

**ILLINOIS COMMERCE COMMISSION**

**DOCKET No. 14-0568**

**DIRECT TESTIMONY**

**OF**

**DOMINIC S. PERNICIARO**

**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 Dominic S. Perniciaro. 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 the Supervisor of Power Accounting for Ameren Services Company, a service  
15 company affiliate of Ameren Illinois Company d/b/a Ameren Illinois (“AIC” or “Company”).

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

17 A. My duties include direct supervision of the accounting for calculations necessary to  
18 implement the Rider PER - Purchased Electricity Recovery (“Rider PER”) and Rider HSS -  
19 Hourly Supply Service (“Rider HSS”) for each rate zone of AIC.

20 **Q. Please describe your educational background and relevant work experience.**

21 A. See my Statement of Qualifications, attached as an Appendix to this testimony.

22           **B.     Purpose, Scope and Identification of Exhibits**

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

24   A.     In its Order initiating these dockets, the Illinois Commerce Commission (“Commission”)  
25   calls for a reconciliation of the revenues associated with the various procurement tariffs in effect  
26   during the period of June 1, 2012 through May 31, 2013 (“Reconciliation Period”). In my  
27   testimony I explain the manner by which the revenues for each AIC rate zone were collected,  
28   how they were accounted for, any accounting adjustments made during the course of the  
29   reconciliation period, and the costs attributable to the relevant procurement activities.

30           The Initiating Order goes on to request a “summary schedule detailing the internal  
31   administrative and operational costs associated with the procurement of electric power and  
32   energy for retail customers during the period under review.” I will also be providing this  
33   schedule.

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

35   A.     Yes. I am sponsoring the following exhibits:

- 36           • Ameren Exhibit 3.1 - Rate Zone I Rider PER reconciliation of costs and  
37           revenues for the period ending May 31, 2013
- 38           • Ameren Exhibit 3.2 - Rate Zone II Rider PER reconciliation of costs and  
39           revenues for the period ending May 31, 2013
- 40           • Ameren Exhibit 3.3 - Rate Zone III Rider PER reconciliation of costs and  
41           revenues for the period ending May 31, 2013
- 42           • Ameren Exhibit 3.4 – Combined Rate Zone Rider PER reconciliation of costs  
43           and revenues for the period ending May 31, 2013
- 44           • Ameren Exhibit 3.5 - Rate Zone I Rider HSS reconciliation of costs and  
45           revenues for the period ending May 31, 2013
- 46           • Ameren Exhibit 3.6 - Rate Zone II Rider HSS reconciliation of costs and  
47           revenues for the period ending May 31, 2013

- 48 • Ameren Exhibit 3.7 - Rate Zone III Rider HSS reconciliation of costs and  
49 revenues for the period ending May 31, 2013
- 50 • Ameren Exhibit 3.8 – Combined Rate Zone Rider HSS reconciliation of costs  
51 and revenues for the period ending May 31, 2013
- 52 • Ameren Exhibit 3.9 – Combined Rate Zone Summary reconciliation of costs  
53 and revenues for the period ending May 31, 2013
- 54 • Ameren Exhibit 3.10 – Internal Administrative and Operational Costs  
55 Associated with Procurement ending December 31, 2013
- 56 • Ameren Exhibit 3.11 – Company Use Error Detail
- 57 • Ameren Exhibit 3.12 – Interest Calculation on the Company Use Error

58 **Q. Please describe in detail the exhibits you are sponsoring.**

59 A. Ameren Exhibits 3.1, 3.2, 3.3 and 3.4, as indicated by their labeling, show the recovery of  
60 the Company’s total allowable costs over the 12-month reconciliation period ending May 31,  
61 2013 for the BGS-FP fixed price and hourly price for small customer products (“RTP”) under  
62 Rider PER. Ameren Exhibits 3.1 through 3.3 also demonstrate the final amortization of the  
63 regulatory liability in the individual rate zones. Since the creation of the combined rate zone pool  
64 coincides with the beginning of the reconciliation period, the individual rate zones do not reflect  
65 the monthly actual recoverable costs and recoveries.

