

ILLINOIS COMMERCE COMMISSION

DOCKET No. 12-0548

DIRECT TESTIMONY

OF

RICHARD L. MCCARTNEY

Submitted On Behalf

Of

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

September 26, 2013

TABLE OF CONTENTS

	Page No.
I. INTRODUCTION.....	1
A. Witness Identification.....	1
B. Purpose, Scope and Identification of Exhibits	2
II. PLANNING PROCESS FOR FIXED PRICE TARIFF	4
III. PLANNING PROCESS FOR REAL TIME PRICING TARIFFS	7
IV. PROCUREMENT PROCESS FOR REAL TIME PRICING TARIFFS.....	8
V. ADMINISTRATIVE & OPERATIONAL COST REASONABLENESS.....	9
VI. CONCLUSION	12
APPENDIX.....	1

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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 Richard L. McCartney, 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 Central Illinois Public
15 Service Company d/b/a AmerenCIPS, resulting in AmerenCIPS being the surviving legal
16 entity. Simultaneously, AmerenCIPS changed its name to Ameren Illinois Company
17 d/b/a Ameren Illinois (“Ameren Illinois” or “Company”). For purposes of this testimony
18 the former legacy companies are referred to as "Ameren Illinois Company" or "AIC" or
19 “Company.” I am currently Director, Power Supply Acquisition of Ameren Illinois, and
20 it is 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 describe your educational background and relevant work experience.**

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

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

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

32 A. My testimony and the testimony of other Ameren Illinois witnesses respond to the
33 Commission's Initiating Order in this docket. The Commission requires the following:

34 “Each utility shall reconcile revenue collected under each of the above-
35 named tariffs, or under successive tariffs authorizing the recovery of
36 power supply costs for the reconciliation period, with costs incurred in
37 connection with procurement activities as defined in the tariffs of each
38 utility. Additionally, Ameren Illinois and ComEd shall each include a
39 schedule presenting cumulative totals of incremental costs and cumulative
40 totals of recoveries, by wholesale product, to the extent such information is
41 reasonably available.

42 Each utility shall address in testimony specifically how it complied with
43 the applicable procurement plan approved by the Commission for the
44 period under review. Additionally, each utility shall include a summary
45 schedule detailing the internal administrative and operational costs
46 associated with the procurement of electric power and energy for retail
47 customers during the period under review. Moreover, each utility shall
48 provide in testimony a conclusion about the reasonableness of these costs
49 and the basis for that conclusion.

50 With respect to ComEd, such reconciliation will also provide for the
51 correction of any accounting errors that might have occurred in the
52 application of the provisions of Rider PE and Rates BES-H and BESH (see
53 Ill. C.C. No. 4, Original Sheet No. 648.1 and Ill. C.C. No. 10, Original
54 Sheet No. 329 (Rider PE); Ill. C.C. No. 4, Original Sheet No. 336.3 (Rate
55 BES-H); Ill. C.C. No. 10, Original Sheet No. 46 (Rate BESH)).
56 Additionally, such reconciliation may provide for the determination of the
57 reasonableness of the utility's internal administrative and operational costs
58 associated with the procurement of electric power and energy for retail
59 customers served under Rates BES-H and BESH for the period June 1,
60 2010, through May 31, 2011 (see Ill. C.C. No. 4, Original Sheet No. 336.3,
61 and Ill. C.C. No. 10, Original Sheet No. 46).

62 With respect to Ameren Illinois, such reconciliation will also provide for the
63 correction of any accounting errors that might have occurred in the application of
64 the provisions of Rider PER". Initiating Order at 2-3.

65 In this testimony, I describe the planning process prior to the supply procurement
66 activities for the benefit of retail customers taking supply on the Company's fixed price
67 tariff (Rider BGS - Basic Generation Service or "Rider BGS"). I also describe both the
68 planning process and supply procurement activities for customers on the Company's real
69 time pricing tariffs (Rider RTP - Real Time Pricing or "Rider RTP," and Rider HSS -
70 Hourly Supply Service or "Rider HSS"), and the prudence of the Company's efforts to
71 obtain power supply for such customers at a reasonable cost. The procurement term
72 contemplated in my testimony is June 1, 2010 through May 31, 2011 ("Reconciliation
73 Period").

74 **Q. Will you be sponsoring any exhibits in support of your direct testimony?**

75 A. No, I'm not.

76 **Q. Are any other witnesses testifying in this proceeding on behalf of Ameren**
77 **Illinois?**

78 A. Yes. AIC witness, Mr. Dominic S. Perniciaro will present various schedules that
79 represent the reconciliation statement, as well as identify the amounts Ameren Illinois
80 asks the Commission to approve in this proceeding under Rider RTP, Rider HSS and the
81 Rider PER - Purchased Electricity Recovery (“Rider PER”) which is the tariff that serves
82 to recover the Company's power supply costs incurred to supply Rider BGS customers.
83 In addition, AIC witness, Mr. David J. Brueggeman will present details regarding the
84 power supply procurement process pertaining to Rider BGS. The previously approved
85 Illinois Auction contracts were no longer in effect during the Reconciliation Period,
86 however, some final settlement dollars associated with the Illinois Auction procurement
87 did occur within this Reconciliation Period. Mr. Brueggeman describes this matter in
88 more detail in his testimony, along with the IPA procurement process which replaced the
89 Illinois Auction procurement process.

