

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company	:	
d/b/a Ameren Illinois	:	
	:	14-0262
Verified Petition for Approval of the	:	
Second UCB/POR Reconciliation Period.	:	

ORDER

By the Commission:

I. PROCEDURAL HISTORY

In Docket Nos. 08-0619, 08-620, and 08-0621 (cons.), the Illinois Commerce Commission (“Commission”) entered an Order approving tariffs filed by Central Illinois Light Company, Central Illinois Public Service Company, and Illinois Power Company (collectively, the "Ameren Illinois Utilities") implementing a consolidated billing and purchase of receivables program (“UCB/POR”) in compliance with the legislative mandate contained in Section 16-118 of the Illinois Public Utilities Act (“Act”), 220 ILCS 5/1-101 et seq. Since the merger of the Ameren Illinois Utilities in October of 2010, the UCB/POR tariffs approved by the Commission are now being administered by Ameren Illinois Company d/b/a Ameren Illinois ("AIC"), as successor to the Ameren Illinois Utilities. Pursuant to Section 16-118(c), UCB/POR tariffs are required to provide for cost recovery associated with the UCB/POR program. The cost recovery is provided for by means of a supplemental customer charge and a discount rate imposed on receivables acquired from participating retail electric suppliers ("RES").

In Docket Nos. 08-0619, 08-0620 and 08-0621 (cons.), AIC (then the Ameren Illinois Utilities) indicated reconciliation of actual revenues with recoverable costs would occur as part of the cost recovery portions of the UCB/POR tariff, specifically with regard to the calculation of the UCB/POR Program Charge, a supplemental component of the customer charge. Further, the resulting Order recognized the same. (See August 19, 2009 Order at 32, 35, 39, and 49-50) The general structure of the process includes a reconciliation after the first three years of operation, followed by a final reconciliation of costs incurred to implement the tariff services with actual recoveries after five years, and annual reconciliations thereafter.

On March 28, 2014, AIC filed with the Commission a petition seeking approval of the second reconciliation of the UCB/POR Program Charge for the period January 1, 2012 through December 31, 2013 (“Second Period Reconciliation”). Pursuant to proper legal notice, hearings were held in this matter before a duly authorized Administrative Law Judge (“ALJ”) of the Commission at its offices in Springfield, Illinois on April 24, 2014 and November 6, 2014. A member of Commission Staff ("Staff") and counsel for AIC each

entered an appearance. The ALJ granted the petition to intervene filed by the Illinois Competitive Energy Association ("ICEA"), although ICEA did not participate in this proceeding. At the November 6, 2014 evidentiary hearing, Karen Althoff, a Supervisor of Rates and Analysis in the Rates Regulatory Department of AIC, testified on behalf of AIC. Theresa Ebrey, an Accountant in the Accounting Department of the Financial Analysis Division of the Commission's Bureau of Public Utilities, testified on behalf of Staff. At the end of the evidentiary hearing, the record was marked heard and taken. No party filed a brief and there are no contested issues.

II. APPLICABLE AUTHORITY

Effective November 9, 2007, Public Act 95-700 amended Section 16-118 of the Act by adding language directing utilities with more than 100,000 customers to file tariffs pursuant to Article IX of the Act establishing UCB/POR service. On September 30, 2008, AIC (then the Ameren Illinois Utilities) filed tariffs implementing UCB/POR pursuant to Section 16-118 of the Act. The Commission suspended those tariffs on November 13, 2008, initiating the UCB/POR proceeding. On August 19, 2009, the Commission issued its Order approving AIC's (then the Ameren Illinois Utilities') UCB/POR program as amended therein, and ordering AIC to file revised tariff sheets conforming to the Order within 30 days of the Order. On September 18, 2009, AIC filed the revised tariff sheets pursuant to the Order. On April 1, 2013, AIC filed with the Commission revisions to add a provision for a reconciliation process to the program charge section of the Supplemental Customer Charges tariff. (See Ill. C.C. No. 1, 2nd Revised Sheet No. 38.011) The relevant portions of Section 16-118 read in part as follows:

(a) ... Each electric utility shall permit alternative retail electric suppliers to interconnect facilities to those owned by the utility provided they meet established standards for such interconnection, and may provide standby or other services to alternative retail electric suppliers. The alternative retail electric supplier shall sign a contract setting forth the prices, terms and conditions for interconnection with the electric utility and the prices, terms and conditions for services provided by the electric utility to the alternative retail electric supplier in connection with the delivery by the electric utility of electric power and energy supplied by the alternative retail electric supplier.

