

**ILLINOIS COMMERCE COMMISSION**

**DOCKET NO. \_\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**CRAIG D. NELSON**

**Submitted On Behalf**

**Of**

**CENTRAL ILLINOIS LIGHT COMPANY d/b/a AMERENCILCO**

**CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AMERENCIPS**

**ILLINOIS POWER COMPANY d/b/a AMERENIP**

**(THE AMEREN ILLINOIS UTILITIES)**

**OCTOBER 26, 2007**

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**CRAIG D. NELSON**

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

A. My name is Craig D. Nelson. My business address is 300 Liberty Street, Peoria, Illinois, 61602.

**Q. What is your relationship to the Petitioners?**

A. I serve as Vice President, Regulatory Affairs and Financial Services for the Ameren Illinois Utilities—Central Illinois Light Company, Central Illinois Public Service Company, and Illinois Power Company. In this capacity, I oversee the procurement of power supply for the Ameren Illinois Utilities among other duties and responsibilities.

**Q. Please describe your education and work experience.**

A. A description of my education and work experience is provided in Appendix A.

**Q. Have you previously testified before the Illinois Commerce Commission (the “Commission”, “ICC”)?**

A. Yes. I have testified in many cases before the ICC, including recent ICC dockets 05-0160, 05-0161, 05-0162 and 06-0800.

**Q. What is the purpose of your direct testimony?**

A. My testimony has three distinct purposes. The first is to introduce the other witnesses and their subject matter testimonies. The second is to provide the context in which this filing is to be made. Finally, I will provide a general explanation of the means

24 by which the Ameren Illinois Utilities will procure the power and energy resources to  
25 serve their eligible retail customers for the period June 2008 through May 2009.

26 **Q. Please identify the other witnesses who are sponsoring testimony on behalf of**  
27 **the Ameren Illinois Utilities in this proceeding.**

28 A. There are two other witnesses sponsoring direct testimony on behalf of the  
29 Ameren Illinois Utilities in this proceeding.

30 Mr. James Blessing, Manager of Power Supply Acquisition, Ameren  
31 Services Company, presents testimony detailing the procurement plan that the Ameren  
32 Illinois Utilities are proposing to the Commission. The procurement plan is an exhibit to  
33 his testimony. He will also present the results of the Ameren Illinois Utilities'  
34 solicitation for a procurement administrator, whose approval is also being sought in this  
35 proceeding.

36 Mr. Leonard Jones, Managing Supervisor of Restructured Services, Ameren  
37 Services Company, sponsors the tariffs through which the Ameren Illinois Utilities' costs  
38 of procuring power that are incurred pursuant to a Commission-approved procurement  
39 plan and those other costs identified in Section 16-111.5 of the Public Utility Act  
40 ("PUA") will be recovered.

41 **Q. Please provide the context in which this filing is being made.**

42 A. As the Commission is well aware, there has been a great deal of consternation  
43 surrounding the increase in rates that took place in January 2007. The reasons are many  
44 and are not necessarily relevant to this proceeding except that as a result of the focus and  
45 attention given to the rate and regulatory regime in Illinois, a comprehensive settlement  
46 was reached between the Ameren Illinois Utilities, Commonwealth Edison Company and

47 other stakeholders which resulted in Public Act 095-0481, and which on August 28,  
48 2007, Governor Blagojevich signed into law. This new law includes the Illinois Power  
49 Agency Act (IPA Act); it also makes certain modifications to the PUA. This legislation  
50 fundamentally modifies the method of procurement for the power and energy  
51 requirements of the Ameren Illinois Utilities. The IPA Act creates a new unit of state  
52 government responsible for the development of an annual procurement plan and the  
53 subsequent administration of the process to acquire the resources identified in the plan.

54 The new law provides specific guidelines to the Illinois Power Agency regarding  
55 the procurement process. However, the responsibility for such procurement activities by  
56 the Illinois Power Agency does not include those activities required to acquire power  
57 supply for the period of June 1, 2008 – May 31, 2009. During this period, the Ameren  
58 Illinois Utilities bear that responsibility for their respective native load requirements. See  
59 220 ILSC 5/16-111.5(j).

