

ILLINOIS COMMERCE COMMISSION

DOCKET No. 13-0527

DIRECT TESTIMONY

OF

DOMINIC S. PERNICIARO

Submitted On Behalf

Of

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

July 16, 2014

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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” or
16 “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, 2011 through May 31, 2012
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, 2012
- 40 • Ameren Exhibit 3.02 - Rate Zone II Rider PER reconciliation of costs
41 and revenues for the period ending May 31, 2012
- 42 • Ameren Exhibit 3.03 - Rate Zone III Rider PER reconciliation of costs
43 and revenues for the period ending May 31, 2012
- 44 • Ameren Exhibit 3.04 - Rate Zone I Rider HSS reconciliation of costs
45 and revenues for the period ending May 31, 2012
- 46 • Ameren Exhibit 3.05 - Rate Zone II Rider HSS reconciliation of costs
47 and revenues for the period ending May 31, 2012

- 48 • Ameren Exhibit 3.06 - Rate Zone III Rider HSS reconciliation of costs
49 and revenues for the period ending May 31, 2012
- 50 • Ameren Exhibit 3.07 - Rate Zone I Summary reconciliation of costs
51 and revenues for the period ending May 31, 2012
- 52 • Ameren Exhibit 3.08 - Rate Zone II Summary reconciliation of costs
53 and revenues for the period ending May 31, 2012
- 54 • Ameren Exhibit 3.09 - Rate Zone III Summary reconciliation of costs
55 and revenues for the period ending May 31, 2012
- 56 • Ameren Exhibit 3.10 – Internal Administrative and Operational Costs
57 Associated with Procurement ending December 31, 2012

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

59 A. Ameren Exhibits 3.01, 3.02 and 3.03, as they are labeled, show the recovery of
60 the Company's total allowable costs over the 12-month reconciliation period ending May
61 31, 2012 for the BGS-FP fixed price and hourly price for small customer products
62 ("RTP") under Rider PER. Ameren Exhibits 3.04, 3.05 and 3.06 show the recovery of
63 the Company's total allowable costs over the twelve-month reconciliation period ending
64 May 31, 2012 for the hourly price product for large customers under Rider HSS. Ameren
65 Exhibits 3.07, 3.08 and 3.09 summarize the Company's total allowable costs over the
66 twelve-month reconciliation period ending May 31, 2012 under Riders PER and HSS and
67 any Factor O requested by AIC based upon the proposed adjustments. AIC is not
68 requesting a Factor O in this Order. Ameren Exhibit 3.10 is a schedule of the internal
69 administrative and operational costs associated with procuring electric power and energy
70 for retail customers over the thirty-one-month reconciliation period ending December 31,
71 2012. This schedule was previously provided as Ameren Exhibit 3.11 in Docket 12-
72 0548.

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

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

86 **Q. The initiating order only calls for the internal administrative and operational**
87 **costs for the twelve-months ended May 31, 2012. Why does Exhibit 3.10 include the**
88 **periods through December 31, 2012?**

89 A. In Docket 12-0548, AIC agreed to change the tariff to allow for the inclusion of
90 the internal administrative and operation costs within this rider. The change in the tariff
91 calls for the reconciliation of the internal administrative and operational costs on a
92 calendar year basis. Ameren Exhibit 3.10 is the cumulative reconciliation of the internal
93 administrative and operation costs included in Docket 12-0548 as Ameren Exhibit 3.11
94 that creates the clean transition to the calendar year convention. In addition, the tariff
95 changes call for the difference between these costs and the amount recovered for this

96 initial schedule to be included as a Factor A in the reconciliation year open at the time of
97 tariff change acceptance. The \$349,860 indicated in this exhibit as an over recovery was
98 included as a Factor A in the 2013-2014 reconciliation period. AIC is not requesting a
99 Factor O for this amount.

100 Ameren Exhibit 3.10 provides the support for that Factor A adjustment and will
101 be used to satisfy the initiating order's request for the reconciliation of the internal
102 administrative and operational costs through the May 31, 2013 reconciliation period.

