

Person Prepareing Responses:

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ENG 1.1 During the reconciliation period, did your company purchase all its electric power requirements from some other supplier without generating any electricity from your company's own generating plants?

**RESPONSE:** Yes, the Company purchased all its electric power requirements from a third party supplier and does not own any generation assets.

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ENG 1.2 Provide a description of any changes to your electric transmission system, and their effect on the interchange capability that existed with neighboring companies that occurred during the reconciliation period. State the company name and the power transfer capability of the interconnection in both directions. Explain the factors that limited power flow over each interconnection during the reconciliation period. Provide the Total Transfer Capacity (TTC) and Available Transfer Capacity (ATC) for all connected control areas.

**RESPONSE:** There were no changes to our electric transmission system that affected our interchange capability. The Company has two existing interconnections:

Ameren/CIPS Albion Substation:

TTC and ATC: 75 MW at 138 KV in-limited by transmission line construction.  
0 MW out (no reverse flow)

Ameren/CIPS Lawrenceville Substation:

TTC and ATC: 25 MW at 69 KV in-limited by transmission line construction  
25 MW at 69 KV out-limited by transmission line construction.

With respect to the portion of the question that discusses capability in both directions, these delivery points are radial in nature and flow is only into the MCPU system. MCPU does not conduct interchange that would involve power flows out of the MCPU system. As a result, the two connections described above are not points of interconnection as the term would normally apply.

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ENG 1.3 Name, define, and explain in detail the various forecasting methods used by your company or by your power contract supplier during the reconciliation period.

**RESPONSE:** During the reconciliation period, the Company was operating with a Full Requirements Wholesale Power Agreement with Ameren Energy Marketing Company (AEM). The market based purchased power contract included a provision for the seller (AEM) to manage the Company load as part of their larger load obligation. Historical usage with adjustments for any change in industrial load that may have occurred during the historical period was the method used by AEM to determine the forecast of the Company. This forecast of MCPU load is then included in reporting to the various reliability control entities and the Company was no longer a separate market participant with MISO.

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ENG 1.4 Has any of the various forecasting methods as identified in response to staff data request ENG 1.3 used by your company or by your power contract supplier changed from last reconciliation period? If so, explain.

**RESPONSE:** No.

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ENG 1.5 Explain in detail how each of these forecasts methods, as identified in response to staff data request ENG 1.3, was used by your company or by your power contract supplier for the reconciliation period. Include explanations for:

- A. Load forecasting
- B. Purchased capacity and energy prices and availability forecasting
- C. Purchased capacity and energy volume requirements forecasting
- D. Off-system sales price and volume forecasting

**RESPONSE:** Referring to ENG 1.3, under the market based full requirements contract, which began on June 1, 2010, the Seller manages the load of the Company as part of their larger load obligation. The amount of power and energy included in their overall load forecast on behalf of the Company is based on historical usage with adjustments for changes in industrial load that may have occurred in the historical period.

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ENG 1.6 Identify the management level at which power purchasing decisions were made during the reconciliation period and provide justification for this procedure. If different procedures were applied at progressively higher cost limits or longer time periods, include this information.

**RESPONSE:** The Company issued an RFP in 2009 for a Full Requirement Wholesale Power agreement to commence on June 1, 2010. The responses were reviewed by management, a recommendation was made and approval of the contract was granted by the Board of Directors.

The same process was used in 2012 to secure a Full Requirements Wholesale Power agreement to commence June 1, 2013. Responses were reviewed by management and a recommendation was made to the Board of Directors. It was discussed and approved by resolution.

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ENG 1.7 Explain how your company planned its long-term power purchases to help ensure that your company would not experience shortages or be oversupplied during the reconciliation period.

**RESPONSE:** The Company's purchased power contracts are structured on a firm, full requirements basis, eliminating shortage or oversupply issues. The supplier is responsible for providing supply for all of the Company's load during the contract period.

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**ENG 1.8** Explain how your company's long-term power purchasing process balanced the possibility of purchased power shortage and oversupply considerations with its desire to minimize cost during the reconciliation period. Give a detailed description of these activities related to all long-term power purchase decisions made during the reconciliation period.

