

ILLINOIS COMMERCE COMMISSION

DOCKET No. 12-0548

DIRECT TESTIMONY

OF

DOMINIC S. PERNICIARO

Submitted On Behalf

Of

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

September 26, 2013

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8 **I. INTRODUCTION**

9 **A. Witness Identification**

10 **Q. Please state your name and business address.**

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

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

14 A. I am the Supervisor of Power Accounting for Ameren Services Company, a
15 service company affiliate of Ameren Illinois Company d/b/a Ameren Illinois (“AIC”,
16 “Ameren Illinois”, or “the Company”).

17 **Q. Please describe your current job duties and responsibilities.**

18 A. My duties include direct supervision of the accounting for calculations necessary
19 to implement the Rider PER - Purchased Electricity Recovery (“Rider PER”) and Rider
20 HSS - Hourly Supply Service (“Rider HSS”) for each rate zone of AIC.

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

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

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

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

25 A. In its Order initiating these dockets, the Illinois Commerce Commission
26 (“Commission”) calls for a reconciliation of the revenues associated with the various
27 procurement tariffs in effect during the period of June 1, 2010 through May 31, 2011
28 (“Reconciliation Period”). In my testimony I explain the manner by which the revenues
29 for each AIC rate zone were collected, how they were accounted for, any accounting
30 adjustments made during the course of the reconciliation period, and the costs attributable
31 to the relevant procurement activities.

32 The Initiating Order goes on to request a “summary schedule detailing the internal
33 administrative and operational costs associated with the procurement of electric power
34 and energy for retail customers during the period under review.” I will also be providing
35 this schedule.

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

37 A. Yes. I am sponsoring the following exhibits:

- 38 • Ameren Exhibit 3.01 - Rate Zone I Rider PER reconciliation of costs
39 and revenues for the period ending May 31, 2011
- 40 • Ameren Exhibit 3.02 - Rate Zone II Rider PER reconciliation of costs
41 and revenues for the period ending May 31, 2011
- 42 • Ameren Exhibit 3.03 - Rate Zone III Rider PER reconciliation of costs
43 and revenues for the period ending May 31, 2011
- 44 • Ameren Exhibit 3.04 - Rate Zone I Rider HSS reconciliation of costs
45 and revenues for the period ending May 31, 2011
- 46 • Ameren Exhibit 3.05 - Rate Zone II Rider HSS reconciliation of costs
47 and revenues for the period ending May 31, 2011

- 48 • Ameren Exhibit 3.06 - Rate Zone III Rider HSS reconciliation of costs
49 and revenues for the period ending May 31, 2011
- 50 • Ameren Exhibit 3.07 - Rate Zone I Summary reconciliation of costs
51 and revenues for the period ending May 31, 2011
- 52 • Ameren Exhibit 3.08 - Rate Zone II Summary reconciliation of costs
53 and revenues for the period ending May 31, 2011
- 54 • Ameren Exhibit 3.09 - Rate Zone III Summary reconciliation of costs
55 and revenues for the period ending May 31, 2011
- 56 • Ameren Exhibit 3.10 - Automatic Balancing Adjustment
- 57 • Ameren Exhibit 3.11 – Internal Administrative and Operational Costs
58 Associated with Procurement

59 **Q. Please describe in detail the exhibits you are sponsoring.**

60 A. Ameren Exhibits 3.01, 3.02 and 3.03, as they are labeled, show the recovery of
61 the Company's total allowable costs over the 12-month reconciliation period ending May
62 31, 2011 for the BGS-FP fixed price and hourly price for small customer products
63 ("RTP") under Rider PER. Ameren Exhibits 3.04, 3.05 and 3.06 show the recovery of
64 the Company's total allowable costs over the twelve-month reconciliation period ending
65 May 31, 2011 for the hourly price product for large customers under Rider HSS. Ameren
66 Exhibits 3.07, 3.08 and 3.09 summarize the Company's total allowable costs over the
67 twelve-month reconciliation period ending May 31, 2011 under Riders PER and HSS and
68 the Factor O requested by Ameren based upon the proposed adjustments. Ameren
69 Exhibit 3.10 shows the amounts related to correcting the automatic balancing adjustment
70 that are included as a Factor A in the twelve-month reconciliation period ending May 31,
71 2011. This schedule is for informational purposes only and does not require a Factor O.
72 Ameren Exhibit 3.11 is a schedule of the internal administrative and operational costs

73 associated with procuring electric power and energy for retail customers over the thirty-
74 one-month reconciliation period ending December 31, 2012.

