Ameren Exhibit 1.0

ILLINOIS COMMERCE COMMISSION

DOCKET No. 14-_____

DIRECT TESTIMONY

OF

KAREN R. ALTHOFF

SUBMITTED ON BEHALF

OF

AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois

March 28, 2014

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DIRECT TESTIMONY

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 Second Period beginning January 1, 2012 through December 31, 2013. The program charge is calculated pursuant to Ameren Illinois electric tariffs.

Q. Are you sponsoring any exhibits in support of 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.

II. BACKGROUND OF THE UCB/POR PROGRAM CHARGE

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. 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 ("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.

III. <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 companies that faced billing systems improvements; provides 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 systems. 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 (consolidated)) 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 and subsequent Program Charges 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. This process has continued since the initial Program Charge but updated with updated information.

Q. Has the initial Program Charge changed since May 2012?

A. Yes. Since May 2012, the Program Charge was $0.06 per eligible customer account from June 1, 2012 through April 30, 2013. Beginning May 1, 2013 through May 31, 2014, the Program Charge changed to $0.05. These revisions to the Program Charges were as a result of updated information relating to forecasted customer count and switching activity along with inclusion of the Initial Period Reconciliation under-recovery.

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

A. The Second Period Reconciliation 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. There is a Final Period Reconciliation which occurs after the Second Period Reconciliation which will also flow into Factor ARA. The USC portion of the UCB/POR Program Charges will be eliminated once USC cost is fully recovered.

Q. Did Ameren's Start-Up Costs change from the Initial Period?

A. Yes, actual Start-Up Costs were $2,956,113 as filed in the Initial Period Reconciliation; however, this has been adjusted downward by $850 given. This adjustment relates to Staff witness Theresa Ebrey's recommendation in the Initial Period Reconciliation for an Accounts Payable loading which should have been reversed when the associated invoice previously charged to the UCB/POR work order was reversed to another work order.

Ameren accepted this adjustment in its rebuttal testimony in ICC Docket No.13- 0266, the Initial Period Reconciliation.

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

A. Yes. For the Second Period (through December 2013) Ameren had estimated $1,029,229 of collections through the Program Charge based upon the actual Start-Up Costs from Eligible DS Customers. Additionally, the under-recovery associated with the Initial Period Reconciliation which rolls into the Program Charge for recovery was added to the estimated collection resulting in total Second Period estimated collection of $1,355,789. The Company collected Program Charge revenues of $1,473,823 during 2012 and 2013.

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

A. The over-recovery based on actual Start-Up Costs would be $118,034 as shown on page 4 of 6 of Ameren Exhibit 1.1, line 18. Again, this over-recovery is based upon the estimated collections of $1,355,789 and revenues collected of $1,473,823 as stated above.

Q. Was this over-recovery filed in Ameren Illinois' May 2014 update to the Program Charge?

A. Yes, AIC did include the over-recovered variance from the Program Charge portion of UCB/POR Program in the Program Charge effective for the June 2014 billing period.

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. Any variance plus interest (ARA Factor) relating to the UR Factor between the projected and actual cost recovery is to be applied to the UCB/POR Program Charge. The variance for the Second Period Reconciliation was included in the Program Charge 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 2014?

A. Yes. AIC included an over-recovery of $966,506, 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 allow in the UCB/POR Program Charge?

A. No, Ameren has incurred no incremental 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 ARA plus interest and any 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.) which was effective during the Second Period Reconciliation timeframe.

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 second period, the fixed prices to service customers were submitted to the Illinois Power Agency on or about September 28, 2012 (Period June 2013 through May 2014) and September 30, 2013 (Period June 2014 through May 2015).

The Program participation rate for the Second Rate Period was established and derived by applying a 7 percent discount to Ameren's then existing BGS prices. In additional, Factor USD was adjusted on June 1, 2013 for its share of the Initial Period Reconciliation. The USD portion of the Discount Rate has changed times since the Initial Period which was

0.18%. During 2012 and 2013, the USD portion of the Discount Rate has been as follows: 1) January 1, 2012 through May 31, 2012 – 0.18%; 2) June 1, 2012 through May 31, 2013 – 0.06%; 3) June 1, 2013 through October 31, 2013 - 0.04%; and 4) November 1, 2013 through December 31, 2013 – 0.04%.

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 Second Period Reconciliation 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 2014 billing period. This is handled in the same manner was the Initial Period Reconciliation under-recovery. Once fully recovered the Start-Up Costs included in the UCB/POR Discount Rate and Program Charge will be terminated. However, given that the Initial Period Reconciliation reflected an under-recovery of $347,744 (per Staff's recommendation in ICC Docket No. 13-0266) and the Second Period Reconciliation reflects an under-recovery, Factor USD will still result in a charge to eligible customers.

The Second Period Reconciliation for Factor USD reflects an under-recovery of $101,291 based on actual Start-Up Costs. Ameren Exhibit 1.1, page 4 of 6, lines 19 through 35 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 0.04% for the initial rate period. During 2012 and 2013, the USD portion of the Discount Rate has been as follows: 1) January 1, 2012 through May 31, 2012 – 0.04%; 2) June 1, 2012 through May 31, 2013 – 0.01%; 3) June 1, 2013 through October 31, 2013 - 0.01%; and 4) November 1, 2013 through December 31, 2013 – 0.01%.

