

ILLINOIS COMMERCE COMMISSION

DOCKET No. 13-0527

DIRECT TESTIMONY

OF

DAVID J. BRUEGGEMAN

Submitted On Behalf

Of

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

July 16, 2014

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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 “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 AIC's retail
28 customers taking service under the Rider BGS - Basic Generation Service ("Rider BGS")
29 for the Reconciliation Period of June 1, 2011 through May 31, 2012 ("Reconciliation
30 Period"). Finally, I address the prudence of AIC in its efforts to obtain the power supply
31 products needed to satisfy the needs of its customers taking service on Rider BGS, at a
32 reasonable cost.

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

34 A. No.

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 Illinois Commerce Commission
40 ("Commission") approved capacity, energy swaps, physical energy contracts and one
41 year Renewable Energy Credits ("RECs") which satisfied the Illinois Renewable
42 Portfolio Standard ("RPS"). In addition, spot purchases of energy and other
43 miscellaneous services were obtained from the Midcontinent Independent System

44 Operator (“MISO”) consistent with the approved IPA procurement plan. For clarification
45 purposes, the Supplier Forward Contracts (“SFCs”) described in prior reconciliations
46 were expired during this Reconciliation Period.

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 gave the Company the right to
50 designate generating resources as Planning Resource Credit (“PRCs”) which satisfied the
51 Company’s resource adequacy requirement obligations associated with MISO tariffs.
52 The energy product consisted of a combination of legacy financial swaps and physical
53 contracts consistent with the approved IPA procurement plan. The financial swaps settled
54 on a fixed for floating basis where the floating price was calculated as the average MISO
55 Day-Ahead Locational Marginal Pricing (“LMP”) for each hour of each settlement month
56 at the Company's Load Zone. The parties then netted the difference between the agreed
57 upon fixed price and the floating price. The physical settlement contracts required the
58 contracting parties to confirm schedules through MISO, where the seller transferred
59 energy to AIC and thus reduced the MISO energy charges that otherwise would have
60 been incurred. AIC then directly paid the seller the agreed-upon fixed price for the
61 contractual quantity of energy. The REC purchases did not include an energy component
62 and were used solely to meet the RPS requirement.

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

64 A. The IPA procurement process utilized a portfolio of standard wholesale products
65 which were then supplemented by spot market energy purchases and other MISO services
66 which in aggregate comprised the supply component of Rider BGS. The IPA

67 procurement required the development of a procurement plan which specifically
68 identified the wholesale products to be procured following approval of the plan by the
69 Commission. The process also required that an independent third party (the
70 “Procurement Administrator”) be utilized to administer the actual procurement of the
71 products.

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

74 A. The IPA was responsible for the hiring of the Procurement Administrator and
75 Levitan Associates Inc. (“LAI”) was selected to serve as the Procurement Administrator
76 for the 2011 procurement cycle associated with AIC solicitations..

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

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

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

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

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

93 A. Yes. The Commission-approved procurement plan identified physical
94 transactions as the mechanism to hedge the cost of energy and these purchases combined
95 with legacy financial swaps approved in prior periods equaled the energy hedges. Since
96 the energy purchases were done in blocks as specified in the procurement plan, any
97 shortfall between the hedges and actual load was supplied through additional spot
98 purchases from the MISO energy markets. The combination of Commission-approved
99 physical transaction contracts, financial swap contracts and spot energy purchases from
100 MISO energy markets made up the energy purchases pertaining to Rider BGS load. This
101 was accomplished in the manner specified in the Commission-approved procurement
102 plan.

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

104 A. The other services I am referring to are network transmission service, ancillary
105 services, and auction revenue rights ("ARRs"). These services were required to supply
106 the load and the process utilized by the Company to acquire each service was specified in
107 the Commission approved procurement plan.

108 **Q. Were there any other products procured on behalf of the Company's real**
109 **time pricing tariffs?**

110 A. Yes. In addition to the products discussed above, the Company procured the
111 capacity and energy required to supply the load associated with real time pricing tariffs.

112 This is described in detail in testimony provided by AIC witness, Mr. Richard L.
113 McCartney.

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

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

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

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

124 A. Yes. The purchases made via the IPA procurement process were made in a
125 manner consistent with the procurement provisions of the PUA and the Company has
126 performed all prudent acts in a manner consistent with the law and the Commission's
127 order in Docket No. 10-0563.

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

130 A. AIC recovers these costs through Rider PER.

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

132 A. Yes.

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

134 A. As explained above, the purchases made via the IPA procurement process (a
135 Commission-reviewed and approved process) were made in a manner consistent with the
136 procurement provisions of the PUA. Moreover, AIC has reasonably performed all acts in
137 a manner consistent with the law, including the Commission's prior orders.

138 **IV. CONCLUSION**

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

140 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.