

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission	:	
On Its Own Motion	:	
	:	14-0568
-vs-	:	
	:	
Ameren Illinois Company d/b/a Ameren Illinois	:	
	:	
Reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures.	:	
	:	

DRAFT PROPOSED ORDER

By Order of the Illinois Commerce Commission (Commission):

I. INTRODUCTION AND PROCEDURAL HISTORY

On September 18, 2014, the Commission entered an Order (Initiating Order) directing Ameren Illinois Company d/b/a Ameren Illinois (Ameren Illinois) to present evidence showing the reconciliation of revenues collected under its power procurement riders with the actual costs incurred in connection with the related procurement activities. The reconciliation period relevant to this docket is the 12 months beginning June 1, 2012 and ending May 31, 2013 (Reconciliation Period). Appearances were entered by counsel for Ameren Illinois and for the Staff of the Commission. No petitions to intervene were filed.

Pursuant to due notice given in accordance with the law and the rules and regulations of the Commission, pre-hearing conferences were held before a duly authorized Administrative Law Judge (ALJ) of the Commission at its offices in Springfield, Illinois. On February 23, 2015, Ameren Illinois filed the direct testimony of Richard L. McCartney (Ameren Ex. 1.0), David J. Brueggeman (Ameren Ex. 2.0), and Dominic S. Perniciaro (Ameren Ex. 3.0, 3.1-3.12). On May 1, 2015, Staff filed the direct testimony of Daniel Kahle (ICC Staff Ex. 1.0). This testimony included Schedule 1.01. On May 13, 2015, Ameren Illinois filed the affidavits of Mr. McCartney (Ameren Ex. 1.1), Mr. Brueggeman (Ameren Ex. 2.1), and Mr. Perniciaro (Ameren Ex. 3.13). On May 8, 2015, Staff filed the affidavit of Mr. Kahle (ICC Staff Ex. 2.0). During an evidentiary hearing on May 12, 2015 all exhibits were entered into evidence without objection. At the hearing it was confirmed that there were no contested issues and that the parties were in agreement on the reconciliation statements at issue in this docket. The record was marked heard and taken on May 12, 2015. An agreed draft proposed order was filed.

II. AMEREN ILLINOIS TESTIMONY

As noted above, Ameren Illinois filed testimony in response to the Initiating Order and in support of approval of the reconciliations. Mr. McCartney provided an overview of Ameren Illinois' planning process prior to the supply procurement activities for customers taking supply on the Company's fixed price tariff (Rider BGS - Basic Generation Service (Rider BGS)) during the Reconciliation Period. Mr. McCartney explained that the Company previously submitted a five-year hourly forecast to the Illinois Power Agency IPA on July 15, 2011, followed by clarifications on July 19, 2011. The IPA subsequently used this forecast to determine the *initial* quantities of energy, capacity and renewable energy credits to be pursued in the IPA Procurement Plan (the Plan). Subsequently, Ameren Illinois provided the IPA with an updated forecast on November 15, 2011. Mr. McCartney explained that the Plan also included a description of how Ameren Illinois would procure services such as network transmission service, ancillary services and auction revenue services. Mr. McCartney testified that the Commission approved these services, approved the Plan in Docket 11-0660 and that the Company abided by the Plan.

Mr. McCartney testified about the planning process and the energy and capacity procurement process for customers taking supply under the Company's real-time pricing tariffs (Rider RTP – Real Time Pricing (Rider RTP) and Rider HSS – Hourly Supply Service (Rider HSS)). He testified that forecasts were created prior to and during the Reconciliation Period using three primary sources, which were used to estimate monthly capacity requirements and daily energy requirements for customers: (1) billing data for those customers actively taking service on Rider RTP and Rider HSS, and those customers who were pending to take such supply in the next billing cycle; (2) historical hourly consumption data associated with the Midcontinent Independent Transmission System Operator (MISO) settlement process; and (3) letters of intent associated with the summer notification process identified in Rider HSS and/or other less formal types of communications between customers and personnel working in the Key Accounts Department for Ameren Illinois.

Mr. McCartney also testified about the procurement process for Rider RTP and Rider HSS. Mr. McCartney further testified that Ameren Illinois' tariff for Rider RTP and Rider HSS defines the general parameters for procuring the capacity and energy required to service Ameren Illinois' real time pricing customer load, and that the capacity and energy purchases were made consistent with the parameters included in this tariff. Specifically, Mr. McCartney explained that all energy associated with Rider RTP and Rider HSS was priced based on MISO's Locational Marginal Pricing (LMP) methodology. Mr. McCartney further explained that for each operating day during the Reconciliation Period at issue in this docket, Ameren Illinois submitted an hourly megawatt forecast to MISO the day prior to the operating day pertaining to the applicable Rider RTP and Rider HSS load. Once submitted to MISO, Mr. McCartney explained, this forecast became a financially binding "Demand Bid," which subsequently was priced at the MISO hourly day ahead LMPs. Any difference between the day ahead forecast and the actual energy used by customers was settled at hourly real time