**RESPONSE:** The Company's purchased power contracts are structured on a full requirements basis, thereby eliminating power shortages or oversupply. With no ownership of generation resources, as well as a small, weather sensitive load, full requirements contracts entered into as a result of a competitive RFP process has proven to be the best solution for providing electric supply for MCPU customers.

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ENG 1.9 Explain how your company defined long-term versus short-term power purchases during the reconciliation period.

**RESPONSE:** The Company assumes a long term contract to be a contract in excess of twelve months. Based on that criteria, all of the Company's purchase obligations are long-term.

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ENG 1.10 Explain how your company determined the best mixture of long-term and short-term power purchases during the reconciliation period.

**RESPONSE:** The Company uses a multi-year full requirement purchased power contract and, by definition is a long term power purchase. Because it is a full requirements contract, there are no short-term power purchases.

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ENG 1.11 If purchase decisions for power were included in the corporate planning process during the reconciliation period, explain how this was done.

**RESPONSE:** During the reconciliation period, the Company issued a competitive RFP for the purpose of either

- a) Extending the current contract, or
- b) Securing a new wholesale purchased power agreement to commence June 1, 2013.

The responses to the RFP were reviewed and a negotiation process was undertaken before a contract agreement was approved by the Board of Directors, and signed by both parties.

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ENG 1.12 What were your company's off-system sales objectives during the reconciliation period?

**RESPONSE:** The Company had no off-system sales objectives during the reconciliation period. The Company does not engage in any off-system sales.

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ENG 1.13 Explain how your off-system energy sales objectives affected decisions to purchase power during the reconciliation period.

**RESPONSE:** Not applicable.

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ENG 1.14 Identify any quantities and costs of power that were purchased by your company to meet requirements directly related to off-system sales during the reconciliation period. Explain how the decisions to purchase this power were made and how your company determined that the purchases would be in the best interest of its rate payers.

**RESPONSE:** Not Applicable.

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ENG 1.15 Explain any after the fact evaluations conducted by your company during the reconciliation period on its past power purchasing decisions. Identify any decisions, recommendations, policy changes, and new procedures that have resulted from these evaluations.

**RESPONSE:** The Company's power purchasing decisions include the issuance of a competitive request for proposal for the Company's full requirements capacity and energy. During the term of the contract, prices are monitored relative to the pricing component in the current contract. Other than that, no further evaluations are normally conducted.

During the reconciliation period, because the Company was issuing a competitive request for proposal for supply beginning June 1, 2013 (the expiration of the existing three year contract), there was discussion and analysis of the economic impact of different offers made by responders.

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ENG 1.16 Explain all new or revised written procedures for the procurement of power that went into effect during the reconciliation period or that went into effect when past procurement decisions were made that effected the reconciliation period. Provide a copy of these written procedures. Please summarize the changes in procedures and their effect on the procurement of power.

**RESPONSE:** There are no new or revised procedures for the procurement of power that went into effect during the reconciliation period.

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ENG 1.17 Explain the methods used by your company to ensure that its written procedures for purchasing power were being followed during the reconciliation period.

**RESPONSE:** The procedure used for purchasing power is described in ENG 1.11. While it is not a written procedure, the Board of Directors authorized the RFP and reviewed the results prior to approving a contract.

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ENG 1.18 Provide the date of the most recent general management review of your purchased power procurement procedures.

**RESPONSE:** The most recent general management review of the Company's purchased power procurement procedures were a part of the analysis and decision making process undertaken in the issue of the RFP and subsequent approval of the winning proposal.

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ENG 1.19 Provide the date when the purchased power procurement procedures were most recently changed and explain why the changes were made.

**RESPONSE:** The Company has not changed the procedure for purchased power procurement.

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ENG 1.20 Explain how your company ensured that its purchased power procedures were understood by the procurement staff during the reconciliation period.

**RESPONSE:** The Company does not have procurement staff.

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ENG 1.21 Explain how your company ensured that the purchased power procurement functions were adequately staffed during the reconciliation period.

