

ILLINOIS COMMERCE COMMISSION

DOCKET No. 13-0494

DIRECT TESTIMONY

OF

NANCY L. GUDEMAN

Submitted on Behalf

Of

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

May 15, 2014

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8 **I. INTRODUCTION AND BACKGROUND**

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

10 **A.** My name is Nancy L. Gudeman. My business address is 1901 Chouteau Avenue, St.
11 Louis, Missouri.

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

13 **A.** I am a Regulatory Specialist providing regulatory services for Ameren Illinois Company
14 d/b/a Ameren Illinois (AIC or the Company).

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

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

17 **Q. Please describe your duties and responsibilities as Regulatory Specialist.**

18 **A.** My duties and responsibilities include analysis and development of supporting data for
19 natural gas and electric pricing for AIC, preparing reports and schedules as they relate to tariffs
20 and rate filings, coordinating regulatory filings for AIC's riders such as, but not limited to, Rider
21 PER – Purchased Electricity Recovery, Rider HSS – Hourly Supply Service, Rider EDR –

22 Energy Efficiency-Demand Response Cost Recovery, Rider GER – Gas Energy Efficiency Cost
23 Recovery, Rider PSP – Power Smart Pricing, Rider EUA – Electric Uncollectible Adjustment
24 (Rider EUA), Rider GUA – Gas Uncollectible Adjustment (Rider GUA); and Rider TS –
25 Transmission Service. I am also responsible for regulatory research and other rate or regulatory
26 projects as assigned.

27 **II. PURPOSE, SCOPE AND IDENTIFICATION OF EXHIBITS**

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

29 **A.** The purpose of my direct testimony is to explain how the Factor O adjustments from
30 Docket No. 11-0603 were applied to customer bills. I will also identify and sponsor the Internal
31 Audit Reports that were filed with the Commission the end of August 2013. Rider EUA and
32 Rider GUA generally function in the same manner and will be discussed in unison unless
33 otherwise stated.

34 **Q. Are you sponsoring any exhibits with your testimony?**

35 **A.** Yes, I sponsor four exhibits as follows:

- 36 • Ameren Exhibit 2.1 – Rider EUA Informational Sheet, Charges for the
37 Services Billed During the February 2013 through May 2013 Billing Periods
- 38 • Ameren Exhibit 2.2 – Rider GUA Informational Sheet, Charges for the
39 Services Billed During the February 2013 through May 2013 Billing Periods
- 40 • Ameren Exhibit 2.3 – Rider EUA Internal Audit
- 41 • Ameren Exhibit 2.4 – Rider GUA Internal Audit

42 **Q. Please describe these Exhibits.**

43 **A.** Ameren Exhibits 2.1 (Rider EUA) and 2.2 (Rider GUA) are the Informational Sheets that
44 were filed on January 18, 2013, effective for services billed during the February 2013 through

45 May 2013 billing periods. These Informational Sheets contain the Factor O adjustments that
46 were approved in Docket No. 11-0607. Interest was applied to the Factor O adjustments in
47 compliance with the tariff. Ameren Exhibits 2.3 (Rider EUA) and 2.4 (Rider GUA) are copies of
48 the Internal Audit Reports filed with the Commission. The Internal Audit Reports also
49 accompanied the Company's petition to initiate this docket which was filed the end of August
50 2013.

51 **III. RIDER EUA AND RIDER GUA**

52 **Q. What is the timeframe of the reconciliations for Rider EUA and Rider GUA in this**
53 **proceeding?**

54 **A.** This is the third reconciliation proceeding for Rider EUA and Rider GUA which covers
55 the 2011 reporting year (which, in turn, comprises the 2011 calendar year). Rates for the
56 reporting year are billed to customers over a twelve-month period, starting with the sixth month
57 after the end of the reporting year. Therefore, the rates for the 2011 reporting year were billed to
58 customers from June 2012 through May 2013.

59 There were two Informational Sheet Filings made during this timeframe. The first filing
60 (3rd Information Sheet Filing) was made in May 2012 effective June 2012 through May 2013.
61 This Informational Filing Sheet was filed in accordance with the tariff to provide monthly
62 adjustments to customer bills for any over-or-under recoveries of the Company's actual
63 uncollectible expense amounts for a reporting year. The second filing (4th Informational Sheet
64 Filing) was made in January 2013 effective February 2013 through May 2013. This filing
65 contained the Factor O adjustments that were approved in Docket No. 11-0607. Interest was
66 applied to the Factor O adjustments in compliance with the tariff.