LMPs. Mr. McCartney stated that, consistent with the requirements of MISO, capacity gave the right of the buyer (here, Ameren Illinois) to designate the source as a Planning Resource Credit that satisfied the resource adequacy requirement obligation of the MISO Transmission and Energy Markets Tariff. Mr. McCartney further testified that the vast majority of summer capacity (June 2012 through September 2012) was procured via a Request for Proposal (RFP) that was administered by Burns and McDonnell on behalf of Ameren Illinois. The quantities procured via this RFP were based on the Ameren Illinois' forecast of monthly capacity requirements in the MISO Voluntary Capacity Auction (VCA) to meet the requirements of incremental load electing hourly supply after the Burns and McDonnell procurement event. In addition, 100% of the non-summer capacity for load electing hourly supply was procured by the Company each month via the MISO VCA. Mr. McCartney testified that Ameren Illinois complied with the terms and conditions of the riders and all purchases were made prudently.

Mr. McCartney testified about the administrative and operational costs associated with the Reconciliation Period. He explained that the costs at issue include, but are not limited to, short and long term forecasting of load, active participation in the IPA procurement plan docket and the planning stages leading up to the procurement process, assisting in the development of bilateral contract terms associated with the IPA procurement, development of the Rider BGS supply price for the upcoming planning year, procurement of capacity for customers on real time pricing tariffs not procured by the IPA, on-going contract administration, invoice check-out and payment to bilateral suppliers under contract, submission of daily demand bids (forecasts) to MISO each day of the year, MISO settlement check-out and invoice payment, nomination of auction revenue rights which offset customer costs, participation in MISO initiatives, implementation of changing MISO business practices and feedback to various interested parties (e.g., IPA, Commission Staff, Procurement Administrator, Procurement Monitor) regarding a variety of MISO issues throughout the course of the year, responding to data requests from regulatory parties, and participation in legislative initiatives that may impact the future IPA procurement process. Mr. McCartney concluded that the costs incurred during the reconciliation period were necessary and reasonable because they were consistent with the requirements under the IPA procurement plan and the Commission-approved Ameren Illinois power supply tariffs.

Mr. Brueggeman testified about the power supply procurement process and the products that were purchased in order to satisfy the power supply needs of Ameren Illinois' retail customers taking service under Rider BGS for the Reconciliation Period. He explained that the power supply products obtained through the IPA purchases consisted of capacity, energy and Renewable Energy Credits. He explained that the IPA procurement process utilizes a portfolio of standard wholesale products which are then supplemented by spot market energy purchases and other services that make up the full requirement product, and the process requires a procurement plan that specifically identifies the wholesale products to be procured following Commission approval of the plan. Mr. Brueggeman explained that under the procurement process the IPA was responsible for hiring the Procurement Administrator and Levatin Associates, Inc. (LAI) was selected to serve as the Procurement Administrator for the

2012 procurement cycle associated with Ameren Illinois solicitations. Mr. Brueggeman testified that LAI implemented a process to procure the wholesale energy products identified in the Commission-approved procurement plan for this Reconciliation Period. Following the conclusion of each RFP issued by LAI, Ameren Illinois entered into contracts with winning suppliers identified in LAI's recommendation made to, and approved by, the Commission. Mr. Brueggeman further testified that Ameren Illinois made spot market purchases during the Reconciliation Period. The Commission-approved procurement plan identified physical transactions as the mechanism to hedge the cost of energy and these purchases combined with legacy financial swaps approved in prior periods equaled the energy hedges. Any shortfall between the hedges and actual load, as a result of energy purchases done in blocks, was supplied through additional spot purchases from the MISO energy markets.

Mr. Brueggeman discussed the legislative provisions related to the prudence of purchases that result from the IPA procurement process; explained that purchases made via the IPA procurement process were made in a manner consistent with the procurement provisions of the Illinois Public Utilities Act (PUA), and the Company performed all prudent acts in a manner consistent with the law and the Commission's order approving the Plan in Docket No. 10-0563; and that Ameren Illinois recovers costs incurred for power procurements pertaining to Rider BGS through Rider PER – Purchased Electricity Recovery (Rider PER). Mr. Brueggeman concluded that the costs incurred under Rider PER were reasonable because the purchases made via the IPA procurement process were consistent with the procurement provisions of the PUA, and that Ameren Illinois has reasonably performed all acts consistent with the law, including the Commission's prior orders.

Mr. Perniciaro testified about the means by which revenues for each Ameren Illinois rate zone were collected, how they were accounted for, any accounting adjustments made during the course of the Reconciliation Period, and the costs attributable to the relevant procurement activities. He also provided a summary schedule detailing the internal administrative and operational costs associated with the procurement of electric power and energy for retail customers during the period under review.