66 Ameren Exhibits 3.5, 3.6, 3.7 and 3.8 show the recovery of the Company’s total  
67 allowable costs over the twelve-month reconciliation period ending May 31, 2013 for the hourly  
68 price product for large customers under Rider HSS, as well as the transition to a consolidated  
69 reconciliation. Ameren Exhibits 3.5 through 3.7 also demonstrate the amortization of the  
70 regulatory liability in the individual rate zones as Rider HSS began its transition to a  
71 consolidated rate. Since the creation of the combined rate zone pool coincides with the last

72 month of the reconciliation period, the individual rate zones do reflect the monthly actual  
73 recoverable costs and recoveries until the last month.

74 Ameren Exhibit 3.9 summarizes the Company's total allowable costs over the twelve-  
75 month reconciliation period ending May 31, 2013 under Riders PER and HSS and any Factor A  
76 requested by AIC based upon the proposed adjustments. Unlike previous reconciliation dockets,  
77 this schedule aggregates the individual rate zones and the consolidated zone as the rates  
78 transitioned to a consolidated rate.

79 Ameren Exhibit 3.10 is a reconciliation of the internal administrative and operational  
80 costs associated with procuring electric power and energy for retail customers over the twelve-  
81 month period ending December 31, 2013.

82 Ameren Exhibit 3.11 is a summary of details for the Company Use accounts from the  
83 AIC customer billing system for the Company Use issue first mentioned in Docket 13-0527.

84 Ameren Exhibit 3.12 is a related schedule that calculates the interest for the period in question.

85 **Q. Is AIC providing a schedule with this filing that presents the cumulative totals of**  
86 **incremental costs and cumulative totals of recoveries, by customer class, to the extent such**  
87 **information is reasonably available?**

88 A. No. Ameren Exhibits 3.1 through 3.9 reflect the costs and revenues by supply product.  
89 Any detail beyond supply product (*i.e.*, fixed price load, and hourly load) is not available  
90 because there is no further granularity associated with these costs. Cost data is only collected on  
91 a total "supply product" basis. This was the intended rate design for the Supply Fixed Charges,  
92 where suppliers were paid for each summer or non-summer kilowatt-hours ("kWh") at the stated  
93 contract amount, regardless of whether the kWh was provided to a BGS-1, BGS-2, BGS-3, or  
94 BGS-5 customer. This is also the reason why all BGS customers pay the same over/under value

95 for each of the respective rate zones. To provide any further cost data would be extremely  
96 burdensome as the data sets simply do not exist in a format that would be conducive to any  
97 further data analysis.

98 **Q. The initiating order only calls for the internal administrative and operational costs**  
99 **for the twelve-months ended May 31, 2013. Why does Ameren Exhibit 3.10 include the**  
100 **periods through December 31, 2013?**

101 A. In Docket 12-0548, AIC agreed to change the tariff to allow for the inclusion of the  
102 internal administrative and operation costs within this rider. The change in the tariff calls for the  
103 reconciliation of the internal administrative and operational costs on a calendar year basis. The  
104 internal administrative and operational costs rely on information from the Distribution Rate case  
105 docket. This information is presented on a calendar-year basis. AIC is providing this  
106 reconciliation through December 2013 because the information from the Distribution Rate case  
107 docket is available. The \$441,907 indicated in this exhibit as an under recovery will need to be  
108 included as an ordered Factor A in a future filing. AIC is requesting a Factor A for this amount.

109 Ameren Exhibit 3.10 provides the support for that Factor A adjustment and will be used  
110 to satisfy the initiating order's request for the reconciliation of the internal administrative and  
111 operational costs through the May 31, 2014 reconciliation period.

112 Starting with the twelve month reconciliation period ending May 31, 2015, AIC will  
113 provide a 12-month reconciliation of the internal administrative and operational costs for the  
114 most recently completed calendar year (twelve months ending December 31, 2014).

115 **II. MONTHLY RECONCILIATIONS.**

116 **Q. Before you discuss monthly reconciliations, please generally describe the tariffs that**  
117 **provide service to customer groups and how they relate to the various purchased power**  
118 **and energy products.**

119 A. Please refer to testimony of Ameren witnesses, Messrs. Richard L. McCartney and David  
120 J. Brueggeman for a general understanding of the tariffs that provide service to customer groups  
121 and how they relate to the various purchased power and energy products.

122 **Q. Please describe the procedures your department follows in producing and filing the**  
123 **monthly reconciliations.**

124 A. The monthly Riders PER and HSS revenues are calculated using AIC's reports for sales  
125 and estimated billed output. The "actual" revenues reported in the filings are estimated based on  
126 actual rates for billed and estimated unbilled volumes. Revenues are tracked for each category of  
127 service (*i.e.*, BGS-FP and HSS).

