

DIRECT TESTIMONY

OF

DANIEL G. KAHLE

Accountant  
Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Ameren Illinois Company

d/b/a Ameren Illinois

Reconciliation of Revenues Collected Under  
Power Procurement Riders with  
Actual Costs Associated with Power  
Procurement Expenditures

Docket No. 13-0527

November 24, 2014

1 **Witness Identification**

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

3 A. My name is Daniel G. Kahle. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

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

6 A. I am employed as an Accountant in the Accounting Department of the Financial  
7 Analysis Division of the Illinois Commerce Commission ("Commission").

8 Q. **Please describe your background and professional affiliations.**

9 A. I have a Bachelor of Science degree in Accountancy from the University of  
10 Illinois. I am a Certified Public Accountant, licensed to practice in the State of  
11 Illinois. My accounting experience extends over seventeen years as an internal  
12 auditor for the State of Illinois, including four years as Chief Auditor at the  
13 Department of Commerce and Economic Opportunity ("DCEO"), five years as an  
14 Accounting Office Manager at DCEO, and two years as an Assurance Services  
15 Manager in a Public accounting firm. I joined the Staff of the Illinois Commerce  
16 Commission ("Staff") in April 2006.

17 Q. **Have you previously testified before this Commission?**

18 A. Yes, I have testified before the Commission on several occasions.

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

20 A. I have reviewed and analyzed Ameren Illinois Company's ("Ameren" or the  
21 "Company") reconciliations of revenues collected under Rider PER and Rider

22 HSS with the costs incurred in connection with power procurement activities as  
23 defined in the tariffs of each of the Company's three rate zones. My testimony  
24 presents the results of that review for each rate zone.

## 25 **Schedule Identification**

26 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0?**

27 A. Yes. I am sponsoring Schedules 1.01 for each of the Company's three rate  
28 zones that present the reconciliations for the period June 1, 2011 through May  
29 31, 2012. The schedules are identified with the associated docket number as  
30 well as schedule numbers, i.e., 1.01 RZ I, 1.01 RZ II, and 1.01 RZ III. I am also  
31 sponsoring Schedule 1.02 which is a summary of the adjustments proposed by  
32 the Company.

33 **Q. Describe Schedule 1.01 for each of the Company's rate zones.**

34 A. Each Schedule 1.01 presents a summary of the reconciliation per Staff for the  
35 various components of Rider PER and Rider HSS.

36 **Q. Describe Schedule 1.02.**

37 A. Schedule 1.02 presents a summary of the adjustments proposed by the  
38 Company for Rider PER and Rider HSS. This summary takes data from the  
39 Company's testimony and compiles that data for inclusion in my Schedules 1.01.

## 40 **Findings**

41 **Q. Are you proposing any adjustments?**

42 A. No. The Company, however, incorporates two adjustments in its Exhibits 4.02,  
43 4.03 and 4.04 that result in a Reconciliation Factor O in this proceeding. Those  
44 adjustments are:

- 45 1. Correction of an accounting error in recording Company use of  
46 electricity for both Rider PER and Rider HHS in all three rate zones;  
47 and
- 48 2. Correction of an overstatement of the volume of free service in Rate  
49 Zone III for Rider PER.

50 **Q. Please summarize the Company's two proposed adjustments starting with**  
51 **the accounting error.**

52 A. Because of an accounting error, beginning in January 2007, in recording  
53 Company use of electricity, the Company inadvertently added Company use of  
54 electricity to revenue for Riders PER and HSS in addition to correctly deducting  
55 the same amount from recoverable costs. This double counting caused the  
56 Company to under-recover Rider PER and HSS recoverable costs by a  
57 combined \$21,998,550 including all three rate zones. (Ameren Ex. 4.0, 3-4.)  
58 The Company proposes to correct this error in three parts which include all three  
59 rate zones. The Company:

- 60 1. Made an adjustment of \$17,271,588 in its reconciliation for over-  
61 recoveries from January 2007 through May 2012 which the Company  
62 achieved by reducing cumulative under/(over) recoveries by \$15,124,718  
63 on line 4 of their schedules, and by reducing current revenues by

64                   \$2,146,870 within line 7 of their schedules. The total adjustment of  
65                   \$17,271,588 is included in the Company's requested Reconciliation Factor  
66                   O for the three rate zones for both riders;  
67                   2. Will make adjustments totaling \$2,096,854 and \$988,550 to be included in  
68                   the next two reconciliation periods; and  
69                   3. Will make an adjustment of \$1,641,558 on their books in the current, open  
70                   program year. (Ameren Ex. 4.0, 5-6.)