Mr. Perniciaro's testimony included the following exhibits, which provided the information set forth below:

- Ameren Exhibit 3.1 – Rate Zone I Rider PER reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.2 – Rate Zone II Rider PER reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.3 – Rate Zone III Rider PER reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.4 – Combined Rider PER reconciliation of costs and revenues for the period ending May 31, 2013;

- Ameren Exhibit 3.5 – Rate Zone I Rider HSS reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.6 - Rate Zone II Rider HSS reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.7 – Rate Zone III Rider HSS reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.8 – Combined Rider HSS reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.9 – Combined Rate Zone Summary reconciliation of costs and revenues for the period ending May 31, 2013;
- Ameren Exhibit 3.10 – Internal Administrative and Operational Costs Associated with Procurement ending December 31, 2013;
- Ameren Exhibit 3.11 – Company Use Error Detail; and,
- Ameren Exhibit 3.12 – Interest Calculation on the Company Use Error

According to Mr. Perniciaro, these exhibits: show the recovery of Ameren Illinois' total allowable costs over the Reconciliation Period for the BGS-FP fixed price and hourly price for small customer products RTP under Rider PER (Ameren Exs. 3.1-3.4); show the recovery of Ameren Illinois' total allowable costs over the Reconciliation Period for the hourly price product for large customers under Rider HSS, as well as the transition to a consolidated reconciliation (Ameren Exs. 3.5-3.8); summarize Ameren Illinois' total allowable costs over the Reconciliation Period under Riders PER and HSS and the Factor A requested by Ameren Illinois based upon the proposed adjustments (Ameren Ex. 3.9); show the reconciliation of internal administrative and operational costs associated with procuring electric power and energy for retail customers over the Reconciliation Period (Ameren Ex. 3.10); show a summary of details for the Company Use accounts from the Ameren Illinois billing system for the Company Use issue first mentioned in Docket 13-0527 (Ameren Ex. 3.11); and show the Company Use interest calculation for the Reconciliation Period (Ameren Ex. 3.12).

Mr. Perniciaro explained why Ameren Illinois includes internal administrative and operational costs through December 31, 2013, when the Initiating Order only calls for costs during the Reconciliation Period. In Docket 12-0548, Ameren Illinois agreed to change the applicable tariffs to allow for the inclusion of the internal administrative and operation costs within the riders; this change in tariffs requires the reconciliation of internal administrative and operational costs on a calendar year basis. Mr. Perniciaro testified that the \$441,907 indicated in Ameren Exhibit 3.10 as an under recovery will be included as an ordered Factor A in a future filing, and that Ameren Exhibit 3.10 provides the support for this adjustment and will be used to satisfy the Initiating Order's request for reconciliation of the internal administrative and operational costs through the May 31, 2014 reconciliation period.

Mr. Perniciaro described how Ameren Illinois will correct for the under recovery going forward. Ameren Illinois requests a Factor A adjustment in open and future dockets. The 2014 amounts will be corrected in the general ledger to correct financial and

regulatory reporting for 2014. Ameren Illinois was granted a Factor A adjustment in Docket 13-0527. In the current docket, Ameren Illinois is requesting a Factor A adjustment in the amount of \$2,096,854.

Mr. Perniciaro testified that collateral costs are not included in the 2012-2013 Recoverable Costs. According to the Order in Docket 07-0527, Ameren Illinois is allowed to pass through collateral costs related to energy procurement once Staff and Ameren Illinois agree on the methodology, but that methodology has not yet been developed and thus are not included in the Reconciliation Period. Ameren Illinois reserves the right to do so in the future.

III. STAFF TESTIMONY

Mr. Kahle testified on behalf of Staff. He testified that he reviewed and analyzed Ameren Illinois' reconciliations of revenues collected under Rider PER and Rider HSS with the costs incurred in connection with power procurement activities as defined in the tariffs of Ameren Illinois. Mr. Kahle recommends the Commission accept the reconciliations presented in Schedule 1.01 as the reconciliation of Rider PER and Rider HSS for the 12-month period ended May 31, 2013.

IV. COMMISSION CONCLUSIONS, FINDINGS AND ORDERING PARAGRAPHS

The Commission, being fully advised, is of the opinion and finds that:

- (1) The Commission has jurisdiction over the subject matter and the parties in this proceeding;
- (2) 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;
- (3) For the 12-month Reconciliation Period beginning June 1, 2012 and ending May 31, 2013, a Factor A collection adjustment of \$2,096,854 plus applicable interest shall be applied going forward; and,
- (4) The revenues collected under Ameren Illinois' power procurement riders were properly reconciled with costs prudently incurred for the 12-month Reconciliation Period, as shown in the Appendix attached hereto.

IT IS THEREFORE ORDERED that for the Reconciliation Period of June 1, 2012 through May 31, 2013, the reconciliations of revenues collected under Ameren Illinois' power procurement riders with costs prudently incurred in connection with procurement activities as defined in the tariff of Ameren Illinois, as shown on Staff's Schedule 1.01 and which is attached as Appendix A to this Order, is hereby approved.

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

By Order of the Commission this ____ day of _____, 2015.

(SIGNED) Brien Sheahan
Chairman