STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	**:**	
On Its Own Motion	**:**	
-vs-	**:**	
Ameren Illinois Company d/b/a	**:**	**12-0548**
Ameren Illinois	**:**	
	:	
Reconciliation of revenues	**:**	
collected under power	**:**	
procurement riders with actual	**:**	
costs associated with power	**:**	
procurement expenditures.	**:**	

ORDER

By the Commission:

I Procedural History

On October 3, 2012, the Commission entered an Order ("Initiating Order") directing Ameren Illinois Company, d/b/a Ameren Illinois ("Ameren Illinois") to present evidence showing the reconciliation of revenues collected under power procurement riders with the actual costs incurred in connection with procurement activities as defined in the tariffs of each of Ameren Illinois' three rate zones. The reconciliation period was the 12 months beginning June 1, 2010 and ending May 31, 2011. Appearances were entered by counsel for Ameren Illinois. No petitions to intervene were filed.

Pursuant to due notice given in accordance with the law and the rules and regulations of the Commission, pre-hearing conferences were held before a duly authorized Administrative Law Judge ("ALJ") of the Commission at its offices in Springfield, Illinois. On September 26, 2013, Ameren Illinois filed the direct testimony of Richard McCartney, David Brueggeman, and Dominic Perniciaro. On January 28, 2014, Staff filed the direct testimony of Daniel Kahle with Schedule 1.01 for each rate zone. On March 4, 2014, Ameren Illinois filed affidavits supporting the testimony of each of its witnesses. On March 24, 2014, Staff filed the affidavit supporting the testimony of Mr. Kahle. An evidentiary hearing was held on March 25, 2014. At the evidentiary hearing, attorneys for Ameren Illinois and Staff appeared. Staff Exhibits 1.0-1.1 and Ameren Exhibits 1.0-3.12 were entered into evidence without objection. At the hearing it was confirmed that there were no contested issues presented in this proceeding. At the conclusion of the hearing, the record was marked "Heard and Taken." An agreed draft proposed order was filed.

II. Ameren Illinois Position

Ameren Illinois filed testimony in response to the Initiating Order and in support of approval of the reconciliations. Mr. McCartney testified about Ameren Illinois' planning process prior to the supply procurement activities for customers taking supply on the Company's fixed price tariff (Rider BGS - Basic Generation Service ("Rider BGS")) during the reconciliation period, or June 1, 2010 through May 31, 2011. Mr. McCartney explained that the Company submitted a five-year hourly forecast to the IPA in 2009, and the IPA subsequently used this forecast to determine quantities of energy, capacity and renewable energy credits to be pursued in the IPA Procurement Plan ("the Plan"). He explained that the Plan also included a description of how Ameren Illinois would procure services such as network transmission service, ancillary services and auction revenue services. Mr. McCartney testified that the Commission approved these services, approved the Plan in Docket No. 09-0373 and that the Company abided by the Plan.

Mr. McCartney testified about the planning process and the energy and capacity procurement process for customers taking supply under the Company's real-time pricing tariffs (Rider RTP - Real Time Pricing ("Rider RTP") and Rider HSS - Hourly Supply Service ("Rider HSS")). He testified that forecasts were created prior to and during the reconciliation period using three primary sources, which were used to estimate monthly capacity requirements and daily energy requirements for customers: (1) billing data for those customers actively taking service on Rider RTP and Rider HSS, and those customers who were pending to take such supply in the next billing cycle; (2) historical hourly consumption data associated with the Midcontinent Independent Transmission System Operator ("MISO") settlement process; and (3) letters of intent associated with the summer notification process identified in Rider HSS and/or other less formal types of communications between customers and personnel working in the Key Accounts Department for Ameren Illinois.

Mr. McCartney also testified about the procurement process for Rider RTP and Rider HSS. Mr. McCartney further testified that Ameren Illinois' tariff for Rider RTP and Rider HSS defines the general parameters for procuring the capacity and energy required to service the Company's real time pricing customer load, and that the capacity and energy purchases were made consistent with the parameters included in this tariff. Specifically, Mr. McCartney explained that all energy associated with Rider RTP and Rider HSS was priced based on MISO's Locational Marginal Pricing ("LMPs") methodology. Mr. McCartney further explained that for each operating day during the reconciliation period at issue in this docket, Ameren Illinois submitted an hourly megawatt forecast to MISO the day prior to the operating day pertaining to the applicable Rider RTP and Rider HSS load. Once submitted to MISO, Mr. McCartney explained, this forecast became a financially binding "Demand Bid," which subsequently was priced at the MISO hourly day ahead LMPs. Any difference between the day ahead forecast and the actual energy used by customers was settled at hourly real time LMPs. Mr. McCartney stated that, consistent with the requirements of MISO, capacity gave the right of the buyer (here, Ameren Illinois) to designate the source as a Planning

