portion of the UCB/POR Program Charges will be eliminated once USC cost is fully recovered.

Q. Did Ameren experience any variance in the Initial Period as far as actual Start-Up Costs to be collected as compared to actual Start-Up Cost collected?

A. Yes. For the Initial Period (through December 2011) Ameren had estimated $1,115,319 of collections through the Program Charge based upon the actual Start-Up Costs from Eligible DS Customers. However, the Company collected Program Charge revenues of only $958,915.

Q. Did Ameren's actual Start-Up Costs deviate from the estimated Start-Up Costs?

A. Yes, actual Start-Up Costs were $2,956,113, or $7,423 higher than the estimated Start-Up Costs. However, after application of the FCR, the total Start-Up Cost revenue requirement increased from $3,423,134 to $3,431,752, or by $8,618. AIC was developed the Initial Period Reconciliation based on the actual Start-Up Cost.

Q. What is the amount of under-recovery of the actual Start-Up Costs?

A. The under-recovery based on actual Start-Up Costs would be $156,404 as shown on page 4 of 6 of Ameren Exhibit 1.1, line 19. This under-recovery is based upon the estimated collections of $1,115,319 and revenues collected of $958,915 as stated above.

Q. Was this under-recovery filed in Ameren Illinois' May 2012 update to the Program Charge?

A. No, AIC did not include the under-recovered variance from the Program Charge portion of UCB/POR Program in the Program Charge effective for the June 2012 billing period. The under-recovery is therefore included in my proposed reconciliation, together with other necessary variances as described below.

Q. Please explain Uncollected Receivables, Factor UR.

A. Factor UR is comprised of the Actual Uncollected Receivables (AUR) for the UCB/POR Program which is equal to the write-off amounts for the portion of final bills associated with the RES receivables after all collection processes have been exhausted less the dollar amount of uncollectibles included in the actual discounts taken in the purchase of receivables during the reconciliation period (APRR). Any resulting ARA and ORA from Factor UR will be added or subtracted with interest.

Q. How are the reconciliations for Factor UR to be handled?

A. The UR Factor is zero during the Initial Period; however, the initial calculation and application of the UR Factor will occur subsequent to the First Reconciliation Period for the UCB/POR Uncollectible Discount Component of the UCB/POR Discount Rate, and was applied to the UCB/POR Program Charge effective with the June 2012 billing period. The Second Reconciliation Period will cover calendar years 2012 and 2013. Any variance between the projected and actual cost recovery from the UR Charge plus interest (ARA Factor) is then effective for the June 2014 billing period.

Q. Was the UR Factor included in Ameren's update to the UCB/POR Program Charge effective beginning in June 2012?

A. Yes. AIC included an over-recovery of $116,134, meaning the amount collected from RES through the Discount Rate for the uncollectible component exceeded the amount of actual uncollectible expense experienced from POR customers during the reconciliation period.

Q. Does Ameren have any Ongoing Administrative Costs as allowed in the UCB/POR Program Charge?

A. No, Ameren has incurred no incremental Ongoing Administrative Cost (OAR). This is primarily because Ameren Illinois made changes to its billing system that automated the UCB/POR processes and relied upon existing administration resources to manage the process. Ameren Illinois maintains the responsibility of managing customer billings under UCB/POR; the only difference is the inclusion of third party supply charges. However, if Ameren did incur incremental ongoing administrative costs, the difference between the actual expense and amounts recovered for OAR through the UCB/POR Discount Rate would be included in the total reconciliation amount of the UCB/POR Program Charge through an Automatic Reconciliation Adjustment (ARA) plus interest and any Ordered Reconciliation Adjustment (ORA) plus interest. The reconciliation periods align with the USC Factor reconciliation periods.