90 **II. PLANNING PROCESS FOR FIXED PRICE TARIFF**

91 **Q. Please provide an overview of the planning process prior to the supply**
92 **procurement activities for customers on Rider BGS.**

93 A. Pursuant to Section 16-111.5 of the PUA, the Company provided a five-year
94 hourly forecast to the IPA on July 14, 2009, followed by a clarifying letter to the IPA on
95 July 27, 2009. Effective with this Reconciliation Period, customers with peak demands
96 of at least 400 kW but less than 1 MW were not included in the forecast since the
97 transition period ceased to be effective June 1, 2010. In addition, due to the expiration
98 on May 31, 2010 of the remaining Supplier Forward Contracts (“SFCs”) associated with

99 the 2006 Illinois Auction; the forecast for this Reconciliation Period was *not* prorated to
100 account for these SFCs. Instead, the forecast assumed that 100% of the requirements
101 would be supplied by the IPA either by prior procurements or upcoming procurements.
102 The IPA subsequently used this forecast as the basis for determining the quantities of
103 energy, capacity and renewable energy credits to be pursued in the IPA Procurement Plan
104 (“the Plan”) which was made public as part of an informal comment period on August 17,
105 2009 and then subsequently filed with the Commission on September 30, 2009. The
106 filing of the Plan thus commenced Docket No. 09-0373.

107 The Plan included a detailed description of the Company’s forecast methodology
108 and the Company’s monthly projections per rate class. The merits of the Plan were
109 debated by the Illinois Commerce Commission (“Commission”) Staff and other
110 intervening parties. In its Final Order (“Order”) on December 28, 2009, the Commission
111 accepted the Plan with certain modifications. In regards to the forecast provided by
112 Ameren Illinois, the Commission made no modifications and concluded that “the load
113 forecast for AIU attached to the IPA’s September 30, 2009 Plan should be approved. The
114 record indicates that this load forecast is reasonable and the most current estimate of the
115 residual load requirements for AIU for which the IPA must develop a supply portfolio.”
116 Order at 166.

117 Finally, at the direction of the Commission in its Order (Order at 167), on April
118 12, 2010, the Company provided the IPA, Commission Staff, Procurement Administrator
119 and Procurement Monitor an updated forecast which reflected slightly lower electricity
120 consumption due to revised switching projections. Consistent with the Commission’s
121 Final Order, this updated forecast was used by the IPA to determine that a “significant

122 shift in load” had *not* occurred and therefore the forecast provided in July 2009 would
123 form the basis for IPA procurements.

124 **Q. Did the Plan approve procurement of any products that were different when**
125 **compared to prior years?**

126 A. Yes. The approved Plan included the procurement of 20-year renewable
127 resources: however, the term of these contracts procured by the IPA commenced in June
128 2012 and therefore did not impact this Reconciliation Period.

129 **Q. In addition to energy, capacity and renewable energy credits, were any other**
130 **types of services included in the Plan?**

131 A. Yes. The Plan included a description of how the Company would procure
132 services such as network transmission service, ancillary services, and auction revenue
133 rights.

134 **Q. Did the Commission approve these types of services as described in the Plan?**

135 A. Yes.

136 **Q. Did the Company abide by the Plan?**

137 A. Yes. This is addressed in more detail in the accompanying testimony of Mr.
138 Brueggeman.

139 **III. PLANNING PROCESS FOR REAL TIME PRICING TARIFFS**

140 **Q. Please provide an overview of the planning process associated with customers**
141 **taking supply under Rider RTP and Rider HSS.**

142 A. During the Reconciliation Period, the Company planned for the procurement of
143 power supply products for customers on two real time pricing tariffs. The first pertains to
144 Rider RTP which was for residential and small business customers with peak demand of
145 less than 400 kilowatts (“kW”) through April 30, 2011 and then less than 150 kW
146 effective May 1, 2011. The second was for Rider HSS which pertains to larger business
147 customers and industrial customers with peak demand of 400 kW or greater through
148 April 30, 2011 and then 150 kW or greater effective May 1, 2011. The intra-year change
149 in the definitions of Rider RTP and Rider HSS coincided with the Commission’s Order in
150 Docket 11-0192 that customers with peak demands of at least 150 kW but less than 400
151 kW were declared competitive on May 1, 2011 and would thus commence a three year
152 transition at the end of which customers in this class would no longer be allowed to take
153 supply from Rider BGS. This Order further stated that tariff sheets should be revised
154 accordingly to reflect an effective date of May 1, 2011. ICC Docket No. 11-0192, Final
155 Order at 4.