103 Starting with the twelve month reconciliation period ending May 31, 2014, AIC
104 will provide a 12-month reconciliation of the internal administrative and operational costs
105 for the most recently completed calendar year (twelve months ending December 31,
106 2013).

107 **II. MONTHLY RECONCILIATIONS.**

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

111 A. Please refer to testimony of AIC witnesses, Messrs. Richard L. McCartney and
112 David J. Brueggeman for a general understanding of the tariffs that provide service to
113 customer groups and how they relate to the various purchased power and energy
114 products.

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

117 A. The monthly Riders PER and HSS revenues are calculated using AIC's reports
118 for sales and estimated billed output. The "actual" revenues reported in the filings are

119 estimated based on actual rates for billed and estimated unbilled volumes. Revenues are
120 tracked for each category of service (*i.e.*, BGS-FP and HSS).

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

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

139 A. No. The list below shows the applicable Cost Item cross referenced to the
140 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

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

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

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

147 A. Yes, there were accounting adjustments. Internal analysis conducted in April
148 2012 determined that the allocation of capacity between Rider HSS and Rider PER rate
149 zones were incorrect at the beginning of this reconciliation period. The corrections,
150 rounded to the nearest dollar, are as follows:

	Rider HSS	Rider PER	Net Change
152	Rate Zone I	\$ 1,600	\$ 6
153	Rate Zone II	\$ 750	(\$ 2)
154	Rate Zone III	<u>\$ 4,533</u>	<u>(\$ 5)</u>
155		<u>\$ 6,883</u>	<u>(\$ 1)</u>

156 The table reflects a small net impact as a result of rounding this reallocation and the
157 impact of interest. These amounts were included as a Factor A in the May 2012
158 determination period.

159 In addition, during the previous reconciliation year, additional Annual Auction
160 Revenue (AAR) expenses resulted in a Factor A for the May 2011 determination period.
161 It was determined that interest was not included in that Factor A. The interest for the
162 May 2011 Factor A was added as a Factor A in the July 2011 determination period. AIC
163 is not requesting a Factor O for either of these issues.

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

166 A. Yes. As part of the Rider PER rate calculation, an estimated dollar amount
167 attributable to free service is excluded as a recoverable cost. Early in 2013, analysis of
168 the report that provided the quantity of free service kWhs indicated that the free service
169 volumes used for May 2012 were overstated. Using the average price for May 2012, the
170 net amount for this under-recovery is \$16,497.44.

171 **Q. Are there collateral costs included in the recoverable costs for the**
172 **reconciliation period? If so, please provide the amount of collateral at each**
173 **financial institution, the form of collateral, the interest earned on cash collateral**
174 **posted by each institution, and the interest paid on loans obtained to post collateral**
175 **by each institution. If not, please explain.**

176 A. No collateral costs are included in the 2011-2012 Recoverable Costs. According
177 to the Order in Docket No. 07-0527, AIC is allowed to pass through collateral costs
178 related to energy procurement once Staff and AIC have agreed upon the methodology.

179 12/19/07 Final Order in Docket No. 07-0527, at 91-92. The methodology has not been
180 developed yet therefore we cannot include these costs in this reconciliation period, but
181 reserve the right to do so in the future.

182 **III. CONCLUSION**

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

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

- 185 1) Approve Ameren Exhibit 3.07 as the reconciliation for Rider PER and
186 Rider HSS for AmerenCIPS for the twelve month reconciliation period
187 ending May 31, 2012;
- 188 2) Approve Ameren Exhibit 3.08 as the reconciliation for Rider PER and
189 Rider HSS for AmerenCILCO for the twelve month reconciliation period
190 ending May 31, 2012;
- 191 3) Approve Ameren Exhibit 3.09 as the reconciliation for Rider PER and
192 Rider HSS for AmerenIP for the twelve month reconciliation period
193 ending May 31, 2012, including a Factor O for the under-recovery of
194 \$16,497; and
- 195 4) Approve Ameren Exhibit 3.10 as the reconciliation of internal
196 administrative and operational costs associated with procurement for Rider
197 PER and Rider HSS for AIC for the twelve month reconciliation period
198 ending May 31, 2012.

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

200 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.