(b) An electric utility shall file a tariff pursuant to Article IX of the Act that would allow alternative retail electric suppliers...to issue single bills to the retail customers for both the services provided by such alternative retail electric supplier...and the delivery services provided by the electric utility to such customers. ...

(c) An electric utility with more than 100,000 customers shall file a tariff pursuant to Article IX of this Act that provides alternative retail electric suppliers...with the option to have the electric utility purchase their receivables for power and energy service provided to residential retail customers and non-residential retail customers with a non-coincident peak

demand of less than 400 kilowatts. Receivables for power and energy service of alternative retail electric suppliers ... shall be purchased by the electric utility at a just and reasonable discount rate to be reviewed and approved by the Commission after notice and hearing. The discount rate shall be based on the electric utility's historical bad debt and any reasonable start-up costs and administrative costs associated with the electric utility's purchase of receivables. The discounted rate for purchase of receivables shall be included in the tariff filed pursuant to this subsection (c). The discount rate filed pursuant to this subsection (c) shall be subject to periodic Commission review. ... The tariff filed pursuant to this subsection (c) shall permit the electric utility to recover from retail customers any uncollected receivables that may arise as a result of the purchase of receivables under this subsection (c), may also include other just and reasonable terms and conditions, and shall provide for the prudently incurred costs associated with the provision of this service pursuant to this subsection (c). Nothing in this subsection (c) permits the double recovery of bad debt expenses from customers.

III. PARTIES' POSITIONS

A. AIC Position

AIC witness Althoff addressed the reconciliation of the various components of the UCB/POR Program Charge and Discount Rate. The purpose of her testimony was to explain the mechanics of the UCB/POR Program Charge and to reconcile the estimated versus actual experience of the various components of AIC's UCB/POR Program Charge for the Second Period Reconciliation. She provided background regarding charges resulting from UCB/POR. She stated that UCB/POR provides for the cost recovery of Start-Up Costs associated with the changes in systems necessary to implement the Program. Cost recovery is outlined in AIC's Supplemental Customer Charges and Supplier Terms and Conditions. The Start-Up Costs were segregated by a 95% cost recovery component for the UCB and a 5% cost recovery component for the POR. The 95% UCB component is then split for recovery purposes as follows: 75% by Eligible Delivery Service Customers and 25% by RES.

As described by Ms. Althoff, the reconciliation of the UCB/POR Program costs and revenues involves the review and analysis of several program sub-components and internal factors. These factors include the uncollectible component of the Discount Rate ("Factor UDC"), two UCB Start Up Cost components ("Factor USC" and "Factor USD"), a Fair Cost Allocation Adjustment ("FCAA") associated with the Discount Rate, a POR Start Up Cost Reconciliation Factor ("Factor PSD"), and two ongoing administrative cost recovery mechanisms ("Factor OAR" and "Factor OAdm"). Netting these factors together results in the Automatic Reconciliation Adjustment ("ARA") for the Second Period Reconciliation. Ms. Althoff summarized the over-recovery of AIC's UCB/POR Program costs in the table below.

	Second Period Reconciliation
Over-recovery - Uncollectible Cost - Factor UDC	\$ 966,506
Over-recovery - UCB Start-Up Cost - Factor USC	\$ 118,034
Under-recovery - UCB Start-Up Cost - Factor USD	\$ (101,291)
Revenues Fair Cost Allocation Adjustment - Factor FCAA	\$ 690,881
POR Start-Up Cost Reconciliation - Factor PSD (1)	\$ (23,016)
Ongoing Administrative Cost - Factors OAR and OAdm (2)	-
Factor ARA - Second Period Reconciliation	\$ 1,651,114

Ms. Althoff provided the over-recovery for the Second Period Reconciliation as included in AIC's UCB/POR Program Charge Information Filing update effective June 2014. The base cost for the remaining recovery period, June through October 2014, of Start-up costs allocated to all eligible DS customers contributes 4 cents of the UCB/POR Program Charge. The over-recovery of \$1,651,114, which will be refunded over the one-year period (June 2014 through May 2015), results in a negative Program Charge of 11 cents, for a total Program Charge cost basis of negative 7 cents. Ms. Althoff recommends that should the Commission find additional over- or under- recovery of costs in this proceeding, such values could also be included in the Final Reconciliation's ORA.