156 Forecasts were created prior to and during the Reconciliation Period using three
157 primary sources. The first source was billing data for those customers actively taking
158 service on Rider RTP and Rider HSS, and those customers who were pending to take
159 such supply in the next billing cycle. The second source was historical hourly
160 consumption data associated with the Midcontinent Independent Transmission System
161 Operator (“MISO”) settlement process. The third source was letters of intent associated

162 with the summer notification process identified in Rider HSS and/or other less formal
163 types of communications between customers and personnel working in the Key Accounts
164 Department for Ameren Illinois. The resulting forecasts were used to estimate the
165 monthly capacity requirements and daily energy requirements for customers on Rider
166 RTP and Rider HSS.

167 **IV. PROCUREMENT PROCESS FOR REAL TIME PRICING TARIFFS**

168 **Q. Please provide an overview of the energy and capacity procurement process**
169 **associated with the customers on Rider RTP and Rider HSS.**

170 A. All energy associated with Rider RTP and Rider HSS was priced based on
171 MISO's Locational Marginal Pricing ("LMPs") methodology. For each operating day
172 during the Reconciliation Period, Ameren Illinois submitted an hourly megawatt forecast
173 to MISO the day prior to the operating day pertaining to the applicable Rider RTP and
174 Rider HSS load. Once submitted to MISO, this forecast became a financially binding
175 "Demand Bid" which subsequently was priced at the MISO hourly day ahead LMPs.
176 Any difference between the day ahead forecast and the actual energy used by customers
177 was settled at hourly real time LMPs.

178 Consistent with the requirements of MISO, capacity gave the right of the buyer
179 (Ameren Illinois) to designate the source as a Planning Resource Credit ("PRC") that
180 satisfied the resource adequacy requirement obligation of the MISO Transmission and
181 Energy Markets Tariff ("TEMT"). The vast majority of summer capacity (June 2010
182 through September 2010) was procured via a Request for Proposals ("RFPs") that was
183 administered by Burns and McDonnell on behalf of the Company. The quantities
184 procured via this RFP were based on the Company's forecast of monthly capacity

185 requirements described previously. Where necessary, a small quantity of additional
186 monthly summer capacity was procured by the Company in the MISO Voluntary
187 Capacity Auction (“VCA”) to meet the requirements of incremental load electing hourly
188 supply after the Burns and McDonnell procurement event. In addition, 100% of the non-
189 summer capacity for load electing hourly supply was procured by the Company each
190 month via the MISO VCA.

191 **Q. Please discuss the prudence of the purchases made on behalf of the**
192 **Company’s customers taking supply under real time pricing tariffs.**

193 A. The Company’s tariff for Rider RTP and Rider HSS defines the general
194 parameters for procuring the capacity and energy required to serve the Company’s real
195 time pricing customer load. The capacity and energy purchases made by the Company
196 on behalf of the real time pricing customer load were made in a manner consistent with
197 the parameters included in these tariffs.

198 **Q. Do you believe the Company’s purchases made on behalf of customers taking**
199 **supply under real time pricing tariffs were done so prudently?**

200 A. Yes. Ameren Illinois complied with the terms and conditions of the riders and all
201 purchases were done so prudently.

202 **V. ADMINISTRATIVE & OPERATIONAL COST REASONABLENESS**

203 **Q. Have the Administrative & Operational costs related to the procurement of**
204 **electric power been addressed by the Commission before?**

205 A. Yes. In ICC Docket No. 11-0354 (cons.), which concerned reconciliation for the
206 12 month period ending May 31, 2010, AIC witnesses, Mr. Leonard M. Jones and I

207 addressed the issue of administrative and operational costs. Mr. Jones testified that
208 administrative costs are recovered by the Company through a provision called the Supply
209 Cost Adjustment (“SCA”) in each tariff, which was established in prior general rate case
210 proceedings. ICC Dkt. No. 11-0354 (cons.), Final Order at 6. Therefore, the Company
211 recovers a pre-determined amount for internal administrative and operational costs – the
212 SCA-Procurement provision in Riders PER and HSS does not contain a “true-up” or
213 reconciliation provision. *Id.* at 7. In my Rebuttal Testimony, I described the type of
214 costs that are included in the Company's internal administrative and operational costs.
215 Ameren Ex. 5.0 in Dkt. 11-0354, at 3. Staff witness, Ms. Theresa Ebrey proposed tariff
216 language that would require the Company to reconcile actual administrative and
217 operational costs with revenue collected pursuant to the SCA effective with this
218 Reconciliation Period (June 2010 through May 2011). ICC Docket Nos. 11-0354 -56,
219 Final Order at 6. The Final Order in Docket No. 11-0354 (cons.) reflected the agreement
220 between Staff and Ameren Illinois that the proposed tariff revision did not need to be
221 decided in that proceeding, and that the two parties would work together on a proposed
222 tariff revision for which the Company would seek Commission approval in a separate
223 proceeding. *Id.* at 7. The Company has recently filed amended tariffs for both Rider
224 PER and Rider HSS (which were reviewed by Staff prior to filing) and expects approval
225 in October. The Procurement Adjustment sections of the tariffs are amended to permit
226 reconciliation of internal administrative and operational costs with revenue collected. In
227 anticipation of this change, Mr. Perniciaro provides the actual administrative and
228 operational costs with revenue collected as an Attachment to his testimony associated
229 with this Reconciliation Period.