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

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

88 **Q. The initiating order only calls for the internal administrative and operational**
89 **costs for the twelve-months ended May 31, 2011. Why does this schedule include the**
90 **periods through December 31, 2012?**

91 A. The pending change in the tariff calls for the reconciliation of the internal
92 administrative and operational costs on a calendar year basis. This schedule brings
93 Ameren up to date and creates a clean transition to the calendar year convention. In
94 addition, the pending tariff changes call for the difference between these costs and the
95 amount recovered to be included as a Factor A in the reconciliation year open at the time

96 of its acceptance. The schedule provides the support for that Factor A adjustment and
97 will be used to satisfy the initiating order's request for the reconciliation of the internal
98 administrative and operational costs through the May 31, 2013 reconciliation period.

99 Starting with the twelve month reconciliation period ending May 31, 2014,
100 Ameren will provide a reconciliation of the internal administrative and operational costs
101 for the most recently completed calendar year (twelve months ending December 31,
102 2013).

103 **II. MONTHLY RECONCILIATIONS.**

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

107 A. Please refer to testimony of Ameren Illinois witnesses, Messrs. David J.
108 Brueggeman and Richard L. McCartney for a general understanding of the tariffs that
109 provide service to customer groups and how they relate to the various purchased power
110 and energy products.

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

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

117 The cost components are provided by different groups. The cost of power from
118 auction suppliers is provided by Ameren's Transmission Services Business Center

119 (“TSBC”) group based on the supplier bills. The cost of power and market settlement
 120 costs from Midcontinent Independent System Operator (“MISO”) are provided by the
 121 Power Accounting group based on the MISO settlement statements. The cost of power
 122 provided by Qualified Facilities (“QF”) is calculated from the output provided by the
 123 TSBC, priced at the average locational marginal price (“LMP”) for the month. The
 124 ancillary services expenses for Schedules 1, 2, 3, 5, 6, 25 and 26 are based on MISO tariff
 125 pricing for the HSS- category. Capacity costs are primarily from suppliers' bills.
 126 However, for HSS, some excess capacity from BGS-FP was allocated at cost during the
 127 reconciliation period so as to reduce overall customer cost and in addition, some
 128 incremental capacity is purchased from or sold into MISO's Voluntary Capacity Auction
 129 (“VCA”) as a result of changing loads. The free service load (power supply provided to
 130 municipalities pursuant to franchise agreements) is provided by the Energy Delivery
 131 Customer Service group and the company use load is set in the rate case: these volumes
 132 are priced at the monthly average cost. The calculations for company use and free
 133 service include an adjustment for line losses.

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

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

	Cost Item	Category of Service
1	Auction Suppliers	BGS-FP; RTP
2	MISO Energy Costs	BGS-FP; RTP; HSS
3	MISO Market Settlement	BGS-FP; RTP; HSS

4	Rider QF Costs	BGS-FP; RTP
5	Ancillary Services	BGS-FP; RTP; HSS
6	Capacity	BGS-FP; RTP; HSS
7	Company Use & Free Service under Franchises	BGS-FP; RTP

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

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

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

143 A. Yes, there was an accounting adjustment. Internal analysis conducted in October
144 of 2010 found that AIC revenue related to SRTP customers was not being included in
145 Rider PER recoveries because the customer billing system characterized the billings as
146 miscellaneous (rather than Rider) revenue. The issue resulted in Rider PER under
147 reporting revenues and an over recovery of \$6,619,363.01 from June 2008 through June
148 2010. Of this total, \$585,403.10 of the over-recovered amount related to the
149 reconciliation period from June 2010 through May 2011 and was included as a Factor A
150 in the January 2011 filing. Therefore, Ameren is not requesting a Factor O for this
151 amount. Once the issue was identified, this amount was determined by summarizing the
152 general ledger for this specific revenue. This issue will be addressed with this
153 reconciliation docket.