**RESPONSE:** Not applicable. See response to ENG 1.20

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- ENG 1.22 Explain how often the purchased power procurement functions are audited by management using internal or external auditors.
- A. Provide the date when the latest audits were conducted and provide copies of the latest audit reports.
  - B. List and explain any changes or modifications made to these functions as a result of the latest audits.
  - C. When is the next audit scheduled to occur?

**RESPONSE:** The Company engages an outside auditor for an annual review which includes a review of all contracts that are in place during the audit period. There is also a review of the costs and charges associated with the contracts. The most recent external audit was conducted in February, 2013 for activity in 2012. The next audit will begin with interim work in the Fall of 2013 and conclude in early 2014.

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ENG 1.23 Explain the procedures used to verify the quality and quantity of purchased power delivered to each of your company's system interconnections, or metering points during the reconciliation period. Did the procedures ensure that your company always received the quantity and quality for which it paid?

**RESPONSE:** The Company reads the meters at each of its substations and compares the quantity to the quantities provided by both our transmission provider and energy provider.

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ENG 1.24 Explain how the departments involved in the procurement of power were organized during the reconciliation period and how this organization benefits the procurement process.

**RESPONSE:** No applicable. See response to ENG 1.20

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ENG 1.25 Explain how the reliability of purchased power supply was balanced against price considerations in procurement decisions made during the reconciliation period.

**RESPONSE:** Procurement decisions are not made on an hourly or daily basis, but are made in the negotiation of a full requirements contract for capacity and energy.

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ENG 1.26 Explain how current and anticipated environmental considerations have affected purchased power procurement decisions made during the reconciliation period.

**RESPONSE:** Current and anticipated environmental considerations did not affect procurement decisions during the reconciliation period due to the purchased power contract that was in place for full requirements of capacity and energy.

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ENG 1.27 Explain the extent to which any system operating considerations limited the power purchase options available to your company during the reconciliation period.

**RESPONSE:** System operating conditions did not limit the power purchase options available to the Company during the reconciliation period.

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ENG 1.28 List each power purchase contract in effect during the reconciliation period and provide the following details:

- A. supplier
- B. effective date
- C. termination date
- D. provisions for extension
- E. provisions for termination
- F. provisions for renegotiation of terms
- G. contract type (take-or-pay, full requirements, etc.)
- H. any affiliation between the supplier and your company
- I. supplier's location (mine sites, metering points, pipeline names, terminals, etc.)
- J. an exact description of what is purchased
- K. quantities purchased
- L. any stated minimum and maximum purchase quantity limits,
- M. any stated renegotiation provisions and dates
- N. the dates when each contract has been renegotiated or otherwise modified, along with the details of the modifications and the reasons for the modifications
- O. the dates during the reconciliation period when the supplier has requested and your company has approved a price change of any kind, along with an explanation of how your company determined that a price change was appropriate
- P. any failure of the supplier to fully comply with all provisions of the contract during the reconciliation period
- Q. any actions taken by your company in reaction to the supplier's failure to comply with any provision of the contract
- R. the generating unit(s) in which fuel purchased under this contract was originally intended to be burned
- S. all your company's generating units in which fuel purchased under this contract could have been burned during the reconciliation period
- T. all your company's generating units in which fuel purchased under this contract was burned during the reconciliation period.

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**RESPONSE:**

- a. Supplier: Ameren Energy Marketing
- b. Effective Date: June 10, 2010
- c. Termination Date: May 31, 2013
- d. Provision for Extension: None
- e. Provision for Termination: None, without financial settlement
- f. Provisions for renegotiation: None
- g. Contract type: Full Requirements
- h. Affiliation between Supplier and Company: None.
- i. Supplier's location: Substations at Albion and Lawrenceville IL
- j. Exact description of what is purchased: Wholesale Power required to serve Company load.
- k. Quantities purchased: Full Requirements.
- l. Any stated minimum and maximum purchase quantity limits: None.
- m. Any stated renegotiations provisions and dates: None.
- n. Dates/details of renegotiation: None.
- o. Dates/details of price change requests: None.
- p. Failure of supplier to comply: None.
- q. Action taken by Company in response to Supplier failure to comply: None.
- r. Generating units: N/A.
- s. Generating units: N/A.
- t. Generating units: N/A.