Q. What is the POR portion of the UCB/POR Program Charge?

A. The POR portion of the Start-Up Costs is based upon an allocated share of 5% of these costs, targeted to be recovered through application of the UCB/POR Discount Rate which I will discuss next. This share of the charges is designed to recover the programing costs for billing system improvements designed to accommodate the purchase of the receivables and exchange of funds associated with participating suppliers. These costs are the "start-up" costs necessary to actually purchase receivables and pay RES.

B. UCB/POR Discount Rate

Q. How is the RES portion of the UCB/POR handled?

A. The RES portion of the UCB/POR Start-Up Cost is intended to be recovered through the UCB/POR Discount Rate (UDR). The Discount Rate is a percentage factor applied to purchased receivables whereby the RES receives payment based on face value of the receivable less the amount of the receivable times the Discount Rate. The UDR components are as follows: the sum of the uncollectible component (UDC), RES portion of UCB related UCB/POR Start-up Costs (USD), POR related UCB/POR Start-Up costs ("PSD"), the Fair Cost Allocation Adjustment (FCAA) which reimburses eligible Retail Customers for program costs, and Ongoing Administrative Costs (OAdm). The Discount Rate tariff provisions are contained in the Supplier Terms and Conditions tariff, Sheets 5.020 through 5.024.

Q. Please explain how UDC is determined.

A. UDC is based on the division of total power supply related Uncollectible expense for all of AIC's UCB/POR Program Eligible Customers (RCU) by power supply related Total Revenue (TR) for Company provided power supply (including the amount of RCU). The values used in this component are consistent with the Company's most recent rate case data and Commission Order. The UDC portion of the Discount Rate was initially established to be 0.82% emanating from Docket Nos. 07-0585 (Cons.), changing to 1.06% following conclusion of Docket Nos. 09-0306 (Cons.) and is still in effect.

Q. How is the RES portion of UCB related UCB/POR Start-Up Costs established?

A. The RES portion of UCB related UCB/POR Start-Up Costs (USD) are determined based upon USR multiplied by the FCR multiplied by 25% (the RES share) divided by the Estimated UCB/POR Program Receivables (EPR) purchased from the RES. During the initial period, EPR was based on a three-year simple average of the UCB/POR Program Receivables as submitted to the Illinois Power Agency on or about July 15, 2008. The Program participation rate for the Initial Rate Period was established and derived by applying a 7 percent discount to Ameren's then existing BGS prices. The USD portion of the Discount Rate was determined to be 0.18% for the initial rate period.

Q. What are the requirements of reconciliations for the RES portion of Start-Up Costs?

A. The variance related to the RES portion, either positive or negative, between actual and projected recovery of the UCB Start-Up Costs for the First Reconciliation Period plus interest was to be recovered or credited to Eligible Customers through the ARA component of Factor USC of the UCB/POR Program Charge effective for the June 2012 billing period. The Second Reconciliation for the RES portion of the Start-Up Costs is handled similarly. Once fully recovered the Start-Up Costs included in the UCB/POR Discount Rate and Program Charge will be terminated.

The Initial Period reconciliation for Factor USD reflects an under-recovery of $347,851 based on actual Start-Up Costs. AIC incorrectly calculated an under-recovery in its May 2012 UCB/POR filing update of $340,163 which was reflected in the June 2012 billing period. This amount was based upon the estimated Expected Revenues derived from the Discount Rate; however, given the Discount Rate percentages being rounded to two decimal places, the Expected Revenues do not tie to the Initial Period Start-Up Costs allocated to the RES. Ameren Exhibit 1.1, page 4 of 6, lines 20 through 26 reflects the development of the under-recovery from Factor USD.

Q. Please explain the POR portion of the UCB/POR Start-Up Costs for the initial rate period.

A. The component, PSD is the sum of the amount of the POR related portion, 5%, of the UCB/POR Start-Up Costs (PSR) multiplied by the FCR divided by EPR. The PSD portion of the Discount Rate was determined to be 0.04% for the initial rate period.