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

156 A. Yes. During the year, it was determined that the Annual Auction Revenue
157 (“AAR”) needed to be reallocated between fixed price and real-time pricing customers
158 for periods that were already filed with the ICC. These are the Factor A adjustments for
159 the June 2010 determination period.

160 During the year, it was determined that late entries resulted in the exclusion of
161 AAR expenses for periods that were already filed with the ICC. These are the Factor A
162 adjustments for the May 2011 determination period.

163 In addition, internal analysis conducted in January of 2011 determined that the
164 work papers calculating the unamortized balance in the filings had a flaw that resulted in
165 a reduction in said balance at a quicker pace than the general ledger. This resulted in an
166 over-recovered balance, in aggregate, in the general ledger compared to the unamortized
167 balance in the filing. Ameren Exhibit 3.10 indicates the amount per Rate Zone and
168 reconciliation period for the periods from January 2007 through the most current filing.
169 Staff was notified of the issue in February of 2011 and it was corrected in the March
170 2011 filing in order to correct the balances as quickly as possible to reflect the calculation
171 correction in the work papers. This issue will be completed with this reconciliation
172 docket.

173 **Q. Are there collateral costs included in the recoverable costs for the**
174 **reconciliation period? If so, please provide the amount of collateral at each**
175 **financial institution, the form of collateral, the interest earned on cash collateral**

176 **posted by each institution, and the interest paid on loans obtained to post collateral**
177 **by each institution. If not, please explain.**

178 A. No collateral costs are included in the 2010-2011 Recoverable Costs. According
179 to the Order in Docket No. 07-0527, Ameren Illinois is allowed to pass through collateral
180 costs related to energy procurement once Staff and Ameren Illinois have agreed upon the
181 methodology. 12/19/07 Final Order in Docket No. 07-0527, at 91-92. The methodology
182 has not been developed yet, therefore we cannot include these costs in this reconciliation
183 period, but reserve the right to do so in the future.

184 **III. CONCLUSION**

185 **Q. Please summarize the conclusions of your testimony.**

186 A. I recommend that the Order in this proceeding:

- 187 1) Approve Ameren Exhibit 3.07 as the reconciliation for Rider PER and
188 Rider HSS for AmerenCIPS for the twelve month reconciliation period
189 ending May 31, 2011;
- 190 2) Approve Ameren Exhibit 3.08 as the reconciliation for Rider PER and
191 Rider HSS for AmerenCILCO for the twelve month reconciliation period
192 ending May 31, 2011;
- 193 3) Approve Ameren Exhibit 3.09 as the reconciliation for Rider PER and
194 Rider HSS for AmerenIP for the twelve month reconciliation period
195 ending May 31, 2011; and
- 196 4) Approve Ameren Exhibit 3.11 as the reconciliation of internal
197 administrative and operational costs associated with procurement for Rider

198 PER and Rider HSS for Ameren Illinois for the twelve month
199 reconciliation period ending May 31, 2011.

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

201 A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
DOMINIC S. PERNICIARO

I received a Bachelor of Science in Business Administration with a concentration in Accounting from Saint Louis University in August 2001 and a Masters of Business Administration with a Finance emphasis from Webster University in March 2009. I have completed and passed the Uniform Certified Public Accountant Examination and received my CPA designation in August 2012 in the state of Missouri.

I began my professional career in 1998 at the Sabreliner Corporation. I began as an Accounts Payable Clerk and was promoted to Payroll Clerk and then Cost Accountant before leaving in 2001. In the fall of 2001, I joined Laclede Gas Company as an Analyst in the Financial Reporting department. I was promoted to Senior Business Analyst in 2004 and then Administrator of their Corporate Performance Management (“CPM”) system in 2006.

I began working for Ameren Services Company in October 2008 in the Wholesale Power and Fuel Department as a Settlement Specialist where I was charged with, among other things, reviewing Midwest ISO invoice data for accuracy. In July of 2009, I was promoted to Supervisor, Power Accounting. Shortly thereafter, the responsibility of accounting for energy efficiency cost over and under collection was transitioned to Power Accounting from Fuel Accounting.