

ILLINOIS COMMERCE COMMISSION

DOCKET No. 14-0568

DIRECT TESTIMONY

OF

DAVID J. BRUEGGEMAN

Submitted On Behalf

Of

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

February 23, 2015

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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 David J. Brueggeman. My business address is 1901 Chouteau Avenue, St.
12 Louis, Missouri 63103.

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

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

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

17 A. My duties consist of supporting the Illinois Power Agency (“IPA”) procurement process
18 in a manner consistent with the Illinois Public Utilities Act (the “Act”), procuring sufficient
19 power supply products to serve the Company’s customer load, managing the portfolio of the
20 Company’s power supply products that result following IPA procurement events, and
21 administering all power supply contracts entered 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 power supply procurement process and the products that
27 were purchased in order to satisfy the power supply needs of AIC's retail customers taking
28 service under the Rider BGS - Basic Generation Service ("Rider BGS") for the Reconciliation
29 Period of June 1, 2012 through May 31, 2013 ("Reconciliation Period"). Finally, I address the
30 prudence of AIC in its efforts to obtain the power supply products needed to satisfy the needs of
31 its customers taking service on Rider BGS, at a reasonable cost.

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

33 A. No.

34 **II. DISCUSSION OF RIDER BGS POWER SUPPLY PROCUREMENT**

35 **Q. Please provide an overview of the power supply products that were procured in**
36 **order to satisfy the power supply needs of Rider BGS customers during the Reconciliation**
37 **Period.**

38 A. The Company maintained a supply portfolio of Illinois Commerce Commission
39 ("Commission") approved capacity, energy swaps, physical energy contracts, one year
40 Renewable Energy Credits ("RECs") contracts, and long-term power purchase agreements for
41 RECs and energy swaps, which satisfied the Illinois Renewable Portfolio Standard ("RPS"). In
42 addition, spot purchases of energy and other miscellaneous services were obtained from the
43 Midcontinent Independent System Operator ("MISO") consistent with the approved IPA

44 procurement plan. For clarification purposes, the Supplier Forward Contracts described in prior
45 reconciliations expired during the 2010/2011 Reconciliation Period.

46 **Q. Please describe the power supply products pertaining to Rider BGS.**

47 A. The power supply products obtained through the IPA purchases consisted of capacity,
48 energy, and RECs. The capacity product gave the Company the right to designate generating
49 resources as Planning Resource Credit (“PRCs”) which satisfied the Company’s resource
50 adequacy requirement obligations associated with MISO tariffs. The energy product consisted of
51 a combination of legacy financial swaps and physical contracts consistent with the approved IPA
52 procurement plans. The financial swaps settled on a fixed for floating basis where the floating
53 price was calculated as the average MISO Day-Ahead Locational Marginal Pricing for each hour
54 of each settlement month at the Company's Load Zone. The parties then netted the difference
55 between the agreed upon fixed price and the floating price. The physical settlement contracts
56 required the contracting parties to confirm schedules through MISO, where the seller transferred
57 energy to AIC and thus reduced the MISO energy charges that otherwise would have been
58 incurred. AIC then directly paid the seller the agreed-upon fixed price for the contractual
59 quantity of energy. The annual REC purchases did not include an energy component. The long-
60 term REC purchases included an energy component that was settled through a financial swap as
61 described above. The RECs obtained from both the annual and long-term purchases were used
62 solely to meet the RPS requirement.

63 **Q. Please describe the IPA procurement process.**

64 A. The IPA procurement process utilized a portfolio of standard wholesale products which
65 were then supplemented by spot market energy purchases and other MISO services which in
66 aggregate comprised the supply component of Rider BGS. The IPA procurement required the

67 development of a procurement plan which specifically identified the wholesale products to be
68 procured following approval of the plan by the Commission. The process also required that an
69 independent third party (the “Procurement Administrator”) be utilized to administer the actual
70 procurement of the products.

71 **Q. Under the IPA procurement process, who was responsible for hiring the**
72 **Procurement Administrator?**

73 A. The IPA was responsible for the hiring of the Procurement Administrator and Levitan
74 Associates Inc. was selected to serve as the Procurement Administrator for the 2012 procurement
75 cycle associated with AIC solicitations.

76 **Q. Did the Procurement Administrator implement a process to procure the wholesale**
77 **energy products identified in the Commission-approved procurement plan for this**
78 **Reconciliation Period?**

79 A. Yes. Consistent with the Act the Procurement Administrator issued a request for
80 proposal (“RFP”) to procure the capacity, energy, and RECs identified in the Commission-
81 approved procurement plan. In each case the Procurement Administrator followed the
82 prescribed process laid out in the Act when designing the process, submitting the required
83 confidential reports, and providing recommendations to the Commission following each RFP
84 process.