Q. What are the requirements of reconciliations for the POR portion of Start-Up Costs?

A. Any over-recovery at the time of the first reconciliation period was to be used to reduce the unrecovered balance of POR start-up costs. This was not the case. Conversely, any under-recovery variance related to the POR portion of the UCB/POR Program via the Discount Rate should be deferred until December 31, 2014. (see AIC's Supplier Terms and Conditions tariff, Sheet 5.027.) This is indeed what happened. The Initial Period reconciliation for Factor PSD based on actual Start-Up Costs reflects an under-recovery of $72,952. Ameren Exhibit 1.1, page 4 of 6, lines 34 through 41 reflects the development of the under-recovery from Factor PSD.

Q. How is the FCAA determined in the discount rate?

A. FCAA in the discount rate is determined by the total amount of UCB/POR Program Charge revenues, including interest, which have been charged to eligible Customers, but have not been recovered from suppliers divided by EPR. The FCAA factor, like EPR, in the Initial Period is based on a three-year simple average of the expected UCB/POR Program Charge including interest allowed per 83 Ill. Adm. Code 280.70(e)(1). After the Initial Period, the FCAA is determined annually for the UCB/POR Program Year of June through May of the subsequent year. Revenues received through the FCAA component of the RES discount rate that have not been previously credited to eligible Retail Customers should be included in the ARA Factor. The FCAA portion of the Discount Rate was determined to be 0.46% for the initial rate period.

Q. How did estimated and actual FCAA revenues compare for the Initial Period?

A. The EPR of the FCAA through the Discount Rate was determined to be $930,439; however, the actual participation generated revenues for Factor FCAA were $61,134. This reflects a difference of $869,305; however, the ICC Order in Docket No. 08-0619 (consolidated) directs any revenue recovered through this component be used to offset UCB/POR Program Start-Up Costs. The revenues resulting from Factor FCAA are shown on page 5 of 6 of Ameren Exhibit 1.1.

Q. Did AIC include a FCAA reconciliation factor in its UCB/POR Program Charge update filed to become effective June 2012?

A. Yes. However, AIC incorrectly included the difference between the expected revenues and the revenues generated from FCAA, or an under-recovery of $869,305, as opposed to the $61,134 of revenues which would be an over-recovery. I therefore recommend correction of this transposition as part of my reconciliation for the Initial Period.

Q. Since Ameren has determined it has incurred no incremental Ongoing Administrative Costs in the UCB/POR Program Charge, the discount rate assumes zero, correct?

A. Correct. If the factor were to be used, OAdm would be calculated by dividing Ongoing Administrative Costs (OAC) by EPR; however, this factor has not been nor is expected to be used. Accordingly, there is no reconciliation for this component.

Q. When is the UDC component of the UCB/POR Discount Rate revised?

A. UDC is revised upon the Commission approving a revised level of supply related uncollectible expense in Delivery Service rate case proceedings, or annually subsequent to the initial rate period (through May 2012) for each Program Year of June through May of the subsequent year.

Q. Please explain the reconciliation of the UCB/POR uncollectible cost.

A. The Supplier Terms and Conditions tariff addresses the Uncollectibles Cost Reconciliation at Sheet 5.025. Any positive or negative variance between the Actual Uncollected Receivables experienced from the UCB/POR Program and the dollar amount of uncollectibles calculated using the Uncollectible cost component of the UCB/POR discount rate and included in the actual discounts taken in the purchase of receivables will be recovered from or credited back to Eligible Customers via Factor UR of the UCB/POR Program Charge. The actual annual uncollected receivables related to the purchase of RES receivables experienced will be tracked each calendar year and compared to the dollar amount of uncollectibles calculated using the Uncollectible cost component of the UCB/POR Discount Rate and included in the actual discounts derived from the purchase of receivables. Any variance, whether positive or negative, will flow through UR of the UCB/POR Program Charge. For the First Reconciliation Period, October 18, 2009 through December 30, 2011, uncollectible expense reflected an over-recovery of $116,134 which Ameren included in the effective June 2012 UCB/POR Program Charge update. The development of Factor UDC is presented on Ameren Exhibit 1.1, page 3 of 6.

