

ILLINOIS COMMERCE COMMISSION

DOCKET No. 14-0568

DIRECT TESTIMONY

OF

RICHARD L. MCCARTNEY

Submitted On Behalf

Of

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

February 23, 2015

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7 **I. INTRODUCTION**

8 **A. Witness Identification**

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

10 A. My name is Richard L. McCartney, and my business address is 1901 Chouteau
11 Avenue, St. Louis, Missouri 63103.

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

13 A. I am currently Director, Power Supply Acquisition of Ameren Illinois Company
14 d/b/a Ameren Illinois (“Ameren Illinois,” “AIC,” or the “Company”).

15 **Q. Please describe your current job duties and responsibilities.**

16 A. The duties of my current position consist of supporting the Illinois Power Agency
17 (“IPA”) procurement process in a manner consistent with the Illinois Public Utilities Act
18 (the “Act”), procuring sufficient power supply products to serve the Company’s customer
19 load, managing the portfolio of the Company’s power supply products that result
20 following IPA procurement events, and administering all power supply contracts entered
21 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 planning process prior to the supply procurement
27 activities for the benefit of retail customers taking supply on the Company's fixed price
28 tariff (Rider BGS - Basic Generation Service or "Rider BGS"). I also describe both the
29 planning process and supply procurement activities for customers on the Company's real
30 time pricing tariffs (Rider RTP - Real Time Pricing or "Rider RTP," and Rider HSS -
31 Hourly Supply Service or "Rider HSS"), and the prudence of the Company's efforts to
32 obtain power supply for such customers at a reasonable cost. The procurement term
33 contemplated in my testimony is June 1, 2012 through May 31, 2013 ("Reconciliation
34 Period").

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

36 A. No.

37 **Q. Are any other witnesses testifying in this proceeding on behalf of Ameren
38 Illinois?**

39 A. Yes. Ameren witness Mr. Dominic S. Perniciaro will present various schedules
40 that represent the reconciliation statement, as well as identify the amounts Ameren
41 Illinois requests the Illinois Commerce Commission ("ICC" or "Commission") to
42 approve in this proceeding under Rider RTP, Rider HSS and the Rider PER - Purchased
43 Electricity Recovery ("Rider PER") which is the tariff that serves to recover the

44 Company's power supply costs incurred to supply Rider BGS customers. In addition,
45 Ameren witness Mr. David J. Brueggeman will present details regarding the power
46 supply procurement process pertaining to Rider BGS. The previously approved Illinois
47 Auction contracts were no longer in effect during the Reconciliation Period and therefore
48 Mr. Brueggeman describes the IPA procurement process which replaced the Illinois
49 Auction procurement process.

50 **II. PLANNING PROCESS FOR FIXED PRICE TARIFF**

51 **Q. Please provide an overview of the planning process prior to the supply**
52 **procurement activities for customers on Rider BGS.**

53 A. Pursuant to Section 16-111.5 of the Act, the Company provided a five-year hourly
54 forecast to the IPA on July 15, 2011, followed by clarifications on July 19, 2011. Only
55 customers with peak demands of less than 400 kilowatts (“kW”) were included in the
56 forecast since any customers with peak demands equal to or higher than 400 kW were
57 fully competitive. In addition, the forecast for customers with peak demands equal to or
58 greater than 150 kW but less than 400 kW included an assumption that no load would be
59 supplied by Rider BGS effective May 1, 2014, so as to be consistent with the
60 Commission Order in Docket 11-0192 which declared this class of customers fully
61 competitive on that date. Order at 4. The IPA subsequently used this forecast as the
62 basis for determining the *initial* quantities of energy, capacity and renewable energy
63 credits to be pursued in the IPA Procurement Plan (“the Plan”) which was made public as
64 part of an informal comment period on August 17, 2011, and then subsequently filed with
65 the Commission on September 28, 2011. The filing of the Plan thus commenced Docket
66 11-0660. The Company then provided the IPA with an updated forecast and filed a

67 Motion for Leave to File Updated Load Forecast on November 15, 2011, so as to comply
68 with the Plan where it states “given the increase in residential switching in the past year,
69 the IPA seeks updated forecasts in early November 2011 so as to improve the accuracy of
70 purchase quantities resulting from the plan. Such forecasts will be submitted to the
71 Commission and to the IPA”. Plan at 21.

72 The Plan included a detailed description of the Company’s forecast methodology
73 and the Company’s monthly projections per rate class. The merits of the Plan were
74 debated by the Staff and other intervening parties. In its Final Order on December 28,
75 2011, the Commission accepted the Plan with certain modifications. In regards to the
76 forecast provided by Ameren Illinois, the Commission made no modifications and
77 concluded that “the load forecast for AIC attached to the IPA's September 28, 2011
78 petition, as modified to incorporate the update in AIC's November 15, 2011 “Motion for
79 Leave to File Updated Load Forecasts” should be approved. Final Order at 186-187.