230 **Q. Please discuss the administrative and operational costs associated with the**
231 **reconciliation period.**

232 A. Pursuant to the Initiating Order, Mr. Perniciaro includes a summary schedule
233 detailing the internal administrative and operational costs associated with the
234 procurement of electric power and energy for retail customers during the period under
235 review. These internal administrative and operational costs are incurred when Company
236 personnel who work in Power Supply perform the Company's responsibilities in
237 accordance with the approved IPA procurement plan and the Company's tariffs on file
238 with the Commission. These costs are further detailed under the Procurement
239 Adjustment provisions of these tariffs where it details that costs may include professional
240 fees, costs of engineering, supervision, insurance, payments for injury and damage
241 awards, taxes, licenses, and any other administrative and general expense not already
242 included in the price for power and energy service.

243 **Q. Can you provide a more specific description of these costs and provide**
244 **examples as they pertain to daily responsibilities?**

245 A. Yes. Such costs entail a variety of responsibilities including, but not limited,
246 short and long term forecasting of load, active participation in the IPA procurement plan
247 docket and the planning stages leading up to the procurement process, assisting in the
248 development of bilateral contract terms associated with the IPA procurement,
249 development of the supply price for the upcoming planning year, procurement of capacity
250 for customers on real time pricing tariffs not procured by the IPA, on-going contract
251 administration, invoice check-out and payment to bilateral suppliers under contract,
252 submission of daily demand bids (forecasts) to MISO each day of the year, MISO

253 settlement check-out and invoice payment, nomination of auction revenue rights which
254 act as to offset customer costs, participation in MISO initiatives, implementation of
255 changing MISO business practices and feedback to various interested parties (e.g., IPA,
256 Commission Staff, Procurement Administrator, Procurement Monitor) regarding a variety
257 of MISO issues throughout the course of the year, responding to data requests from
258 regulatory parties and participation in legislative initiatives that may impact the future
259 IPA procurement process.

260 **Q. Do you believe these costs were necessary and reasonable?**

261 A. Yes. For the reasons explained in my testimony, I believe that the costs incurred
262 during the reconciliation period were consistent with the requirements under the IPA
263 procurement plan and the Commission approved Ameren Illinois power supply tariffs. I
264 attest that these costs were necessary and reasonable.

265 **VI. CONCLUSION**

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

267 A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS

RICHARD L. MCCARTNEY

I obtained a Bachelor of Science degree in Industrial Engineering from the University of Missouri-Columbia in 1986 and a Masters in Management degree from Maryville College in 1988. My professional work experience has been entirely at Ameren or predecessor companies. I started in 1986 as an Engineer in Union Electric's Transmission and Distribution department. In 1989, I accepted a position in Union Electric's Internal Audit department. In 1991, I accepted a position in Union Electric's Corporate Planning department which was subsequently transferred to Ameren Services Company. My responsibilities during this time were energy efficiency and resource planning in Missouri, Illinois and Iowa. In 1996, I accepted a position in the Power Marketing and Trading department for Ameren Services Company which managed the vertically integrated generation and load for Union Electric Company and Central Illinois Public Service Company after the successful merger of the two companies in 1997. In 1998, I accepted a position in the Fuels department for Ameren Services Company which was subsequently transferred to Ameren Energy Fuels and Services Company. During this period my responsibilities included the procurement and transportation of natural gas and coal, and the management of the company's emissions position. In 2002, I accepted a position in Ameren Energy Marketing Company as Wholesale Sales Manager and then later as Supervisor of Power Trading. In 2007, I accepted a position as Lead Capacity Trader in Ameren Services Company which was subsequently transferred to AmerenCILCO and ultimately to Ameren Illinois Company upon the successful merger of AmerenCILCO, AmerenIP and AmerenCIPS on October

1, 2010. On January 1, 2012, I was promoted to by my current position as Manager,
Power Supply Acquisition and then the title of this position was changed on January 1,
2013 to Director, Power Supply Acquisition.