67 **Q. Are you sponsoring the Rider EUA and GUA reconciliations?**

68 A. No, AIC witness Mr. Leonard A. Mans, Managing Supervisor General Accounting, is
69 sponsoring the reconciliations in his testimony. See Ameren Ex. 3.0.

70 **Q. What is the purpose of an Uncollectible Rider?**

71 A. Both the electric and natural gas uncollectible riders are meant to provide for monthly
72 incremental uncollectible adjustments to customer bills to account for over- or under- recoveries
73 of AIC's actual uncollectible expense amounts for a reporting year for each Rate Zone.
74 Specifically, the riders recover the incremental difference between: (1) AIC's actual uncollectible
75 amount as set forth in Account 904 in AIC's most recent annual Federal Energy Regulatory
76 Commission (FERC) Form 1 for electricity and Form 21 ILCC for natural gas, and (2) the
77 uncollectible amount included in AIC's rates for the period reported in such annual FERC Form
78 1 and Form 21 ILCC.¹

79 **IV. FACTOR O ADJUSTMENTS**

80 **Q. Please provide some background information on Docket No. 11.0603.**

81 A. This was the first reconciliation of Rider EUA and GUA, covering years 2008 and 2009.
82 There were interpretation differences on sections of the tariff language between Staff and AIC.
83 Staff and AIC worked together to identify tariff language changes that clarified what allowed
84 under the tariffs. The revised tariffs were approved by the Commission and effective September
85 29, 2012.

¹ Notably, for the 2013 reporting year, and for subsequent reporting years, the incremental uncollectible adjustment amounts will be the difference between the actual uncollectible expense amounts based on the Company's net write-offs for the year, and the uncollectible amounts included in the utility's rates that were in effect for that reporting year. This begins with the first billing cycle of the June (June 2014 for the 2013 reporting year) billing period and extends through the last billing cycle of the subsequent May billing period.

86 Originally, AIC calculated the charges/ (credits) per Rate Zone and rate class designation
87 per delivery and supply. AIC also used allocations for calculating the Automatic Balancing (AB)
88 component of the tariff to help reduce rate impacts. The revised tariffs streamlined
89 administration of the riders by consolidating the calculation of the charges/(credits) from separate
90 non-residential rate classes into a single non-residential rate class. This creates two classes –
91 residential and non-residential. The calculation continues to be based on Rate Zone and delivery
92 and supply. It was also determined that the AB allocations were no longer needed with the
93 consolidation of one non-residential class.

94 **Q. Was there a Factor O adjustment in Docket No. 11-0603?**

95 **A.** Yes. First, as stated above, there were changes to the calculation of the AB and the
96 calculation of the non-residential classes. This caused dollars to shift rate classes. This effected
97 both 2008 and 2009. Second, there were discrepancies with the 2008 electric and gas revenues
98 used in developing the rates that were filed in the Informational Sheets.

99 For 2008, the values in the Informational Sheets relied upon a billing system query for the
100 period from March through December 2010 to determine amounts collected for the 2008
101 reporting year uncollectibles. The query inadvertently excluded the first couple of March billing
102 cycles, which occur in the calendar month of February. These uncollectible revenues were not
103 captured at the time of the Informational Sheet filings. However, the values contained in the
104 actual 2008 annual reconciliation originated from the General Ledger System correctly captured
105 Rider EUA and Rider GUA uncollectible revenue amounts for the entire March through
106 December billing periods.

107 **Q. Do the tariffs, approved in September 2012, address how to apply the Factor O**
108 **adjustments?**

109 **A.** Yes. The ordered adjustment for the 2008 and 2009 reporting years in Docket No. 11-
110 0603 were incorporated into a Factor O component calculated for the Class Designations of
111 Residential and Non-Residential. The following tariff language was added in the Annual
112 Reconciliation Section to capture new reconciliations covering periods prior to 2012.