80 The approved Plan also directed the Company to provide another forecast update
81 on March 5, 2012 because “the IPA recognizes that between the time that each plan’s
82 forecasts are prepared and the time that the relevant portion of the plan is implemented,
83 the conditions underlying those forecasts can and do change. Thus, between March 1 and
84 March 10, the IPA recommends Ameren Illinois submit to the IPA and the Commission
85 Staff a revised base-case forecast of monthly on-peak and off-peak loads encompassing
86 the first three years of the five-year planning horizon”. Continuing, “based on the
87 information provided by Ameren, the IPA will work with Ameren, the Commission staff
88 and the procurement administrator and monitor to revise the volumes of products that
89 will be sought through the spring procurement events, but only if consensus is reached”.

90 Plan Conforming Final Order, at 39. Regarding the updated forecast provided by the
91 Company on March 5, 2012 and consistent with the Commission Order, consensus was
92 reached on March 7, 2012 among the IPA, Staff, Procurement Administrator,
93 Procurement Monitor and the Company. The IPA therefore revised accordingly the
94 quantities associated with the spring procurement event.

95 **Q. What type of products did the Plan propose and the Final Order approve?**

96 A. An energy procurement for the 2012/2013 plan year was proposed and approved.
97 The IPA procured only one year of energy since hedges had already been procured in
98 prior periods and residential switching under municipal aggregation commenced in 2012
99 which caused the residual energy requirements to be lower relative to prior IPA Plans. In
100 addition, a procurement for Renewable Energy Credits (“RECs”) pertaining to the
101 2012/2013 plan year was proposed and approved. Finally, a capacity procurement for the
102 2012/2013, 2013/2014 and 2014/2015 plan years was proposed and approved. The
103 residual capacity requirements were higher relative to residual energy requirements,
104 because in prior Plans the IPA was concerned about uncertainty surrounding the changing
105 capacity construct at Midcontinent Independent Transmission System Operator (“MISO”)
106 and therefore the IPA followed a tempered approach to forward purchases of capacity.
107 With the capacity construct at MISO becoming clearer, the IPA sought and received
108 Commission approval to procure capacity for three planning years associated with this
109 Plan.

110 **Q. In addition to energy, capacity and renewable energy credits, were any other**
111 **types of services included in the Plan?**

112 A. Yes. The Plan included a description of how the Company would procure
113 services such as network transmission service, ancillary services, and auction revenue
114 rights.

115 **Q. Did the Commission approve these types of services as described in the Plan?**

116 A. Yes.

117 **Q. Did the Company abide by the Plan?**

118 A. Yes and this is described in more detail in the accompanying testimony of Mr.
119 Brueggeman.

120 **III. PLANNING PROCESS FOR REAL TIME PRICING TARIFFS**

121 **Q. Please provide an overview of the planning process associated with customers**
122 **taking supply under Rider RTP and Rider HSS.**

123 A. During the Reconciliation Period, the Company planned for the procurement of
124 power supply products for customers on two real time pricing tariffs. The first pertains to
125 Rider RTP which was for residential and small business customers with peak demand of
126 less than 400 kW. The second was for Rider HSS which pertains to larger business
127 customers and industrial customers with peak demand of 400 kW or greater.

128 Forecasts were created prior to and during the Reconciliation Period using three
129 primary sources. The first source was billing data for those customers actively taking
130 service on Rider RTP and Rider HSS, and those customers who were pending to take
131 such supply in the next billing cycle. The second source was historical hourly

132 consumption data associated with the MISO settlement process. The third source was
133 letters of intent associated with the summer notification process identified in Rider HSS
134 and/or other less formal types of communications between customers and personnel
135 working in the Key Accounts Department for Ameren Illinois. The resulting forecasts
136 were used to estimate the monthly capacity requirements and daily energy requirements
137 for customers on Rider RTP and Rider HSS.

138 **IV. PROCUREMENT PROCESS FOR REAL TIME PRICING TARIFFS**

139 **Q. Please provide an overview of the energy and capacity procurement process**
140 **associated with the customers on Rider RTP and Rider HSS.**

141 A. All energy associated with Rider RTP and Rider HSS was priced based on
142 MISO's Locational Marginal Pricing ("LMPs") methodology. For each operating day
143 during the Reconciliation Period, Ameren Illinois submitted an hourly megawatt forecast
144 to MISO the day prior to the operating day pertaining to the applicable Rider RTP and
145 Rider HSS load. Once submitted to MISO, this forecast became a financially binding
146 "Demand Bid" which subsequently was priced at the MISO hourly day ahead LMPs.
147 Any difference between the day ahead forecast and the actual energy used by customers
148 was settled at hourly real time LMPs.

149 Consistent with the requirements of MISO, capacity gave the right of the buyer
150 (Ameren Illinois) to designate the source as a Planning Resource Credit that satisfied the
151 resource adequacy requirement obligation of the MISO Transmission and Energy
152 Markets Tariff. The vast majority of summer capacity (June 2012 through September
153 2012) was procured via a RFPs that was administered by Burns and McDonnell on behalf
154 of the Company. The quantities procured via this RFP were based on the Company's

155 forecast of monthly capacity requirements described previously. Where necessary, a
156 small quantity of additional monthly summer capacity was procured by the Company in
157 the MISO Voluntary Capacity Auction (“VCA”) to meet the requirements of incremental
158 load electing hourly supply after the Burns and McDonnell procurement event. In
159 addition, 100% of the non-summer capacity for load electing hourly supply was procured
160 by the Company each month via the MISO VCA.