According to Ms. Althoff the UCB/POR Program Charge's end date was October 31, 2014. Once AIC has recovered all the Start-Up Costs to implement the UCB/POR Program, the UCB/POR Program Charge will then serve as a true-up mechanism to reconcile the difference between uncollectible costs embedded within the Discount Rate and actual uncollectible experience relating to the POR.

Ms. Althoff testified that AIC's internal audit department conducted an audit of the following steps regarding the Program Charge and the Discount Rate: 1) if and to what extent costs are recovered through other approved tariffs; 2) whether the UCB/POR Program Charge and Discount Rate are being properly billed to Customers; 3) whether the UCB/POR Program Charge and Discount Rate revenues are recorded in the appropriate accounts; 4) whether the costs classified as Start-Up Costs are the appropriate costs to be recovered through the UCB/POR Program Charge and Discount Rate; 5) whether the costs classified as ongoing administrative costs are the appropriate costs to be recovered through the UCB/POR Program Charge and Discount Rate; and 6) whether there has been any change in the internal processes to collect the receivables associated with the UCB/POR Program that would overstate the balance to be collected through the UCB/POR Program Charge or Discount Rate. Ms. Althoff summarized the results of the internal audits performed. The internal audit reports for both the Program Charge and the Discount Rate dated September 18, 2013 found that these mechanisms were being properly applied and revenues are being recorded appropriately in AIC's general ledger accounts. According to the results of the internal audit reports, the accounts receivable process reflects no changes that would allow the amounts collected to be overstated.

B. Staff Position

Staff witness Ebrey presents Staff's reconciliation for the components of the UCB/POR Program for the Second Period Reconciliation. Page 1 of Schedule 1.1 provides the reconciliations of the various components of the Program Charge and RES Discount Rate, and presents the Disposition of the Cumulative (Over)/Under Recovery. Page 2 provides the Total Costs to be Recovered as approved by the Commission in Docket No. 13-0266, as well as the allocation of these costs between UCB activity and POR activity. The total Start-Up costs to be recovered during the first 5 years of the UCB/POR Program total \$2,955,263, as reflected in the Appendix to the Order in Docket No. 13-0266.

Ms. Ebrey recommends the Commission approve the reconciliations for the period January 2012 through December 2013 as reflected on Staff's Schedule 1.1. She further recommends that the order in this proceeding find that there is no Factor ORA to be reflected in the calculation of the UCB portion of the UCB/POR Program Start-Up Costs assigned to Eligible Customers plus adjustments ("Factor USC") resulting from this case.

IV. FINDINGS AND ORDERING PARAGRAPHS

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

- (1) Ameren Illinois Company is a corporation engaged in the distribution of electricity to the public in Illinois, and, as such, is a public utility within the meaning of the Public Utilities Act
- (2) the Commission has jurisdiction over the subject matter herein;
- (3) 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;
- (4) the reconciliations for the Second Period Reconciliation (January 2012 through December 2013) presented by Staff and attached to this Order as an Appendix should be approved; and
- (5) no Factor ORA should be reflected in the calculation of the Factor USC resulting from this case.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the Second Period Reconciliation under the UCB/POR Program of Ameren Illinois Company d/b/a Ameren Illinois is hereby approved as reflected in the Appendix hereto.

IT IS FURTHER ORDERED that no Factor ORA will be reflected in the calculation of the Factor USC resulting from this case.

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

By order of the Commission this 6th day of January, 2015.

(SIGNED) DOUGLAS P. SCOTT

Chairman