71   **Q. Please summarize the Company's other proposed adjustment; the volume**  
72   **of free service error.**

73   A. The Company's second error is the result of overstating the volume of free  
74   service in May 2012 for Rate Zone III causing an understatement of recoverable  
75   costs and an under-recovery of \$16,497. (Ameren Ex. 3.0, 8:166-170.) This  
76   error is added to recoverable costs in their reconciliation, and the amount is  
77   included in the Company's requested Reconciliation Factor O for Rate Zone III.

78   **Q. Do you agree with the Company's adjustments?**

79   A. Yes. I agree that the Company's proposed adjustments are necessary and are  
80   correctly calculated.

81   **Q. Have you included the Company's adjustments in your schedules?**

82   A. Yes, but in a different format than the Company's.

83   **Q. How are the Company's adjustments included in your schedules?**

84 A. I have included the total under-recovery of \$17,271,588 related to double  
85 counting Company use of electricity in line 8 of my Schedules 1.01. I have  
86 combined the under-recovery of \$16,497 for overstated free service and the  
87 under-recovery of \$17,271,588 because of double counting Company use of  
88 electricity in line 16 of my Schedules 1.01 as a recommended Ordered  
89 Reconciliation Factor O of \$17,288,085.

90 My Schedule 1.02 provides a breakout of these two errors by rate zone, rider and  
91 reconciliation period.

92 **Q. How are your Schedules 1.01 different from the Company's Exhibits 4.02,**  
93 **4.03 and 4.04?**

94 A. For the portion of the accounting error that occurred in previous reconciliations,  
95 the Company included an adjustment of \$15,124,718 to cumulative under/(over)  
96 recoveries from prior reconciliations on line 4 of their schedules.

97 For the portion of the accounting error that occurred in the current reconciliation  
98 year, the Company netted \$2,146,870 against revenues within line 7 of their  
99 schedules.

100 I combined both portions of the Company's accounting error adjustments on line  
101 8 of my Schedules 1.01 so that 1) the cumulative under/(over) recoveries from  
102 prior years on line 4 of my schedules would match the ending balances in the  
103 Appendices to the Final Order in Docket No. 12-0548 and 2) the revenues on line

104 6 of my schedules would match the Company's monthly filings for the  
105 reconciliation period.

106 **Recommendations for the Commission**

107 **Q. Please summarize your recommendations.**

108 A. I recommend the Commission accept the reconciliation presented on my  
109 Schedules 1.01 (RZ I, RZ II and RZ III) as the reconciliation of Rider PER and  
110 Rider HSS for the year ended May 31, 2012 for each Ameren rate zone. Further,  
111 I recommend that each Schedule 1.01 be attached as Appendices presented to  
112 the Order entered by the Commission.

113 **Conclusion**

114 **Q. Does this question end your prepared direct testimony?**

115 A. Yes.

**Ameren Illinois Company - Rate Zone I (CIPS)**  
**Power Procurement Reconciliation**  
**For the Year Ended May 31, 2012**

Line No.	Description (a)	PER (b)	HSS (c)	Total (d)
<b>Under/(Over) Recovery From Prior Years</b>				
1	Under/(Over) Recovery from Prior Years (12-0548)	\$ (12,817,240)	\$ (1,019,766)	\$ (13,837,006)
2	Factor O 10-0272/0273/0274 (Order 8/15/2012)	(731,036)	(1)	(731,037)
3	Factor O 11-0354/0355/0356 (Order 7/31/2013)	(1,143,760)	39,624	(1,104,136)
4	Under/(Over) Recovery from Prior Years (sum of lines 1 through 3)	<u>\$ (14,692,036)</u>	<u>\$ (980,143)</u>	<u>\$ (15,672,179)</u>
<b>Under/(Over) Recovery From Current Year</b>				
5	2011 - 2012 Recoverable Costs	\$ 243,902,410	\$ 33,507,541	\$ 277,409,951
6	2011 - 2012 Revenues	(254,735,404)	(30,531,100)	(285,266,504)
7	Separately Reported 2011 - 2012 Adjustments	(1,596)	1,600	\$4
8	Accounting Error from Previous Reconciliation	3,253,261	1,561	3,254,822
9	Monthly Interest at 0.5% through December 2011	(16,800)	(746)	(17,546)
10	Under/(Over) Recovery from Current Year (sum of lines 5 through 9)	<u>\$ (7,598,129)</u>	<u>\$ 2,978,856</u>	<u>\$ (4,619,273)</u>
11	Cumulative Under/(Over) Recovery For Reconciliation Year (sum of lines 4 and 10)	<u>\$ (22,290,165)</u>	<u>\$ 1,998,713</u>	<u>\$ (20,291,452)</u>
<b>Disposition of Cumulative Under/(Over) Recovery</b>				
12	Total Adjustments To Electric Costs (Amortized Portion) Included In Monthly PER/HSS Filings	\$ (1,170,415) 1	\$ 846,177	\$ (324,238)
13	Unamortized Balance, End of Reconciliation Year (May 31, 2012)	(22,498,215)	1,111,352	(21,386,863)
14	Factor O 10-0272/0273/0274 (Order 8/15/2012)	(731,036)	(1)	(731,037)
15	Factor O 11-0354/0355/0356 (Order 7/31/2013)	(1,143,760)	39,624	(1,104,136)
16	Factor O Collection/(Refund) (line 11 - line 12 - line 13 - line 14 - line 15)	<u>3,253,261</u>	<u>1,561</u>	<u>3,254,822</u>
17	Cumulative Under/(Over) Recovery For Reconciliation Year (sum of lines 12 through 16)	<u>\$ (22,290,165)</u>	<u>\$ 1,998,713</u>	<u>\$ (20,291,452)</u>