Q. What are the requirements of reconciliations for the Discount Rate?

A. The First Reconciliation Period covers the period of time from inception of this program (October 18, 2009) through December 2011. The Second Reconciliation Period covers calendar years 2012 and 2013, with any variance reflected with the June 2014 billing period. Reconciliations subsequent to the Second Reconciliation Period occur annually. Any reconciliation amount flows into the UCB/POR Program Charge described in the Supplemental Customer Charges tariff.

C. Reconciliation Summary

Q. Please summarize the over- or under-recovery determined by AIC for the Initial Period in this filing.

A. In the Initial Period, AIC under-recovered its UCB/POR Program costs, as shown in the below table and on Ameren Exhibit 1.1, page 1 of 6.

			Actual Program Cost
Over-recovery - Uncollectible Cost - Factor UDC			$ 116,134
Under-recovery - UCB Start-Up Cost - Factor USC (1)			$ (156,404)
Under-recovery - UCB Start-Up Cost - Factor USD (2)			$ (347,851)
Over-recovery Fair Cost Allocation Adjustment - Factor FCAA (3)			$ 61,134
POR Start-Up Cost Reconciliation - Factor PSD (4)			$ -
Ongoing Administrative Cost - Factors OAR and OAdm (5)			$ -
Factor ARA - Initial Period Reconciliation			**$ (326,986)**

Q. Please provide the under-recovery for the Initial Period as included in AIC's UCB/POR Program Charge Information Filing update effective June 2012.

A. The below table reflects the components of the under-recovery included in the effective June 2012 information filing along with the impact on the Program Charge. The base cost recovery of Start-up costs allocated to all eligible DS customers contributes to $0.03 of the UCB/POR Program Charge. Adding in $1,093,334 of under-recovery to be recovered over the subsequent 2 year period (June 2012 through May 2014) increased the cost by another $0.04, for a total Program Charge cost basis of $0.07. Per the Order in ICC Docket No. 08-0619 (consolidated), page 8, the total Program Charge was capped at $0.06.

		Program Charge Effective June 2012
Over-recovery - Uncollectible Cost - Factor UDC		$ 116,134
Under-recovery - UCB Start-Up Cost - Factor USC (1)		$ -
Under-recovery - UCB Start-Up Cost - Factor USD (2)		$ (340,163)
Over-recovery Fair Cost Allocation Adjustment - Factor FCAA (3)		$ (869,305)
POR Start-Up Cost Reconciliation - Factor PSD (4)		$ -
Ongoing Administrative Cost - Factors OAR and Oadm (5)		$ -
Total Factor ARA - Initial Period Reconciliation		**$ (1,093,334)**
Forecasted Eligible DS Customers		1,224,354
Initial Period Reconciliation - UCB/POR Program		$ 0.04
UCB Start-Up Cost Allocated to Eligible DS Customers		$ 0.03
Revised UCB Program Charge - Effective June 2012		
Calculated UCB Program Charge - Effective June 2012		$ 0.07
Capped UCB Program Charge - Effective June 2013		$ 0.06

Q. Has AIC re-filed its effective June 2012 UCB/POR Program Charge given the facts above?

A. Yes, AIC re-filed this charge on March 28, 2013 (effective beginning with the May 2013 billing period) to reflect the correct UCB/POR Program Charge of $0.05 versus $0.06 effective with the June 2012 billing period. A value of $0.05 reflects the Program Charge that would have been effective under a reconciliation under-recovery of $326,986 rather than $1,093,344.

Q. What is the Company recommendation regarding recovery of the higher Program Charge for the period of June 2012 through April 2013?