113 The Company shall file a petition annually with the Commission no later than
114 August 31, seeking initiation of an annual review to reconcile all uncollectible
115 amounts included in rates, plus amounts accrued pursuant to this Rider with
116 the actual uncollectible amount for the reporting year. The information
117 submitted shall allow the Commission to verify that the Company collects the
118 actual uncollectible expense amounts as provided for in each applicable FERC
119 Form 1 reporting year. For the 2010 and 2011 reporting years, the
120 reconciliation shall address the amounts recovered for class designations in
121 effect beginning with the 2012 reporting year rather than individual classes in
122 effect prior to the 2012 reporting year.

123 Any Commission ordered adjustment amounts for the 2008 through 2011
124 reporting years applicable to Delivery Service (IDUA) or Company power
125 supply services (ISUA) shall be assigned to class designations in effect
126 beginning with the 2012 reporting year.

127 **Q. Was interest applied to the Factor O adjustments?**

128 **A.** Yes. The tariff states:

129 Oc = Commission ordered adjustment amount, in dollars (\$), for class
130 designation C, resulting from a Commission Order in a reconciliation
131 proceeding, plus the calculated interest attributable to the O component.
132 Interest shall be at the rate established by the Commission under 83 Ill. Adm.
133 Code 280.70(e)(1). Interest on the O component shall be applied from the end
134 of the reconciliation period until the O component is refunded or charged to
135 Customers through the IDUA. The total amount of any O component for a
136 preceding effective period will be reflected in the applicable IDUAEPc for the
137 effective period following the Order.

138 An interest rate of 0.5% was applied to the Factor O adjustments for the timeframe December
139 2010 through December 2011.

140 Q. What were the total amounts of the Factor O adjustments and interest?

141 A. The totals of the 2008 and 2009 electric and gas Factor O adjustments and interest were:

Electric Factor O Adjustments Summary
2008 and 2009

Electric Delivery Service - Factor O 1/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	(\$9,669)	(\$1,805)	(\$23,733)	(\$35,207)
Non-residential	(\$1,556)	(\$248)	(\$6,958)	(\$8,762)
	(\$11,225)	(\$2,053)	(\$30,691)	(\$43,969)

Electric Delivery Service - Interest Applied 2/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	(\$57)	(\$9)	(\$126)	(\$192)
Non-residential	(\$4)	(\$2)	(\$40)	(\$47)
	(\$61)	(\$11)	(\$167)	(\$239)

Electric Delivery Service - Total Factor O				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	(\$9,726)	(\$1,814)	(\$23,859)	(\$35,399)
Non-residential	(\$1,560)	(\$250)	(\$6,998)	(\$8,809)
	(\$11,286)	(\$2,064)	(\$30,858)	(\$44,208)

Electric Supply Service - Factor O 1/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	(\$46,281)	(\$5,099)	(\$128,886)	(\$180,266)
Non-residential	\$27,011	\$1,148	\$79,538	\$107,697
	(\$19,270)	(\$3,952)	(\$49,348)	(\$72,569)

Electric Supply Service - Interest Applied 2/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	(\$263)	(\$37)	(\$776)	(\$1,076)
Non-residential	\$158	\$15	\$508	\$681
	(\$105)	(\$21)	(\$268)	(\$394)

Electric Supply Service - Total Factor O				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	(\$46,544)	(\$5,136)	(\$129,662)	(\$181,342)
Non-residential	\$27,169	\$1,163	\$80,046	\$108,378
	(\$19,374)	(\$3,973)	(\$49,616)	(\$72,963)

- 1/ Factor O Adj. Ordered in Docket No. 11-0603
2/ Cumulative Interest Applied at 0.5% for December 2010-December 2011
Annual interest rate ordered by the Commission

142

Gas Factor O Adjustments Summary
2008 and 2009

Gas Delivery Service - Factor O 1/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	\$5,936	\$4,828	(\$35,226)	(\$24,462)
Non-residential	(\$9,020)	(\$9,390)	\$23,502	\$5,092
	(\$3,084)	(\$4,562)	(\$11,724)	(\$19,370)

Gas Delivery Service - Interest Applied 2/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	\$31	\$25	(\$171)	(\$115)
Non-residential	(\$47)	(\$50)	\$107	\$10
	(\$17)	(\$25)	(\$64)	(\$105)

Gas Delivery Service - Total Factor O				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	\$5,967	\$4,853	(\$35,397)	(\$24,577)
Non-residential	(\$9,067)	(\$9,440)	\$23,609	\$5,101
	(\$3,101)	(\$4,587)	(\$11,788)	(\$19,476)