128 The cost components are provided by different groups. The cost of power from auction  
129 suppliers is provided by AIC's Transmission Services Business Center ("TSBC") group based on  
130 the supplier bills. The cost of power and market settlement costs from Midcontinent  
131 Independent System Operator ("MISO") are provided by the Power Accounting group based on  
132 the MISO settlement statements. The cost of power provided by Qualified Facilities ("QF") is  
133 calculated from the output provided by the TSBC, priced at the average locational marginal price  
134 for the month. The ancillary services expenses for Schedules 1, 2, 3, 5, 6, 25 and 26 are based on  
135 MISO tariff pricing for the HSS- category. Capacity costs are primarily from suppliers' bills.  
136 However, some incremental capacity is purchased from or sold into MISO's Voluntary Capacity  
137 Auction as a result of changing loads. The free service load (power supply provided to

138 municipalities pursuant to franchise agreements) is provided by the Energy Delivery Customer  
139 Service group and the company use load is set in the rate case: these volumes are priced at the  
140 monthly average cost. The calculations for company use and free service include an adjustment  
141 for line losses.

142 **Q. Do all customer categories incur the monthly costs described above?**

143 A. No. The list below shows the applicable Cost Item cross referenced to the category of  
144 service to which it applies.

|   | Cost Item                                   | Category of Service |
|---|---|---------------------|
| 1 | Auction Suppliers                           | BGS-FP; RTP         |
| 2 | MISO Energy Costs                           | BGS-FP; RTP; HSS    |
| 3 | MISO Market Settlement                      | BGS-FP; RTP; HSS    |
| 4 | Rider QF Costs                              | BGS-FP; RTP         |
| 5 | Ancillary Services                          | BGS-FP; RTP; HSS    |
| 6 | Capacity                                    | BGS-FP; RTP; HSS    |
| 7 | Company Use & Free Service under Franchises | BGS-FP; RTP         |

145 **Q. Please describe the procedures your department follows in producing and filing the**  
146 **annual reconciliations.**

147 A. The Cost Item portions of the annual reconciliation are received from the sources  
148 described above. Revenues are calculated from Company reports for sales and estimated billed  
149 output. Adjustments are made for cycle billing (unbilled volumes).

150 **Q. Do any accounting adjustments need to be discussed? If so, please summarize the**  
151 **issue.**

152 A. Yes. Rider PER and HSS customers benefitted from recording the impact of Company  
153 Use (power used by its own facilities) twice in the over/under calculation, resulting in AIC  
154 under-recovering its recoverable costs.

155 **Q. How does Company Use normally affect Rider PER or HSS?**

156 A. AIC purchases power for all customers, including power supplied for Company Use.  
157 Similar to the process used in the Purchased Gas Adjustment riders, the total amount of power  
158 purchased is reduced by the cost associated with Company Use. This reduction occurred in the  
159 “Recoverable Costs” line of the annual reconciliation. The remaining balance of purchased  
160 electricity is then recovered through Rider PER. The Company Use amount is recovered  
161 separately through general Delivery Service rate case proceedings.

162 **Q. The above answer demonstrates how Rider PER and HSS customers are properly**  
163 **credited for the Company Use costs included in the Rider PER over/under calculation the**  
164 **first time. How did these customers benefit a second time?**

165 A. When Riders PER and HSS (and their predecessors Riders MV and RTP-L) were set up,  
166 Company Use bills were created in customer billing system to better track the amount of  
167 electricity used by AIC and to substantiate future amounts of Company Use expense collected in  
168 Delivery Service rate cases. These revenues used customer revenue accounting that was credited  
169 to FERC Account 442. This resulted in the Company Use revenue being included in the  
170 “Revenues” line of the annual reconciliation. The inclusion of this revenue prevented AIC from  
171 recovering its true recoverable costs from the Rider PER and HSS customers.