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ENG 1.29 Explain all efforts your company made to take advantage of favorable market conditions to renegotiate its purchased power contracts or to purchase power from alternative market sources during the reconciliation period.

**RESPONSE:** The Company's total electric load and energy sales are not large enough to engage in the use of a portfolio of various types of purchases. Also, having no generation of its own, the Company has for many years relied on firm, full requirements purchased power contracts to supply the needs of its electric customers. This type of transaction dictates the use of prices that are typically fixed for each year of the contract term. These transactions are also typically representative of market conditions at the time the contract is negotiated.

While renegotiation discussion is certainly possible, changing the terms of a contract is not usually practical for several reasons. First, the supplier, when engaging in the initial contract, does so with the expectation of revenues over that contract term. Second, renegotiation of an existing contract would normally involve shifting, rather than reduction of revenues from one period, Third, shifting revenues to different periods also means that the price for the period to which costs may be shifted will not directly represent the market during that period. Also see response to ENG 1.11.

As a result, the Company engages in relatively short contract terms, most recently three years, during which a price is negotiated for each year of that term. By using terms of this length, the Company attempts to never be too far away in time from then current market conditions.

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ENG 1.30 Identify and discuss each contract renegotiation proposal that was put forward by a contracted supplier of purchased power during the reconciliation period. Explain how your company evaluated each of these renegotiation proposals.

**RESPONSE:** See Company response to ENG 1.29.

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ENG 1.31 Identify and discuss each contract renegotiation proposal that your company offered to a contracted supplier of purchased power during the reconciliation period. Explain how your company formulated each of its renegotiation proposals.

**RESPONSE:** See Company response to ENG 1.29

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ENG 1.32 Provide a summary of the quantities of power purchased from different sources during the reconciliation period. Explain why these purchase quantities resulted in the lowest overall cost of service to your company's Illinois rate payers.

**RESPONSE:** During the reconciliation period, power and energy was purchased under the terms of a full requirements wholesale contract with Ameren Energy Marketing. The quantities purchased are found on the table below.

Month	KW	kWh
January	17,924	9,622,587
February	16,025	8,501,469
March	14,555	7,837,333
April	15,039	7,219,924
May	21,041	9,216,260
June	26,859	10,308,152
July	28,209	13,105,286
August	25,596	10,694,859
September	22,305	8,233,196
October	13,572	7,645,904
November	15,505	8,074,018
December	16,527	9,009,611

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ENG 1.33 Explain all the provisions your company attempts to have included in its long-term purchased power supply contracts to help facilitate future renegotiation of the contracts if future market conditions offer an opportunity to lower supply costs. Explain any such provisions that were included in any long-term supply contract awarded during the reconciliation period (please refer to a section or a subsection in your company's contract with MCPU's current suppliers that addressed the above matter directly).

**RESPONSE:** The Company is responding with the assumption that the question presupposes a supplier would be willing to renegotiate a previously negotiated price in favor of a buyer, if and when the price of that commodity were to fall after the price contract price was established.

The question has, as its premise, a concept which is not viable nor does it exist in the market for electric energy sales, nor in the market for any other competitively traded commodity. A buyer and seller negotiate price and terms at a specific point in time. These points in time also serve as an anchor for a price that is negotiated under market conditions in existence at that time. Once a buyer and seller have made such a commitment, it is unlikely, since each is party to a legal contract that either would willingly see the price paid or received at a later date changed as a result of market conditions that did not exist when the contract was executed and the price set. If, as the question suggests, the buyer were to insist on some provision that provides for renegotiation if prices later fall, it is certain that if a seller were to acquiesce to this, it would only occur if the provision were symmetrical. In other words, if the price later rises, the buyer would be compelled to renegotiate in favor of the seller.

Such a concept does not exist in any open market with which the Company is familiar. Such a concept would provide no price certainty, and would leave both parties in a position of never knowing, at the outset of an agreement, what the cost of that agreement may ultimately be.

