

ILLINOIS COMMERCE COMMISSION

DOCKET 15-0534

DIRECT TESTIMONY

OF

DAVID J. BRUEGGEMAN

Submitted On Behalf

Of

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

March 18, 2016

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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 in
18 a manner consistent with the Illinois Public Utilities Act (the Act), procuring sufficient power
19 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 12-month period
29 June 1, 2013 through May 31, 2014 (Reconciliation Period). Finally, I address the prudence of
30 AIC in its efforts to obtain the power supply products needed to satisfy the needs of its customers
31 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 IPA did not have a procurement event in 2013. As referenced in Ameren witness
39 Richard L McCartney's testimony, as a result of the dramatic reductions in retail load serving
40 obligations, existing energy hedges procured in prior years were on average in excess of
41 forecasted requirements and therefore no additional bilateral procurements occurred in 2013.
42 Any difference between energy hedges and actual load settled in the MISO markets. In regards
43 to capacity, existing purchases in 2012 for Zonal Resource Credits (ZRCs) covered a portion of

44 the required capacity for this plan year, and the remaining capacity resources requirement were
45 procured through the MISO capacity auction in 2013, as approved in the IPA Procurement Plan.
46 Renewable Energy Credits (RECs) procured through the 2010 Long Term Power Purchase
47 Agreements (LTPPAs) and the 2012 Rate Stability Procurement met the Company's RECs
48 requirement for the 2013 plan year. In addition, other miscellaneous services were obtained
49 from the Midcontinent Independent System Operator, Inc. (MISO) consistent with the approved
50 IPA procurement plan.

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

52 A. The power supply products obtained through previous IPA purchases consisted of
53 capacity, energy, and RECs. The capacity product consisted of legacy contracts that gave the
54 Company the rights to ZRCs which satisfied a portion of the Company's resource adequacy
55 requirement obligations associated with MISO tariffs. The remainder of the Company's resource
56 adequacy requirement for the plan year was procured through the MISO capacity auction, as
57 specified in the IPA Procurement Plan. The energy product consisted of legacy physical
58 contracts consistent with the approved IPA procurement plans. The physical settlement contracts
59 required the contracting parties to confirm schedules through MISO, where the seller transferred
60 energy to AIC and thus reduced the MISO energy charges that otherwise would have been
61 incurred. AIC then directly paid the seller the agreed-upon fixed price for the contractual
62 quantity of energy. The LTPPAs included an energy component that was settled through a
63 financial swap on a fixed for floating basis where the floating price was calculated as the average
64 MISO Day-Ahead Locational Marginal Pricing for each hour of each settlement month at the
65 Company's Load Zone. The parties then netted the difference between the agreed upon fixed

66 price and the floating price. The RECs obtained from the LTPPAs and the Rate Stability
67 Procurement were used solely to meet the RPS requirement.

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

69 A. As referenced above, the IPA did not hold a procurement event during this plan year.

70 **Q. You stated previously the IPA procurement process procured a portfolio of**
71 **standard market products to satisfy the power supply needs of Rider BGS customers and**
72 **that any difference between energy hedged and actual load settled in the MISO markets.**
73 **Did the Company incur this type of MISO energy settlement in the MISO markets during**
74 **this Reconciliation Period?**

75 A. Yes. The Commission-approved procurement plan identified physical transactions as the
76 mechanism to hedge the cost of energy. Since the energy purchases were done in blocks as
77 specified in previous procurement plans, any difference between the hedges and actual load was
78 settled through the MISO energy markets. The combination of previous Commission-approved
79 physical transaction contracts and spot energy settlement from MISO made up the energy
80 purchases pertaining to Rider BGS load. This was accomplished in the manner specified in the
81 Commission-approved procurement plan.

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

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

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

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

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

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

95 A. Section 16-111.5(l) of the Act governs an electric utility's recovery of costs of procuring
96 power and energy via the IPA procurement process. This section explicitly allows for full cost
97 recovery of all of AIC's cost of procuring power and energy via the IPA procurement process,
98 including the cost associated with the LTPPAs mandated by Section 16-111.5(k) of the Act.

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

100 A. Yes. The purchases made via the IPA procurement process were made in a manner
101 consistent with the procurement provisions of the Act and the Company has performed all
102 prudent acts in a manner consistent with the law and the Commission's Order in Docket 12-
103 0544.

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

106 A. AIC recovers these costs through Rider PER - Purchased Electricity Recovery (Rider
107 PER).

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

109 A. Yes.

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

111 A. As explained above, the purchases made in prior years via the IPA procurement process

112 (a Commission-reviewed and approved process) were made in a manner consistent with the

113 procurement provisions of the Act. Moreover, AIC has reasonably performed all acts in a

114 manner consistent with the law, including the Commission's prior orders.

115 **IV. CONCLUSION**

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

117 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 degree 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.