A. AIC recommends that any over-recovery resulting from the greater Program Charge collected from June 2012 through April 2013 be included in the Second Reconciliation Period to be conducted prior to June 2014. The UCB/POR Program Charge ARA provisions in the Supplemental Customer Charges tariff provide for correcting for such discrepancies. If the Commission determines different amounts should have been used in the development of the Program Charge, those may be addressed through the Ordered Reconciliation Adjustment (ORA) after this proceeding concludes.

Q. Does the Company have a recommendation regarding the variance position of the current proceeding's Initial Period Reconciliation?

A. Yes. First, as I have stated above, AIC has re-filed the Program Charge that addresses the issues identified above. Next, the Second Reconciliation Period to be conducted prior to June 2014 should reflect the updated or corrected cost information, as applicable. Finally, in the Final Reconciliation of UCB/POR Start-Up Costs, cost components will be thoroughly reviewed to ensure total start-up costs are fully recovered, no more or no less. If the Commission finds any additional over- or under-recovery of costs in this proceeding, such values could also be included in the Final Reconciliation's ORA.

Q. Do you have anything further to add?

A. Yes. The UCB/POR Program Charge's end date of October 31, 2014 is approximately a year and a half away. Once AIC has recovered all the Start-Up Costs to implement the UCB/POR Program, the UCB/POR Program Charge will then serve as a trueup mechanism to reconcile the difference between uncollectible costs embedded within the Discount Rate and actual uncollectible experience relating to the POR.

Additionally, at the onset of the UCB/POR program, customer switching for the residential sector ranged between 0% to 3% for latter 2009 through May 12; however, with the introduction of municipal aggregation, residential switches beginning June 2012 increased to 18.52% with May 2014 (the last month of the UCB/POR program) topping 75%. Likewise, non-residential customer with demands less than 150kW had a switching estimate of 20.40% in September 2009 but is now estimated for May 2014 at slightly over 69%. For the non-residential customers with demands ranging from 150 kW to 399 kW had estimated switching of 49% in September 2009 and estimated switching of 100% for May 2014. The lighting section had estimated switching of 0% initially but the estimate for May 2014 is about 40%. This increased switching will increase the recovery to the suppliers and also decrease the Discount Rate over the initial period level.

III. <u>INTERNAL AUDITS</u>

Q. Did AIC conduct internal audits of its costs and recoveries of such costs pursuant to UCB/POR?

A. Yes, as outlined in AIC's Supplemental Customer Charges (Sheet Nos. 38.010 and 38.011) internal audits of costs and recoveries of such costs through the UCB/POR Program Charge must be completed annually upon the close of a Program Year.

Q. What steps did the internal audit review regarding the Program Charge?

A. The steps include, but are not limited to the following: 1) if and to what extent costs recovered through this Program Charge are recovered through other approved tariffs; 2) whether the UCB/POR Program Charge is being properly billed to Customers; 3) whether the UCB/POR Program Charge revenues are recorded in the appropriate accounts; 4) whether the costs classified as Start-Up Costs are the appropriate costs to be recovered through the UCB/POR Program Charge; 5) whether the costs classified as ongoing administrative costs are the appropriate costs to be recovered through the UCB/POR Program Charge; and 6) whether there has been any change in the internal processes to collect the receivables associated with the UCB/POR Program that would overstate the balance to be collected through the UCB/POR Program Charge.

Q. What steps did the internal audit review pertaining to the Discount Rate?

A. The steps include, but are not limited to the following: 1) if and to what extent costs recovered through the Discount Rate are recovered through other approved tariffs; 2) whether the UCB/POR Discount Rate is being properly billed to Customers; 3) whether the UCB/POR Discount Rate revenues are recorded in the appropriate accounts; 4) whether the costs classified as Start-Up Costs are the appropriate costs to be recovered through the UCB/POR Discount Rate; 5) whether the costs classified as ongoing administrative costs are the appropriate costs to be recovered through the UCB/POR Discount Rate; and 6) whether there has been any change in the internal processes to collect the receivables associated with the UCB/POR Program that would overstate the balance to be collected through the UCB/POR Discount Rate.