**Ameren Illinois Company - Rate Zone II (CILCO)**  
**Power Procurement Reconciliation**  
**For the Year Ended May 31, 2012**

Line No.	Description (a)	PER (b)	HSS (c)	Total (d)
<b>Under/(Over) Recovery From Prior Years</b>				
1	Under/(Over) Recovery from Prior Years (12-0548)	\$ (16,852,222)	\$ (672,224)	\$ (17,524,446)
2	Factor O 10-0272/0273/0274 (Order 8/15/2012)	(429,695)	(867,633)	(1,297,328)
3	Factor O 11-0354/0355/0356 (Order 7/31/2013)	(439,415)	31,621	(407,794)
4	Under/(Over) Recovery from Prior Years (sum of lines 1 through 3)	<u>\$ (17,721,332)</u>	<u>\$ (1,508,236)</u>	<u>\$ (19,229,568)</u>
<b>Under/(Over) Recovery From Current Year</b>				
5	2011 - 2012 Recoverable Costs	\$ 128,160,020	\$ 6,772,857	\$ 134,932,877
6	2011 - 2012 Revenues	(122,640,782)	(6,521,590)	(129,162,372)
7	Separately Reported 2011 - 2012 Adjustments	(751)	750	(\$1)
8	Accounting Error from Previous Reconciliation	3,816,379	638,152	4,454,531
9	Monthly Interest at 0.5% through December 2011	(18,169)	(757)	(18,926)
10	Under/(Over) Recovery from Current Year (sum of lines 5 through 9)	<u>\$ 9,316,697</u>	<u>\$ 889,412</u>	<u>\$ 10,206,109</u>
11	Cumulative Under/(Over) Recovery For Reconciliation Year (sum of lines 4 and 10)	<u>\$ (8,404,635)</u>	<u>\$ (618,824)</u>	<u>\$ (9,023,459)</u>
<b>Disposition of Cumulative Under/(Over) Recovery</b>				
12	Total Adjustments To Electric Costs (Amortized Portion) Included In Monthly PER/HSS Filings	\$ 1,605,900	\$ (77,159)	\$ 1,528,741
13	Unamortized Balance, End of Reconciliation Year (May 31, 2012)	(12,957,804)	(343,805)	(13,301,609)
14	Factor O 10-0272/0273/0274 (Order 8/15/2012)	(429,695)	(867,633)	(1,297,328)
15	Factor O 11-0354/0355/0356 (Order 7/31/2013)	(439,415)	31,621	(407,794)
16	Factor O Collection/(Refund) (line 11 - line 12 - line 13 - line 14 - line 15)	<u>3,816,379</u>	<u>638,152</u>	<u>4,454,531</u>
17	Cumulative Under/(Over) Recovery For Reconciliation Year (sum of lines 12 through 16)	<u>\$ (8,404,635)</u>	<u>\$ (618,824)</u>	<u>\$ (9,023,459)</u>

**Ameren Illinois Company - Rate Zone III (IP)**  
**Power Procurement Reconciliation**  
**For the Year Ended May 31, 2012**