That said, most sellers are amenable to modifying contract terms after they are in place if prices drop substantially. Such terms commonly involve extending the term of the agreement in order to blend a reduced future price with the price that existed when the contract was executed. This involves a weighted averaging of the two prices of the remaining, longer contract term. This has been commonly termed "blend and extend" in that the two prices are blended and the term extended. This however, does not result in an absolute and singular reduction in the original contract price.

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ENG 1.34 Identify all known alternative market sources available to your company for power purchased under each contract in effect during the reconciliation period.

**RESPONSE:** During the reconciliation period, the Company's power supply contract was with Ameren Energy Marketing and it provided for the exclusive purchase of Company power supply requirements. As a result, no alternative market sources were identified or utilized.

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ENG 1.35 Compare the price in each purchased power contract in effect during the reconciliation period with the market price of alternative sources available during the reconciliation period, as identified in response to staff data request ENG 1.35.

**RESPONSE:** Because of the exclusive purchase provision in the contract between the Supplier and the Company, no alternative sources or prices were sought during the reconciliation period.

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**ENG 1.36** Explain any reasons why your company believes that any lower priced alternative sources identified in response to staff data requests ENG 1.35 and ENG 1.36 were inferior or less desirable than the contracts in effect during the reconciliation period.

**RESPONSE:** Prices for power and energy were compared during the RFP process in the prior reconciliation period and a full requirements contract was entered into by the Company and Supplier.

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ENG 1.37 Provide copies of and explain all studies and analyses performed by your company during the reconciliation period to quantify the differences between the price and other provisions of each contract in effect during the reconciliation period and the market conditions for the alternative sources listed in response to staff data request ENG 1.35.

**RESPONSE:** The Company believes that ENG 1.37 is not applicable since in response to ENG 1.35 the Company suggested no alternative sources were available because of the nature of the contract between the Supplier and the Company.

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ENG 1.38 Describe every occurrence during the reconciliation period when your company rejected an offer of purchased power priced below supplies furnished under an existing contract or purchase order.

- A. Explain your company's reasons for any such rejection.
- B. Provide all documentation of these rejection decisions and all work papers created during the decision making process.

**RESPONSE:** See Company response to ENG 1.35.

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ENG 1.39 Explain how your company ensured that all the cost minimizing potential of interchange power purchases and off-system power sales was achieved during the reconciliation period. Within your answer, explain your company's process for determining whether to renew expiring or ongoing contracts for purchasing power.

**RESPONSE:** The Company's lack of generation resources and thus total reliance on outside power supply in full-requirements form limits or precludes interchange power purchases. The terms of its contracts preclude off system sales.

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ENG 1.40 Explain any constraints that prevented your company from participating in the spot market for interchange power transactions to the full extent that your company would have participated during the reconciliation period if the constraint had not existed. Include, but do not limit this explanation to transportation or transmission limitations and other physical or economic limitations of supply system components.

- A. Explain all possible remedies for these constraints.
- B. Explain what actions your company has taken to remove these constraints and what actions your company plans to take.

**RESPONSE:** During the reconciliation period, the Company's power supply contract provided for the exclusive purchase of Company power supply requirements at stated contract fixed purchase prices. As a result, we did not participate in the spot market for power transactions during the reconciliation process.

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ENG 1.41 Explain how your company economically dispatched its power purchases to minimize the overall cost of service to rate payers during the reconciliation period.

**RESPONSE:** The Company is not aware of any way that a full-requirements contract can be economically dispatched, as it is a single source power supply, rather than a portfolio of multiple sources.

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ENG 1.42 Identify any occurrences during the reconciliation period when the dispatch cost of energy from any purchased power source was not based on full delivered cost plus handling costs. Explain exactly how the dispatch cost was calculated during these occurrences and why this calculation was necessary. Explain how the dispatch cost used by your company minimized the overall cost of service to Illinois rate payers.

**RESPONSE:** Not Applicable

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ENG 1.43 Please list each MISO charge to MCPU or to MCPU's power contractor(s) incurred due to differences between MCPU's forecasted day-ahead load and actual real-time load during the reconciliation period. For each such charge, provide: (a) the maximum difference between MCPU's day-ahead forecast and the associated actual real-time load ("load forecast error") that occurred during each month, in MW, and (b) explain the reasons for these load forecast errors. Please use a table similar to the one shown on the next page to provide the above information. If there are more than three MISO charges due to the load forecast errors, please include them by inserting additional columns in the table contained in your response.