172 **Q. How much is the under recovery?**

173 A. Table 1 below indicates the amount of recoverable costs not recovered by AIC:

174 **Table 1**

| Amount By Reconciliation Year | PER                 |                     |                     | Total                |
|-------------------------------|---------------------|---------------------|---------------------|----------------------|
|                               | Rate Zone I         | Rate Zone II        | Rate Zone III       |                      |
| June 2014 - September 2014    | 70,252.19           | 19,204.38           | 55,996.37           | 145,452.94           |
| June 2013 - May 2014          | 353,214.80          | 237,561.95          | 586,194.70          | 1,176,971.45         |
| June 2012 - May 2013          | 406,899.16          | 283,555.99          | 705,324.69          | 1,395,779.84         |
| June 2011 - May 2012          | 447,939.69          | 292,785.12          | 655,895.42          | 1,396,620.23         |
| June 2010 - May 2011          | 501,516.91          | 342,976.98          | 799,942.24          | 1,644,436.13         |
| June 2009 - May 2010          | 579,165.26          | 682,529.89          | 1,385,414.31        | 2,647,109.46         |
| June 2008 - May 2009          | 715,218.45          | 1,060,416.61        | 2,240,320.02        | 4,015,955.08         |
| June 2007 - May 2008          | 718,579.15          | 1,056,505.92        | 2,194,289.43        | 3,969,374.50         |
| January 2007 - May 2007       | 290,841.72          | 381,164.61          | 921,822.88          | 1,593,829.21         |
|                               | <b>4,083,627.33</b> | <b>4,356,701.45</b> | <b>9,545,200.06</b> | <b>17,985,528.84</b> |

175

| Amount By Reconciliation Year | HSS              |                     |                     | Total               | Grand Total          |
|-------------------------------|------------------|---------------------|---------------------|---------------------|----------------------|
|                               | Rate Zone I      | Rate Zone II        | Rate Zone III       |                     |                      |
| June 2014 - September 2014    | 12,699.62        | 141,688.38          | 225,963.53          | 380,351.53          | 525,804.47           |
| June 2013 - May 2014          | 693.13           | 291,877.51          | 634,760.75          | 927,331.39          | 2,104,302.84         |
| June 2012 - May 2013          | 556.26           | 241,188.64          | 459,329.58          | 701,074.48          | 2,096,854.32         |
| June 2011 - May 2012          | 828.18           | 261,512.39          | 487,908.97          | 750,249.54          | 2,146,869.77         |
| June 2010 - May 2011          | 573.71           | 287,867.82          | 578,410.52          | 866,852.05          | 2,511,288.18         |
| June 2009 - May 2010          | 158.64           | 88,771.72           | 298,231.50          | 387,161.86          | 3,034,271.32         |
| June 2008 - May 2009          | -                | -                   | -                   | -                   | 4,015,955.08         |
| June 2007 - May 2008          | -                | -                   | -                   | -                   | 3,969,374.50         |
| January 2007 - May 2007       | -                | -                   | -                   | -                   | 1,593,829.21         |
|                               | <b>15,509.54</b> | <b>1,312,906.46</b> | <b>2,684,604.85</b> | <b>4,013,020.85</b> | <b>21,998,549.69</b> |

176

177 **Q. How does AIC propose to correct for the under recovery?**

178 A. AIC is requesting Factor A adjustments in open and future dockets. The 2014 amounts  
 179 will be corrected in the general ledger to correct financial and regulatory reporting for 2014. AIC  
 180 has been granted a Factor A adjustment of \$17,271,588 in Docket No. 13-0527. In this docket,  
 181 AIC is requesting a Factor A adjustment in the amount of \$2,096,854. Once the docket for June  
 182 2013 through May 2014 is initiated, AIC will request a Factor A adjustment of \$988,550.

183

184 **Table 2**

185

|  | PER                 |                     |                     | Total                |
|--|---------------------|---------------------|---------------------|----------------------|
|  | Rate Zone I         | Rate Zone II        | Rate Zone III       |                      |
| <b>Recommendation By Docket</b>              |                     |                     |                     |                      |
| Current Year (January 2014 - September 2014) | 263,485.37          | 149,314.78          | 331,526.18          | 744,326.33           |
| Future Docket (June 2013 - December 2013)    | 159,981.62          | 107,451.55          | 310,664.89          | 578,098.06           |
| 14-0568 (June 2012 - May 2013)               | 406,899.16          | 283,555.99          | 705,324.69          | 1,395,779.84         |
| 13-0527 (June 2011 - May 2012)               | 447,939.69          | 292,785.12          | 655,895.42          | 1,396,620.23         |
| 13-0527 (January 2007 - May 2011)            | 2,805,321.49        | 3,523,594.01        | 7,541,788.88        | 13,870,704.38        |
|  | <b>4,083,627.33</b> | <b>4,356,701.45</b> | <b>9,545,200.06</b> | <b>17,985,528.84</b> |