Line No.	Description (a)	PER (b)	HSS (c)	Total (d)
<b>Under/(Over) Recovery From Prior Years</b>				
1	Under/(Over) Recovery from Prior Years (12-0548)	\$ (19,551,776)	\$ (1,101,837)	\$ (20,653,613)
2	Factor O 10-0272/0273/0274 (Order 8/15/2012)	(1,536,616)	-	(1,536,616)
3	Factor O 11-0354/0355/0356 (Order 7/31/2013)	(2,038,375)	(152,379)	(2,190,754)
4	Under/(Over) Recovery from Prior Years (sum of lines 1 through 3)	<u>\$ (23,126,767)</u>	<u>\$ (1,254,216)</u>	<u>\$ (24,380,983)</u>
<b>Under/(Over) Recovery From Current Year</b>				
5	2011 - 2012 Recoverable Costs	\$ 374,803,094	\$ 17,507,019	\$ 392,310,113
6	2011 - 2012 Revenues	(366,519,269)	(16,059,314)	(382,578,583)
7	Separately Reported 2011 - 2012 Adjustments	(4,537)	4,533	(\$4)
8	Accounting Error from Previous Reconciliation	(1) 8,197,684	1,364,551	9,562,235
9	Monthly Interest at 0.5% through December 2011	(21,815)	(846)	(22,661)
10	Under/(Over) Recovery from Current Year (sum of lines 5 through 9)	<u>\$ 16,455,157</u>	<u>\$ 2,815,943</u>	<u>\$ 19,271,100</u>
11	Cumulative Under/(Over) Recovery For Reconciliation Year (sum of lines 4 and 10)	<u>\$ (6,671,610)</u>	<u>\$ 1,561,727</u>	<u>\$ (5,109,883)</u>
<b>Disposition of Cumulative Under/(Over) Recovery</b>				
12	Total Adjustments To Electric Costs (Amortized Portion) Included In Monthly PER/HSS Filings	\$ 5,241,449	\$ 109,855	\$ 5,351,304
13	Unamortized Balance, End of Reconciliation Year (May 31, 2012)	(16,552,249)	239,700	(16,312,549)
14	Factor O 10-0272/0273/0274 (Order 8/15/2012)	(1,536,616)	-	(1,536,616)
15	Factor O 11-0354/0355/0356 (Order 7/31/2013)	(2,038,375)	(152,379)	(2,190,754)
16	Factor O Collection/(Refund) (line 11 - line 12 - line 13 - line 14 - line 15)	(1) <u>8,214,181</u>	<u>1,364,551</u>	<u>9,578,732</u>
17	Cumulative Under/(Over) Recovery For Reconciliation Year (sum of lines 12 through 16)	<u>\$ (6,671,610)</u>	<u>\$ 1,561,727</u>	<u>\$ (5,109,883)</u>

(1) Line 16 includes the accounting error adjustment from Line 8 plus the free service adjustment of \$16,497.

**Ameren Illinois Company**  
**Power Procurement Reconciliation**  
**For the Year Ended May 31, 2012**

<b>Line No.</b>	<b>Description (a)</b>	<b>PER (b)</b>	<b>HSS (c)</b>	<b>Total (d)</b>	<b>Source (e)</b>
<b>Accounting Error</b>					
1	13-0527 Accounting Error Adjustment	\$ 15,267,324.61	\$ 2,004,263.45	\$ 17,271,588.06	Line 1 - sum Lines 3 - 5
2	Future Docket No. 14-0568 (June 2012 - May 2013)	1,395,779.84	701,074.48	2,096,854.32	Ameren Ex. 4.0, p. 5
3	Future Docket TBD (June 2013 - December 2013)	578,098.06	410,451.52	988,549.58	Ameren Ex. 4.0, p. 5
4	Current Year (January 2014 - September 2014)	<u>744,326.33</u>	<u>897,231.40</u>	<u>1,641,557.73</u>	Ameren Ex. 4.0, p. 5
5	<b>Total Disposition of Accounting Error</b>	<u>\$ 17,985,528.84</u>	<u>\$ 4,013,020.85</u>	<u>\$ 21,998,549.69</u>	Sum Lines 2 - 5
<b>Accounting Error by Rate Zone:</b>					
6	RZ I	\$ 3,253,261.18	\$ 1,560.53	\$ 3,254,821.71	Ameren Ex. 4.0, p. 5
7	RZ II	3,816,379.13	638,151.93	4,454,531.06	Ameren Ex. 4.0, p. 5
8	RZ III	<u>8,197,684.30</u>	<u>1,364,550.99</u>	<u>9,562,235.29</u>	Ameren Ex. 4.0, p. 5
9	Totals	<u>\$ 15,267,324.61</u>	<u>\$ 2,004,263.45</u>	<u>\$ 17,271,588.06</u>	Sum Lines 9 - 11
10	<b>13-0527 Volume of Free Service Error - RZ III</b>	<u>\$ 16,497.00</u>	<u>\$ -</u>	<u>\$ 16,497.00</u>	Ameren Ex. 3.0, p. 8
11	<b>13-0527 Factor O Collection/(Refund)</b>	<u>\$ 15,283,821.61</u>	<u>\$ 2,004,263.45</u>	<u>\$ 17,288,085.06</u>	Line 1 + Line 10
<b>Factor O Collection/(Refund) by rate Zone:</b>					
12	RZ I	\$ 3,253,261.18	\$ 1,560.53	\$ 3,254,821.71	Line 6
13	RZ II	3,816,379.13	638,151.93	4,454,531.06	Line 7
14	RZ III	<u>8,214,181.30</u>	<u>1,364,550.99</u>	<u>9,578,732.29</u>	Line 8 + Line 10
15	Totals	<u>\$ 15,283,821.61</u>	<u>\$ 2,004,263.45</u>	<u>\$ 17,288,085.06</u>	Sum Lines 12 - 14