Gas Supply Service - Factor O 1/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	\$13,392	\$10,683	(\$228,991)	(\$204,916)
Non-residential	(\$22,650)	(\$24,790)	\$189,043	\$141,603
	(\$9,258)	(\$14,107)	(\$39,948)	(\$63,313)

Gas Supply Service - Interest Applied 2/				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	\$77	\$59	(\$1,178)	(\$1,042)
Non-residential	(\$127)	(\$136)	\$961	\$698
	(\$50)	(\$77)	(\$217)	(\$344)

Gas Supply Service - Total Factor O				
	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>	<u>Total AIC</u>
Residential	\$13,469	\$10,742	(\$230,169)	(\$205,958)
Non-residential	(\$22,777)	(\$24,926)	\$190,005	\$142,302
	(\$9,308)	(\$14,184)	(\$40,164)	(\$63,656)

1/ Factor O Adj. Ordered in Docket No. 11-0603

2/ Cumulative Interest Applied at 0.5% for December 2010-December 2011
Annual interest rate ordered by the Commission

143 **Q. Has the Factor O adjustments been included in rates?**

144 **A.** Yes. The Order in Docket No. 11-0603 was approved on January 9, 2013. The Company
145 made the filing reflecting revised Rider EUA and Rider GUA rates on January 18, 2013. These
146 revised rates were effective for services billed during the February 2013 through May 2013
147 billing periods. Ameren Exhibit 2.1 (Rider EUA) and Ameren Exhibit 2.2 (Rider GUA) are the
148 Informational Sheets that were filed with the Factor O adjusted rates.

149 The Informational Filing sheets for the period of June 2012 through May 2013 were the
150 starting point for calculating the revised rates. These initial rates were computed separately for
151 each Rate Zone and rate classification per delivery and supply. Per the revised tariffs, the Factor
152 O adjustments are to be computed for each Rate Zone and rate classifications Residential and
153 Non-residential per delivery and supply. The Factor O rate adjustments (including interest) were
154 added to the initial rate structure i.e. the residential rate for the Factor O adjustment was added to
155 the residential rate class and the non-residential rate for the Factor O adjustment was added to the
156 separate non-residential rate classes. The recovery/refund of the Factor O adjustments was
157 completed by the last billing cycle of May 2013.

158 V. **INTERNAL AUDIT REPORTS**

159 Q. **Did AIC conduct internal audits of its costs and recoveries of such costs pursuant to**
160 **Rider EUA and Rider GUA?**

161 A. Yes, as called for in Rider EUA and Rider GUA, AIC conducted internal audits for costs
162 and recoveries of such costs pursuant to both Rider EUA and Rider GUA for reporting year
163 2011. The verified audit reports were attached to the Verified Petition for Review and
164 Reconciliation under Rider EUA and Rider GUA, filed the end of August 2013.

165 Q. **Did the 2011 Rider EUA and Rider GUA Internal Audit Reports identify any**
166 **issues?**

167 A. No.

168 VI. **CONCLUSION**

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

170 A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS

NANCY L. GUDEMAN

My name is Nancy L. Gudeman. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. I am a Regulatory Specialist for the Ameren Illinois Company d/b/a Ameren Illinois.

I am a 1988 graduate of Colorado State University with a Bachelor of Science degree in Business Administration, with a concentration in Finance. I had an internship with Illinois Power Company ("Illinois Power") the summer of 1988 and was hired full-time in August 1989. From 1989 through 2004, I was employed by Illinois Power as a Sr. Financial Analyst, Internal Auditor, Lead Internal Auditor, Senior Internal Auditor, Business Associate, Business Leader, Regulatory Affairs Representative, and Project/Case Manager. Shortly after completion of Ameren Corporation's (Ameren) acquisition of Illinois Power, I was assigned to my current position. Since being employed by Ameren, I have provided testimony in Docket Nos. 09-0077, 09-0078, 09-0079, reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures. I have also provided testimony for reconciliation in Docket No. 11-0603 and Docket No. 12-0503, Rider EUA and Rider GUA. I have also provided testimony for verification of revenue recovered in Docket No. 11-0669 and Docket No. 12-0450, Rider PSP.