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

A. Any over- or under-recovery at the time of the Second Period Reconciliation is to be used to reduce the unrecovered balance of POR start-up costs. This is unlike the Initial Period Reconciliation where any under-recovery variance related to the POR portion of the UCB/POR Program via the Discount Rate would be deferred until December 31, 2014 which is how the Company handled in the Initial Period Reconciliation. (See AIC's Supplier Terms and Conditions tariff, Sheet 5.027.) The Second Period Reconciliation for Factor PSD based on actual Start-Up Costs reflects an under-recovery of $23,016. Ameren Exhibit 1.1, page 4 of 6, lines 43 through 57 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 expected UCB/POR Program Charge including interest allowed per 83 Ill. Adm. Code 280.70(e)(1). 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. During 2012 and 2013, the USD portion of the Discount Rate has been as follows: 1) January 1, 2012 through May 31, 2012 – 0.46%; 2) June 1, 2012 through May 31, 2013 – 0.16%; 3) June 1, 2013 through October 31, 2013 - 0.11%; and 4) November 1, 2013 through December 31, 2013 – 0.18%.

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

A. The EPR of the FCAA through the Discount Rate was determined to be $812,188; however, the actual participation generated revenues for Factor FCAA were $690,881. This reflects a difference of $121,307; 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 2014?

A. Yes. AIC included the revenues associated with the FCAA which totals $690,881 which has risen from the Initial Period Reconciliation due to increased customer switching.

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. AIC filed a revised UCB/POR Discount rate on February 11, 2014 to update Factor UDC to 0.79%. This will become effective on April 12, 2014, 60 days after the filing date.

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 Second Period Reconciliation, January 1, 2012 through December 31, 2013, uncollectible expense reflected an over-recovery of $966,506 which Ameren included in the effective June 2014 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 Period Reconciliation covers the period of time from inception of this program (October 18, 2009) through December 2011. The Second Period Reconciliation covers calendar years 2012 and 2013, with any variance reflected with the June 2014 billing period. Reconciliations subsequent to the Second Period Reconciliation occur annually. Any reconciliation amount flows into the UCB/POR Program Charge described in the Supplemental Customer Charges tariff.

Q. Has the Company included Factor ORA in the development of the Second Period Reconciliation?

A. Yes. Staff witness Theresa Ebrey recommended an Initial Period Reconciliation Factor ORA of $427. Factor ORA was based on the $850 Start-Up Cost adjustment Ms. Ebrey recommended for disallowance, as discussed above, which the Company agreed upon; as such, the $427 has been included in the Second Period Reconciliation.

C. Reconciliation Summary

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

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

	Second Period Reconciliation
Over-recovery - Uncollectible Cost - Factor UDC	$ 966,506
Over-recovery - UCB Start-Up Cost - Factor USC	$ 118,034
Under-recovery - UCB Start-Up Cost - Factor USD	$ (101,291)
Revenues Fair Cost Allocation Adjustment - Factor FCAA	$ 690,881
POR Start-Up Cost Reconciliation - Factor PSD (1)	$ (23,016)
Ongoing Administrative Cost - Factors OAR and OAdm (2)	$ -
Factor ARA - Second Period Reconciliation	**$ 1,651,114**
Interest (3)	**$ -**
Total Factor ARA - Second Period Reconciliation	**$ 1,651,114**
Factor ORA - Initial Period Reconciliation	**$ 427**
Interest (3)	**$ -**
Total Factor ORA - Initial Period Reconciliation	**$ 427**
Total Factor ARA and ORA	**$ 1,651,541**

Q. Please provide the over-recovery for the Second Period as included in AIC's UCB/POR Program Charge Information Filing update effective June 2014.

A. The below table reflects the components of the over-recovery included in the effective June 2014 information filing along with the impact on the Program Charge. The base cost for remaining recovery period, June through October 2014, of Start-up costs allocated to all eligible DS customers contributes to 4 cent of the UCB/POR Program Charge. The over-recovery of $1,651,541 which will be refunded over the a year period (June 2014 through

May 2015) results in a negative Program Charge of $0.11 cents, for a total Program Charge cost basis of negative 7 cents as shown below.

	Second Period Reconciliation
Over-recovery - Uncollectible Cost - Factor UDC	$ 966,506
Over-recovery - UCB Start-Up Cost - Factor USC	$ 118,034
Under-recovery - UCB Start-Up Cost - Factor USD	$ (101,291)
Revenues Fair Cost Allocation Adjustment - Factor FCAA	$ 690,881
POR Start-Up Cost Reconciliation - Factor PSD (1)	$ (23,016)
Ongoing Administrative Cost - Factors OAR and OAdm (2)	$ -
Factor ARA - Second Period Reconciliation	**$ 1,651,114**
Interest (3)	**$ -**
Total Factor ARA - Second Period Reconciliation	**$ 1,651,114**
Factor ORA - Initial Period Reconciliation	**$ 427**
Interest (3)	**$ -**
Total Factor ORA - Initial Period Reconciliation	**$ 427**
Total Factor ARA and ORA	**$ 1,651,541**
Forecasted Eligible DS Customers	1,208,947
Second Period Reconciliation - UCB/POR Program	$ (0.11)
UCB Start-Up Cost Allocated to Eligible DS Customers	$ 0.04
Calculated UCB Program Charge - Effective June 2014	$ (0.07)

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

A. Yes. 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 is October 31, 2014. 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 true-up 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 was minimal for the residential sector; however, with municipal aggregation, residential switching continues. As seen in the Second Period Reconciliation, increased switching has increased the recovery to the suppliers and also decreased the Discount Rate over the initial period level.

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 18, 2013 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. CONCLUSION

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 and Docket No. 13-0192 regarding embedded class cost of service studies and rate design for the gas business. Additionally, I submitted the testimony concerning the Initial Period Reconciliation for UCB/POR. 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.