161 **Q. Please discuss the prudence of the purchases made on behalf of the**
162 **Company’s customers taking supply under real time pricing tariffs.**

163 A. The Company’s tariff for Rider RTP and Rider HSS defines the general
164 parameters for procuring the capacity and energy required to serve the Company’s real
165 time pricing customer load. The capacity and energy purchases made by the Company
166 on behalf of the real time pricing customer load were made in a manner consistent with
167 the parameters included in these tariffs.

168 **Q. Were the Company’s purchases made on behalf of customers taking supply**
169 **under real time pricing tariffs done so prudently?**

170 A. Yes. Ameren Illinois complied with the terms and conditions of the riders and all
171 purchases were done so prudently.

172 **V. ADMINISTRATIVE & OPERATIONAL COST REASONABLENESS**

173 **Q. Please discuss the administrative and operational costs associated with the**
174 **Reconciliation Period.**

175 A. Pursuant to the Initiating Order, Mr. Perniciaro includes a summary schedule
176 detailing the administrative and operational costs associated with the procurement of

177 electric power and energy for retail customers during the period under review as well as a
178 reconciliation of actual administrative and operational costs relative to revenue collected
179 under the Supplier Cost Adjustment used during this Reconciliation Period. These
180 administrative and operational costs are incurred when Company personnel who work in
181 Power Supply perform the Company's responsibilities in accordance with the approved
182 IPA procurement plan and the Company's tariffs on file with the Commission. These
183 costs are further described under the Procurement Adjustment provisions of these tariffs
184 where it details that costs may include professional fees, costs of engineering,
185 supervision, insurance, payments for injury and damage awards, taxes, licenses, and any
186 other administrative and general expense not already included in the price for power and
187 energy service.

188 **Q. Can you provide a more specific description of these costs and provide**
189 **examples as they pertain to daily responsibilities?**

190 A. Yes. Such costs entail a variety of responsibilities including, but not limited,
191 short and long term forecasting of load, active participation in the IPA procurement plan
192 docket and the planning stages leading up to the procurement process, assisting in the
193 development of bilateral contract terms associated with the IPA procurement,
194 development of the supply price for the upcoming planning year, procurement of capacity
195 for customers on real time pricing tariffs not procured by the IPA, on-going contract
196 administration, invoice check-out and payment to bilateral suppliers under contract,
197 submission of daily demand bids (forecasts) to MISO each day of the year, MISO
198 settlement check-out and invoice payment, nomination of auction revenue rights which
199 act as to offset customer costs, participation in MISO initiatives, implementation of

200 changing MISO business practices and feedback to various interested parties (e.g., IPA,
201 Staff, Procurement Administrator, Procurement Monitor) regarding a variety of MISO
202 issues throughout the course of the year, responding to data requests from regulatory
203 parties and participation in legislative initiatives that may impact the future IPA
204 procurement process.

205 **Q. Do you believe these costs were necessary and reasonable?**

206 A. Yes. For the reasons explained in my testimony, the costs incurred during the
207 Reconciliation Period were consistent with the requirements under the IPA procurement
208 plan and the Commission approved Ameren Illinois power supply tariffs. I attest that
209 these costs were necessary and reasonable.

210 **VI. CONCLUSION**

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

212 A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS

RICHARD L. MCCARTNEY

I obtained a Bachelor of Science degree in Industrial Engineering from the University of Missouri-Columbia in 1986 and a Masters in Management degree from Maryville College (now Maryville University) in 1988. My professional work experience has been entirely at Ameren or predecessor companies. I started in 1986 as an Engineer in Union Electric's Transmission and Distribution department. In 1989, I accepted a position in Union Electric's Internal Audit department. In 1991, I accepted a position in Union Electric's Corporate Planning department which was subsequently transferred to Ameren Services Company. My responsibilities during this time were energy efficiency and resource planning in Missouri, Illinois and Iowa. In 1996, I accepted a position in the Power Marketing and Trading department for Ameren Services Company which managed the vertically integrated generation and load for Union Electric Company and Central Illinois Public Service Company after the successful merger of the two companies in 1997. In 1998, I accepted a position in the Fuels department for Ameren Services Company which was subsequently transferred to Ameren Energy Fuels and Services Company. During this period my responsibilities included the procurement and transportation of natural gas and coal, and the management of the company's emissions position. In 2002, I accepted a position in Ameren Energy Marketing Company as Wholesale Sales Manager and then later as Supervisor of Power Trading. In 2007, I accepted a position as Lead Capacity Trader in Ameren Services Company which was subsequently transferred to AmerenCILCO and ultimately to Ameren Illinois Company upon the successful merger of AmerenCILCO, AmerenIP and AmerenCIPS on

October 1, 2010. On January 1, 2012, I was promoted to my current position as
Manager, Power Supply Acquisition and then the title of this position was changed on
January 1, 2013 to Director, Power Supply Acquisition.