Resource Credit ("PRC") that satisfied the resource adequacy requirement obligation of the MISO Transmission and Energy Markets Tariff ("TEMT"). Mr. McCartney further testified that the vast majority of summer capacity (June 2010 through September 2010) was procured via a Request for Proposals ("RFPs") that was administered by Burns and McDonnell on behalf of Ameren Illinois. The quantities procured via this RFP were based on the Ameren Illinois' forecast of monthly capacity requirements in the MISO Voluntary Capacity Auction ("VCA") to meet the requirements of incremental load electing hourly supply after the Burns and McDonnell procurement event. In addition, 100% of the non-summer capacity for load electing hourly supply was procured by the Company each month via the MISO VCA. Mr. McCartney concluded that Ameren Illinois complied with the terms and conditions of the riders and all purchases were done prudently.

Mr. McCartney testified about the administrative and operational costs associated with the reconciliation period. He explained that the costs at issue include, but are not limited to, short and long term forecasting of load, active participation in the IPA procurement plan docket and the planning stages leading up to the procurement process, assisting in the development of bilateral contract terms associated with the IPA procurement, development of the supply price for the upcoming planning year, procurement of capacity for customers on real time pricing tariffs not procured by the IPA, on-going contract administration, invoice check-out and payment to bilateral suppliers under contract, submission of daily demand bids (forecasts) to MISO each day of the year, MISO settlement check-out and invoice payment, nomination of auction revenue rights which offset customer costs, participation in MISO initiatives, implementation of changing MISO business practices and feedback to various interested parties (e.g., IPA, Commission Staff, Procurement Administrator, Procurement Monitor) regarding a variety of MISO issues throughout the course of the year, and responding to data requests from regulatory parties and participation in legislative initiatives that may impact the future IPA procurement process. Mr. McCartney concluded that the costs incurred during the reconciliation period were necessary and reasonable because they were consistent with the requirements under the IPA procurement plan and the Commission-approved Ameren Illinois power supply tariffs.

Mr. Brueggeman testified about the power supply procurement process and the products that were purchased in order to satisfy the power supply needs of Ameren Illinois' retail customers taking service under Rider BGS for the reconciliation period. He explained that the power supply products obtained through the IPA purchases consisted of capacity, energy and Renewable Energy Credits. He explained that the IPA procurement process utilizes a portfolio of standard wholesale products which are then supplemented by spot market energy purchases and other services that make up the full requirement product, and the process requires a procurement plan that specifically identifies the wholesale products to be procured following Commission approval of the plan. Mr. Brueggeman further testified that purchases made via the IPA procurement process were made in a manner consistent with the procurement provisions of the PUA, and the Company has performed all prudent acts in a manner consistent with the law and the Commission's order approving the Plan in Docket No. 09-0373. He explained that Ameren Illinois recovers costs incurred for power procurements pertaining to Rider BGS through Rider PER – Purchased Electricity Recovery ("Rider PER"), and he concluded that the costs incurred under Rider PER were reasonable because the purchases made via the IPA procurement process were consistent with the procurement provisions of the PUA, and that Ameren Illinois has reasonably performed all acts consistent with the law, including the Commission's prior orders.

Mr. Perniciaro testified about the way revenues for each Ameren Illinois rate zone were collected, how they were accounted for, any accounting adjustments made during the course of the reconciliation period, and the costs attributable to the relevant procurement activities. He also provided a summary schedule detailing the internal administrative and operational costs associated with the procurement of electric power and energy for retail customers during the period under review.

Mr. Perniciaro's testimony included the following exhibits, which provided the information set forth below:

- Ameren Exhibit 3.01 - Rate Zone I Rider PER reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.02 - Rate Zone II Rider PER reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.03 - Rate Zone III Rider PER reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.04 - Rate Zone I Rider HSS reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.05 - Rate Zone II Rider HSS reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.06 - Rate Zone III Rider HSS reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.07 - Rate Zone I Summary reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.08 - Rate Zone II Summary reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.09 - Rate Zone III Summary reconciliation of costs and revenues for the period ending May 31, 2011
- Ameren Exhibit 3.10 - Automatic Balancing Adjustment
- Ameren Exhibit 3.11 - Internal Administrative and Operational Costs Associated with Procurement.