**RESPONSE:** During the reconciliation period (2011), the Company purchased power and energy under a full requirements contract with Ameren Energy Marketing (AEM). As part of the agreement, the Company's load was aggregated in with AEM's other Illinois load and the Company XXX. As a result, the Company does not have nor does AEM provide a separate daily schedule or forecast to MISO for the Company's load.

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ENG 1.44 Please fill the blanks in the following table:

Month	2011 Actual Load (KWH)	2012 Forecasted Load (KWH)	Known Addition or Deletion in MCPU Load During 2011	2012 Actual Load (KWH)
January	10,370,869			9,622,587
February	8,570,906			8,501,469
March	8,435,608			7,837,333
April	7,025,211			7,219,924
May	8,246,911			9,216,260
June	10,151,047			10,308,152
July	12,889,379			13,105,286
August	11,446,132			10,694,859
September	8,313,560			8,233,196
October	7,985,378			7,645,904
November	7,863,873			8,074,018
December	9,359,104			9,009,611
Total	110,657,978			109,468,599

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ENG 1.45 Please list all MISO charges that MCPU considers as allowable fuel charges under the UFAC and provide the monthly charges/credits that MISO billed MCPU for each month in the 2011 calendar year. Please provide the supporting documents. Staff knows that some of the MISO monthly charges might be billed to MCPU two or three months after the end of a specific month. Please add the charges for each month regardless of when MISO billed the charges. For example, if MISO billed MCPU in April of 2012 for power that MCPU purchased in January of 2012, then add those charges to January charges, and do not add them to April charges.

**RESPONSE:** Please see Exhibit I for 2012 MISO charges passed through the FAC. The Company includes all costs associated with the purchase and delivery of power and energy, therefore all MISO charges are included in the calculation of the monthly Fuel Adjustment Charge.

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ENG 1.46 Please provide MCPU's power supplier fuel adjustment charge for each month and MCPU's power supplier bills to MCPU during 2012 calendar year.

**RESPONSE:** Ameren Energy Marketing does not have a separate fuel adjustment charge on their power supply bills. Copies of the 2012 Ameren Energy Marketing invoices are included as Exhibit II.

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ENG 1.47 Please provide a copy of all invoices MCPU received from all suppliers of capacity and energy during 2011.

**RESPONSE:** Please See Exhibit I for copies of 2011 MISO Invoices; Exhibit II for 2011 Ameren Energy Marketing Invoices; Exhibit III for Ameren Services Invoices.

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ENG 1.48 MCPU agreement for firm energy and capacity with Duke Energy Indiana, Inc. should end May 31, 2012.

- A. Did MCPU solicit power purchase contract offers from suppliers during 2012? If yes, please, list each offer and the cost that is associated with it.
- B. Did MCPU select the least cost power purchase contract offer? If no, why did MCPU not select the least cost offer?

**RESPONSE:** The power supply agreement with Duke Energy Indiana for firm energy and capacity ended May 31, 2010. During the reconciliation period, the Company was receiving power and energy from Ameren Energy Marketing under a three year full requirements contract which is set to expire on May 31, 2013.

- A. Yes, the Company solicited power contract offers during the 2012, but not applicable to the reconciliation period because the commencement of the agreement is in 2013.
- B. Yes, the Company selected the least cost power purchase contract offer.

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ENG 1.49 Please describe MCPU's customer base and service territory.

**RESPONSE:** The Company's electric service territory is located in Wabash County, IL in Southeastern IL. At the end of 2012, the customer base was made up of the following customer classes as reported in the Companys FERC Form 1 filing:

4,468	Residential Customers
834	Commercial
<u>98</u>	Industrial
5,400	Retail Electric Customers
<u>1</u>	Wholesale Customer
5,401	Total Customers December, 2011

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ENG 1.50 What was MCPU peak load during 2012 and when (date and time) did it happen?

**RESPONSE:** The Company's peak load of 28.209 MW occurred on July 24, 2012 at 16:00:00.