

ILLINOIS COMMERCE COMMISSION

DOCKET No. 12-0548

DIRECT TESTIMONY

OF

DAVID J. BRUEGGEMAN

Submitted On Behalf

Of

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

September 26, 2013

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I. INTRODUCTION

A. Witness Identification

Q. Please state your name and business address.

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

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

A. I am currently a Capacity Trader, Power Supply Acquisition Consultant of Ameren Illinois Company d/b/a Ameren Illinois (“AIC” or “the Company”).

Q. Please describe your current job duties and responsibilities.

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

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

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

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

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

26 A. In this testimony, I describe the power supply procurement process and the
27 products that were purchased in order to satisfy the power supply needs of Ameren
28 Illinois' retail customers taking service under the Rider BGS - Basic Generation Service
29 ("Rider BGS") for the Reconciliation Period of June 1, 2010 through May 31, 2011
30 ("Reconciliation Period"). Finally, I address the prudence of Ameren Illinois in its
31 efforts to obtain the power supply products needed to satisfy the needs of its customers
32 taking service on Rider BGS, at a reasonable cost.

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

34 A. No, I'm not.

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

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

39 A. The Company maintained a supply portfolio of capacity and energy swap
40 contracts along with spot purchases from the Midcontinent Independent System Operator
41 ("MISO") energy markets to make up all of the supply. In addition, the Company
42 procured one year Renewable Energy Credit ("REC") contracts to fully satisfy the Illinois
43 Renewable Portfolio Standard ("RPS") that went into effect on June 1, 2009. These

44 purchases may also be known as IPA purchases. RECs are defined by the IPA Act as “a
45 tradeable credit that represents the environmental attributes of a certain amount of energy
46 produced from a renewable energy resource.” (IPA Act Section 1-10.20ILCS 3855/1-10)

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

48 A. The power supply products obtained through the IPA purchases consisted of
49 capacity, energy, and RECs. The capacity product gives the right of the Buyer (the
50 Company), in accordance with the requirements of the MISO protocol, to designate the
51 source with MISO as a Planning Resource Credit (“PRC”) that satisfies the resource
52 adequacy requirement obligations of the MISO Transmission & Energy Markets Tariff
53 (“TEMT”). The energy product consisted entirely of financial swaps which settle on a
54 fixed for floating basis. The floating price is calculated as the average MISO Day-Ahead
55 Locational Marginal Pricing (“LMP”) for each hour of each settlement month at the
56 Company's Load Zone. The parties will then net the difference between the agreed upon
57 fixed price and the floating price. The full requirements supply contracts (Supplier
58 Forward Contracts or “SFCs”) obtained through the auction purchase, expired on May
59 31, 2010. However, there was some intermediate and final energy adjustment charges
60 related to MISO metering adjustments to the preliminary billing calculations. A small
61 portion of these adjustment charges continued into this Reconciliation Period.

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

63 A. The IPA procurement process utilizes a portfolio of standard wholesale products
64 which are then supplemented by spot market energy purchases and other services that
65 make up the full requirement product. The IPA procurement process requires the
66 development of a procurement plan which specifically identifies the wholesale products

67 to be procured following approval of the plan by the Illinois Commerce Commission
68 (“Commission”). The process also requires that an independent third party (the
69 “Procurement Administrator”) be utilized to administer the actual procurement of the
70 products.

71 **Q. Under the IPA procurement process, who is responsible for hiring the**
72 **Procurement Administrator?**

73 A. The IPA is responsible for the hiring of the Procurement Administrator and
74 Levitan Associates Inc. (“LAI”) was selected to serve as the Procurement Administrator
75 for the 2010 procurement cycle for AIC’s procurement requirements.

76 **Q. Did the Procurement Administrator implement a process to procure the**
77 **wholesale energy products identified in the Commission-approved procurement**
78 **plan for this Reconciliation Period?**

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

84 **Q. Did AIC enter into any contracts as a result of these RFP processes?**

85 A. Yes. Following the conclusion of each RFP, the Company entered into contracts
86 with the winning suppliers identified in LAI’s recommendation made to, and approved
87 by, the Commission.

88 **Q. You stated previously the IPA procurement process procures a portfolio of**
89 **standard market products which are then supplemented by spot market purchases**
90 **and other services that make up the full requirement product. Did the Company**
91 **make spot market purchases during this Reconciliation Period?**

92 A. Yes. The Commission-approved procurement plan identified energy swap
93 contracts as the mechanism to hedge the cost of energy. The result is that all of the actual
94 energy came from the MISO energy markets, which was used to supply the Rider BGS
95 load, while the fixed for floating swaps provided financial protection to such load. This
96 was accomplished in the manner specified in the Commission-approved procurement
97 plan.

98 **Q. What are the other services you previously referenced?**

99 A. The other services I am referring to are network transmission service, ancillary
100 services, and auction revenue rights (“ARRs”). These services are required to supply the
101 load and the process utilized by the Company to acquire each service is specified in the
102 ICC approved procurement plan.

103 **Q. Were there any other products procured on behalf of the Company’s real**
104 **time pricing tariffs?**

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

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

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

112 A. Though I am not an attorney, I believe Section 16-111.5(l) of the PUA governs an
113 electric utility's recovery of costs of procuring power and energy via the IPA
114 procurement process. This section explicitly allows for full cost recovery of all of AIC's
115 cost of procuring power and energy via the IPA procurement process, including the cost
116 associated with the long term energy swaps mandated by Section 16-111.5(k) of the
117 PUA.

118 **Q. Did AIC comply with the procurement plan approved by the Commission?**

119 A. Yes. The purchases made via the IPA procurement process were made in a
120 manner consistent with the procurement provisions of the PUA and the Company has
121 performed all prudent acts in a manner consistent with the law and the Commission's
122 order in Docket No. 09-0373.

123 **Q. What are the mechanisms through which AIC recovers costs incurred for**
124 **power procurements pertaining to Rider BGS?**

125 A. AIC recovers these costs through Rider PER.

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

127 A. Yes.

128 **Q. What is the basis for that opinion?**

129 A. As explained above, the purchases made via the IPA procurement process (a
130 Commission-reviewed and approved process) were made in a manner consistent with the

131 procurement provisions of the PUA. Moreover, AIC has reasonably performed all acts in
132 a manner consistent with the law, including the Commission's prior orders.

133 **IV. CONCLUSION**

134 **Q. Does this conclude your testimony?**

135 **A. Yes, it does.**

APPENDIX

STATEMENT OF QUALIFICATIONS
DAVID J. BRUEGGEMAN

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