According to Mr. Perniciaro, these exhibits: show the recovery of the Company's total allowable costs over the 12-month reconciliation period ending May 31, 2011 for the BGS-FP fixed price and hourly price for small customer products ("RTP") under Rider PER (Ameren Exhibits 3.1-3.3); show the recovery of the Company's total allowable costs over the twelve-month reconciliation period ending May 31, 2011 for the hourly price product for large customers under Rider HSS (Ameren Exhibits 3.4-3.6); summarize the Company's total allowable costs over the twelve-month reconciliation period ending May 31, 2011 under Riders PER and HSS and the Factor O requested by Ameren Illinois based upon the proposed adjustments (Ameren Exhibits 3.7-3.9); show the amounts related to correcting the automatic balancing adjustment that are included as a Factor A in the twelve-month reconciliation period ending May 31 (Ameren Exhibit 3.10); and show the internal administrative and operational costs associated with procuring electric power and energy for retail customers over the thirty-one-month reconciliation period ending December 31, 2012 (Ameren Exhibit 3.11).

Mr. Perniciaro testified that Ameren Illinois did not provide a schedule with this filing that presents the cumulative totals of incremental costs and cumulative totals of recoveries because Ameren Exhibits 3.01-3.09 reflect the costs and revenues by supply product, and any detail beyond supply product (i.e., fixed price load, hourly load) is not available because there is no further granularity associated with these costs. He further explained that Ameren Exhibit 3.11 includes the periods through December 31, 2012 because the pending change in the tariff calls for the reconciliation of the internal administrative and operational costs on a calendar year basis, and this schedule brings Ameren Illinois up to date and creates a clean transition to the calendar year convention. In addition, Mr. Perniciaro testified that the pending tariff changes call for the difference between these costs and the amount recovered to be included as a Factor A in the reconciliation year open at the time. He further testified that the schedule provides the support for that Factor A adjustment and will be used to satisfy the Initiating Order's request for the reconciliation of the internal administrative and operational costs through the May 31, 2013 reconciliation period. He explained that, starting with the twelve-month reconciliation period ending May 31, 2014, Ameren will provide a reconciliation of the internal administrative and operational costs for the most recently completed calendar year (twelve months ending December 31, 2013).

Mr. Perniciaro testified about the procedures Ameren Illinois follows in producing and filing the monthly reconciliations, and he explained the various accounting adjustments made in this reconciliation docket. He further testified that collateral costs were not included in the recoverable costs for the reconciliation period. He explained that, according to the Order in Docket No. 07-0527, Ameren Illinois is allowed to pass through collateral costs related to energy procurement once Staff and Ameren Illinois have agreed upon the methodology. According to Mr. Perniciaro, the methodology has not been developed yet, therefore Ameren Illinois could not include these costs in this reconciliation period, but the Company reserves the right to do so in the future.

III. Staff Position

Mr. Kahle testified on behalf of Staff. He testified that he reviewed and analyzed Ameren Illinois' reconciliations of revenues collected under Rider PER and Rider HSS with the costs incurred in connection with power procurement activities. Mr. Kahle did not propose any adjustments, noted that no Ordered Reconciliation Factor O is required, and recommended the Commission accept the reconciliation presented in

Staff Schedules 1.01 (RZ I, RZ II and RZ III) as the reconciliation of Rider PER and Rider HSS for the year ending May 31, 2011 for each Ameren Illinois rate zone.

IV. Commission Analysis and Conclusion

The Commission notes that Staff and Ameren Illinois are in agreement on the issues in this docket. Based on the evidence submitted, the record establishes that, for the 12-month reconciliation period beginning June 1, 2010 and ending May 31, 2011, Ameren Illinois acted reasonably and prudently in its recovery of costs pursuant to its power procurement riders. Further, the record supports a finding that the reconciliation of costs and revenues collected pursuant to these riders for this reconciliation period, as set forth in Staff Exhibit 1.0, Schedule 1.01 (RZ 1, RZ II and RZ III) (attached hereto as Appendix A, B and C, respectively) should be approved. Finally, the record supports a finding that Ameren Illinois has fully complied with the requirements set forth in the Initiating Order.

V. Finding and Ordering Paragraphs

The Commission, being fully advised in the premises, is of the opinion and finds that:

(1) The Commission has jurisdiction over the subject matter and the parties in this proceeding;

(2) The recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(3) Ameren Illinois acted reasonably and prudently in its recovery of costs pursuant to its power procurement riders for the 12-month reconciliation period beginning June 1, 2010 and ending May 31, 2011; and

(4) The revenues collected under Ameren Illinois' power procurement riders were properly reconciled with costs prudently incurred for the 12-month reconciliation period, as shown in the Appendices attached hereto.

IT IS THEREFORE ORDERED that for the reconciliation period of June 1, 2010 through May 31, 2011, the reconciliations of revenues collected under Ameren Illinois' power procurement riders with costs prudently incurred in connection with procurement activities as defined in the tariffs of each of Ameren Illinois' three rate zones, as shown in Staff Exhibit 1.0, Schedule 1.01 (RZ 1, RZ II and RZ III) which are attached as Appendix A, B and C to this Order, are hereby approved.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Illinois Administrative Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 17th day of June, 2014.

(SIGNED) DOUGLAS P. SCOTT

Chairman