186

|  | HSS              |                     |                     | Total               | Grand Total          |
|--|------------------|---------------------|---------------------|---------------------|----------------------|
|  | Rate Zone I      | Rate Zone II        | Rate Zone III       |                     |                      |
| <b>Recommendation By Docket</b>              |                  |                     |                     |                     |                      |
| Current Year (January 2014 - September 2014) | 13,094.85        | 284,555.59          | 599,580.96          | 897,231.40          | 1,641,557.73         |
| Future Docket (June 2013 - December 2013)    | 297.90           | 149,010.30          | 261,143.32          | 410,451.52          | 988,549.58           |
| 14-0568 (June 2012 - May 2013)               | 556.26           | 241,188.64          | 459,329.58          | 701,074.48          | 2,096,854.32         |
| 13-0527 (June 2011 - May 2012)               | 828.18           | 261,512.39          | 487,908.97          | 750,249.54          | 2,146,869.77         |
| 13-0527 (January 2007 - May 2011)            | 732.35           | 376,639.54          | 876,642.02          | 1,254,013.91        | 15,124,718.29        |
|  | <b>15,509.54</b> | <b>1,312,906.46</b> | <b>2,684,604.85</b> | <b>4,013,020.85</b> | <b>21,998,549.69</b> |

187 **Q. Are there collateral costs included in the recoverable costs for the reconciliation**  
 188 **period? If so, please provide the amount of collateral at each financial institution, the form**  
 189 **of collateral, the interest earned on cash collateral posted by each institution, and the**  
 190 **interest paid on loans obtained to post collateral by each institution. If not, please explain.**

191 A. No collateral costs are included in the 2012-2013 Recoverable Costs. According to the  
 192 Order in Docket 07-0527, AIC is allowed to pass through collateral costs related to energy  
 193 procurement once Staff and AIC have agreed upon the methodology. Final Order in Docket 07-  
 194 0527, at 91-92. The methodology has not been developed yet therefore we cannot include these  
 195 costs in this reconciliation period, but reserve the right to do so in the future.

196 **III. CONCLUSION**

197 **Q. Please summarize the conclusions of your testimony.**

198 A. I recommend that the Order in this proceeding:

- 199 1) Approve Ameren Exhibit 3.9 as the reconciliation for Rider PER and Rider HSS  
200 for AmerenCIPS, AmerenCILCO, and AmerenIP for the twelve month  
201 reconciliation period ending May 31, 2013;
- 202 2) Approve Ameren Exhibit 3.10 as the reconciliation of internal administrative and  
203 operational costs associated with procurement for Rider PER and Rider HSS for  
204 AIC for the twelve month period ending December 31, 2013; and
- 205 3) Approve Factor A adjustments for the under-recovery of \$2,096,854 from  
206 Ameren Exhibit 3.09 and \$441,907 from Ameren Exhibit 3.10, for a total of  
207 under-recovery of \$2,538,761.

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

209 A. Yes, it does.

**APPENDIX**

**STATEMENT OF QUALIFICATIONS**  
**DOMINIC S. PERNICIARO**

I received a Bachelor of Science in Business Administration with a concentration in Accounting from Saint Louis University in August 2001 and a Masters of Business Administration with a Finance emphasis from Webster University in March 2009. I have completed and passed the Uniform Certified Public Accountant Examination and received my CPA designation in August 2012 in the state of Missouri.

I began my professional career in 1998 at the Sabreliner Corporation. I began as an Accounts Payable Clerk and was promoted to Payroll Clerk and then Cost Accountant before leaving in 2001. In the fall of 2001, I joined Laclede Gas Company as an Analyst in the Financial Reporting department. I was promoted to Senior Business Analyst in 2004 and then Administrator of their Corporate Performance Management (“CPM”) system in 2006.

I began working for Ameren Services Company in October 2008 in the Wholesale Power and Fuel Department as a Settlement Specialist where I was charged with, among other things, reviewing Midwest ISO invoice data for accuracy. In July of 2009, I was promoted to Supervisor, Power Accounting. Shortly thereafter, the responsibility of accounting for energy efficiency cost over and under collection was transitioned to Power Accounting from Fuel Accounting.