Q. Is the Company required to prepare an annual reporting summarizing the UCB/POR Program Charge and Discount Rate?

A. Yes, the annual report presents the results of the internal audit along with the operation of the reconciliation mechanism for the previous year. This report is submitted to the ICC Staff in an informational filing.

Q. Please summarize the results of the internal audits performed?

A. Certainly. The internal audit reports for both the Program Charge and the Discount Rate dated September 20, 2010, September 22, 2011 and September 25, 2012 found that these mechanisms were being properly applied and revenues are being recorded appropriately in AIC's general ledger accounts. Additionally, the accounts receivable process reflects no changes that would allow the amounts collected to be overstated.

IV. <u>CONCLUSION</u>

Q. Does this conclude your direct testimony?

A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
KAREN R. ALTHOFF

My educational background consists of a Bachelor of Science Degree in Accounting from Millikin University along with a Master of Business Administration degree. I am a Certified Public Accountant and a member of the American Institute of Certified Public Accountants ("CPA") and the Illinois CPA Society. I began employment with Illinois Power Company upon graduation from Millikin University. I then became an employee of Ameren Corporation upon the acquisition of Illinois Power Company by Ameren in September 2004. Beginning in 2009, I became an employee of AmerenCILCO. I then became an employee of Ameren Illinois on October 1, 2010 upon the merger of the three Ameren Illinois legacy companies.

While employed by Illinois Power Company, my initial position was in the Internal Auditing Department where I performed customer service, power plants and corporate function audits. I then held several positions in the Accounting Department including Accountant, Staff Accountant, Business Leader and Supervisor – Financial Reporting. My duties in the Accounting Department encompassed general accounting activities, reporting to various regulatory bodies and internal management reporting, and accounting for both electric fuel and gas purchases. I also worked in the company's Finance Department where I was responsible for capital expenditure forecasting. While in Finance, my work experience also included responsibilities for Investor Relations where I would respond to various inquiries of shareholders and financial analysts along with developing financial community presentations.

I then transferred to Illinois Power Company's Rate Department where I have held the positions of Senior Regulatory Specialist, Pricing and Costing Manager and Lead Rate Specialist. My duties and responsibilities relating to the gas and electric rates of Illinois Power have included developing rate analyses, rate design and cost of service studies, development and interpretation of gas and electric tariffs including standard terms and conditions; rules, regulations and conditions, testifying in regulatory proceedings; monitoring the Company's rate of return performance; and other rate or regulatory projects as assigned. Upon the acquisition of Illinois Power Company by Ameren, I continued these responsibilities and also acquired additional responsibilities relating to regulatory filings and support of Ameren's Missouri operating company. In January 2008, I assumed duties solely related to Ameren Illinois regulatory responsibilities.

I have submitted testimony concerning class cost of service before the Illinois Commerce Commission in Docket No. 98-0680 regarding an investigation concerning certain tariff provisions under Section 16-108 of the Public Utilities Act and related issues, Docket Nos. 99-0129 and 99-0134 (Consolidated) regarding approval of the Company's Delivery Services Implementation Plan and Tariffs, Docket No. 01-0432 regarding electric Delivery Service Tariffs, Docket No. 04-0476 regarding embedded class cost of service study for the gas business, Docket No. 09-0306 – 09-0308 (Consolidated) regarding embedded class cost of service study for the electric business, and Docket No. 11-0282 regarding embedded class cost of service study and rate design for the gas business. I have also presented testimony to the Federal Energy Regulatory Commission regarding the Company's wholesale distribution service. In addition, I have presented testimonies on various electric and gas miscellaneous type charges including single bill option credit and other various electric delivery charges (i.e., off-cycle switching, Purchase Power Option calculator, etc.) along with gas electronic metering equipment fees.