

Ameren Corporation

Ameren Illinois Company

Rider EDR (Energy Efficiency and Demand-Response Cost Recovery)

September 18, 2013



**Internal Audit Report
13-29**

Environment:

- Rider EDR (Energy Efficiency and Demand-Response Cost Recovery) applies to Ameren Illinois Company's (AIC) approximately 1.2 million electric customers. Rider EDR (EDR) recovers costs for Energy Efficiency and Demand Response activities and programs (measures) approved by the Illinois Commerce Commission (ICC).
- Every three years, AIC must file a plan with the ICC describing how it will meet targeted reductions within the cost limits set by Section 8-103 of the Illinois Public Utilities Act. Each program year runs from June 1 to May 31. On May 24, 2011, the ICC approved AIC's second three-year plan (the Plan), covering the period from June 1, 2011 to May 31, 2014.
- EDR requires AIC to reconcile the program costs to costs recovered from customers (also referred to as revenue), resulting in an annual over/(under) recovery of costs. The cumulative over/(under) recovery is included with budgeted costs in the annual calculation of EDR rates, effective each June billing period. The reconciliation for the billing periods June 2012 through May 2013 is shown in Appendix A.
- AIC contracts with suppliers to provide energy efficiency programs for customers. Eligible customers can participate in an on-bill financing program, in which they can purchase energy efficiency measures and pay for these products over time on their utility bill.
- EDR costs can include salaries for positions created after August 28, 2007, to administer the measures, or positions created after July 10, 2009, to administer the on-bill financing program. However, effective January 1, 2012, AIC discontinued recovering the salaries through EDR and began recovering the salaries for all of those positions through base rates in order to provide a consistent method of recovering labor costs.
- EDR requires costs that AIC expects to be reimbursed from sources other than customers (e.g., reimbursement of charges from a regional transmission organization) to be used in the EDR rate calculation. AIC did not receive any such reimbursements during the period June 1, 2012 through May 31, 2013.
- EDR requires an annual internal audit, as described below in the Scope.

Scope:

We reviewed the costs and revenues pursuant to EDR during the billing periods June 2012 through May 2013. As required by EDR, we determined whether costs recovered through the Rider were:

- Salaries of AIC employees for positions related to measures created after August 28, 2007, or positions related to on-bill financing created after July 10, 2009
- Associated with the measures approved in the Plan
- Not recovered through other approved tariffs

We also determined whether:

- EDR is being properly billed to customers
- EDR revenues are recorded in appropriate general ledger accounts
- Reimbursement of costs are identified and recorded properly for calculating rates and the reconciliation

Conclusion:

Costs for salaries of AIC employees hired for positions created after August 28, 2007 or July 10, 2009, are not being recovered through EDR. Costs appear to be associated with approved measures and not recovered through other tariffs. In addition, it appears that EDR is being properly billed to customers and recorded in appropriate general ledger accounts. Although there were no reimbursed costs, accounting controls are in place to identify and record reimbursements in the rate calculation and reconciliation, if reimbursements occur.

Appendix A

Ameren Illinois Company
Rider EDR – Energy Efficiency and Demand-Response Cost Recovery
For the Billing Periods from June 2012 through May 2013

Lines	Residential	Small Commercial and Industrial	Large Commercial and Industrial	Total
1 Revenue	\$20,508,657	\$8,541,374	\$20,252,195	\$49,302,226
2 Incremental Costs	<u>21,575,019</u>	<u>18,493,782</u>	<u>11,463,208</u>	<u>51,532,009</u>
3 Automatic Reconciliation Adjustment	<u>\$(1,066,362)</u>	<u>\$(9,952,408)</u>	<u>\$8,788,987</u>	<u>\$(2,229,783)</u>

The above summary is taken from the Annual Reconciliation prepared by Ameren Services and AIC Regulatory personnel and filed with the ICC.

Line 1 - represents the costs recovered from customers

Line 2 - represents fees and charges for approved measures, budgeted costs for the next program year, and the cumulative over/(under) recovery from the previous reporting years

Line 3 - represents the cumulative over/(under) recovery included in the rate calculation for future reporting years

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