85 **Q. Did AIC enter into any contracts as a result of these RFP processes?**

86 A. Yes. Following the conclusion of each RFP, the Company entered into contracts with the
87 winning suppliers identified in Procurement Administrator's recommendation made to, and
88 approved by, the Commission.

89 **Q. You stated previously the IPA procurement process procures a portfolio of standard**
90 **market products which are then supplemented by spot market purchases and other**
91 **services that make up the full requirement product. Did the Company make spot market**
92 **purchases during this Reconciliation Period?**

93 A. Yes. The Commission-approved procurement plan identified physical transactions as the
94 mechanism to hedge the cost of energy and these purchases combined with legacy financial
95 swaps approved in prior periods equaled the energy hedges. Since the energy purchases were
96 done in blocks as specified in the procurement plan, any shortfall between the hedges and actual
97 load was supplied through additional spot purchases from the MISO energy markets. The
98 combination of Commission-approved physical transaction contracts, financial swap contracts
99 and spot energy purchases from MISO energy markets made up the energy purchases pertaining
100 to Rider BGS load. This was accomplished in the manner specified in the Commission-approved
101 procurement plan.

102 **Q. What are the other services you previously referenced?**

103 A. The other services I am referring to are network transmission service, ancillary services,
104 and auction revenue rights. These services were required to supply the load and the process
105 utilized by the Company to acquire each service was specified in the Commission approved
106 procurement plan.

107 **Q. Were there any other products procured on behalf of the Company's real time**
108 **pricing tariffs?**

109 A. Yes. In addition to the products discussed above, the Company procured the capacity and
110 energy required to supply the load associated with real time pricing tariffs. This is described in
111 detail in testimony provided by Ameren witness Mr. Richard L. McCartney.

112 **III. PRUDENCE DISCUSSION FOR RIDER BGS**

113 **Q. Please discuss the legislative provisions related to the prudence of purchases that**
114 **result from the IPA procurement process.**

115 A. Though I am not an attorney, I believe Section 16-111.5(l) of the Act governs an electric
116 utility's recovery of costs of procuring power and energy via the IPA procurement process. This
117 section explicitly allows for full cost recovery of all of AIC's cost of procuring power and energy
118 via the IPA procurement process, including the cost associated with the long term energy swaps
119 mandated by Section 16-111.5(k) of the Act.

120 **Q. Did AIC comply with the procurement plan approved by the Commission?**

121 A. Yes. The purchases made via the IPA procurement process were made in a manner
122 consistent with the procurement provisions of the Act and the Company has performed all
123 prudent acts in a manner consistent with the law and the Commission's Order in Docket 10-
124 0563.

125 **Q. What are the mechanisms through which AIC recovers costs incurred for power**
126 **procurements pertaining to Rider BGS?**

127 A. AIC recovers these costs through Rider PER - Purchased Electricity Recovery ("Rider
128 PER").

129 **Q. In your opinion, are the costs incurred under Rider PER reasonable?**

130 A. Yes.

131 **Q. What is the basis for that opinion?**

132 A. As explained above, the purchases made via the IPA procurement process (a
133 Commission-reviewed and approved process) were made in a manner consistent with the

134 procurement provisions of the Act. Moreover, AIC has reasonably performed all acts in a
135 manner consistent with the law, including the Commission's prior orders.

136 **IV. CONCLUSION**

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

138 **A.** Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS

DAVID J. BRUEGGEMAN

I obtained a Bachelor of Science degree in Mechanical Engineering from the University of Missouri-Rolla in 1979 and a Master's in Business Administration degree from DeVry University's Keller Graduate School of Management in 1997. My work experience started as a Sales Engineer for Nooter Corporation in June of 1979. In January of 1983, I accepted a position with the McDonnell Douglas Corporation as a Plant Engineer. In 1985, I left McDonnell Douglas to accept a position with Monsanto Corporation as a Senior Maintenance Engineer. In 1986 I accepted a position at Union Electric Company at Callaway Nuclear Plant as a Quality Assurance Engineer; I transferred to Labadie Power Plant as a Mechanical Engineer in 1990. In 1995, I transferred to Ameren Services' Division Marketing Planning Department where I held the position of Engineer, DSM and Energy Efficiency. In 1997, I transferred to Ameren Services' as a Senior Engineer, Resource Planning. On January 1, 2004, my title was changed to Senior Engineer Resource Acquisition. On October 15, 2004, my position was transferred to the Strategic Initiatives Department and my title was changed to Power Supply Acquisition Consultant. In 2007 my title was changed to Capacity Trader, Power Supply Acquisition Consultant. My position was then transferred from Ameren Services to AmerenCILCO effective January 1, 2009 and AmerenCILCO, along with AmerenIP was merged into AmerenCIPS and renamed Ameren Illinois Company on October 1, 2010.