60 **Q. Please continue.**

61 A. The new legislation outlines provisions relating to procurement and they are set  
62 forth at 220 ILCS 5/16-111.5. Specifically, Section 16-111.5(a) requires the Ameren  
63 Illinois Utilities to procure power and energy for their eligible retail customers in  
64 accordance with the applicable provision set forth in Section 1-75 of the Illinois Power  
65 Agency Act and this section. This “section” refers to Section 16-111.5. Section 16-111.5  
66 provides for a prescriptive means by which power will be procured for Ameren Illinois  
67 Utilities’ eligible retail customers. In particular, Section 16-111.5(j) of the PUA requires  
68 the utilities to file an initial procurement plan, including an identification of the proposed

69 procurement administrator, as well as the associated tariffs providing for cost recovery,  
70 within sixty days of the effective date of the legislation.

71 Accordingly, this filing is being made to comply with the statutory requirements.

72 The procurement plan sponsored by Mr. Blessing presents the analysis of the Ameren  
73 Illinois Utilities' projected system supply requirements for the period of June 2008 – May  
74 2013, sets forth a proposed portfolio of standard market products to be acquired to meet  
75 the supply requirements for the period June 2008 – May 2009, details the means by  
76 which they will meet their renewable energy standards and outlines the process utilized to  
77 secure the services of an independent procurement administrator. Each of these  
78 components of the plan is prescribed by the aforementioned legislation, and this plan  
79 adheres to these requirements.

80 **Q. You mentioned that power must be procured for eligible retail customers.**  
81 **Can you define what an eligible retail customer is?**

82 A. Section 16-111.5(a) of the PUA defines eligible retail customers as “those retail  
83 customers that purchase power and energy from the electric utility under fixed-price  
84 bundled service tariffs, other than those retail customers whose service is declared  
85 competitive under Section 16-113 and those other customer groups specified in this  
86 section, including self-generating customers, customers electing hourly pricing, or those  
87 customers who are otherwise ineligible for fixed-price bundled service.” In effect the  
88 Ameren Illinois Utilities are required to have in place a procurement plan by which they  
89 will secure power supply to serve what has traditionally been known as their bundled  
90 customers.

91 **Q. You indicated previously that this procurement plan is the responsibility of**  
92 **the Ameren Illinois Utilities; will that always be the case?**

93 A. No. Section 16-111.5(j) obligates the Ameren Illinois Utilities to make the  
94 subject filing. Further, this subsection requires the initial procurement plan to conform in  
95 all material respects to the requirements of the procurement plan I described above and as  
96 set forth in Section 16-111.5(b). Thereafter, that is, beginning with the procurement plan  
97 needed for the June 2009 through May 2010, the Illinois Power Agency will be  
98 responsible for providing the procurement plan. The Ameren Illinois Utilities will play a  
99 different role at that time, though a discussion of that role is not relevant for this  
100 particular plan.

101 **Q. Please explain why the Ameren Illinois Utilities have filed a joint plan to**  
102 **address their combined needs.**

103 A. Section 16-111.5(b) of the PUA states in part “a procurement plan shall be  
104 prepared for each electric utility” and further states that “the Illinois electric utilities that  
105 are affiliated by virtue of a common parent company are considered to be a single electric  
106 utility”. As such, a common procurement plan is required by the statute. Furthermore, a  
107 common filing is consistent with the continued intent of the Ameren Illinois Utilities to  
108 jointly administer their supply resources to meet their combined needs, as they did in the  
109 September 2006 auction.

110 **Q. Can you provide a summary of the timeline of activities related to this filing?**

111 A. Yes. Section 16.111.5(j) of the PUA lays out this timeline. The following is my  
112 understanding of that section.

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114           The effective date of the PA 095-0481 is August 28, 2007. The Ameren Illinois  
115 Utilities are required by law to make this filing within 60 days of the effective date (by  
116 October 27, 2007). The actual filing was made on Friday, October 26, 2007. Within 14  
117 days following the Ameren Illinois Utilities' filing of the initial procurement plan, any  
118 person may file a detailed objection with the Commission contesting the plan (by Friday,  
119 November 9, 2007). The utilities would then have up to 7 days to respond to such an  
120 objection (by Friday, November 16, 2007). Within 7 days after the Ameren Illinois  
121 Utilities' response is due, the Commission shall determine whether a hearing is necessary  
122 (by Friday, November 23, 2007). If a hearing is necessary, the Commission shall require  
123 the hearing to be completed and issue an order on the procurement plan within 60 days  
124 after the filing of the procurement plan by the Ameren Illinois Utilities (by Tuesday,  
125 December 25, 2007).

126   **Q.     Please describe in general how the Ameren Illinois Utilities will procure the**  
127 **necessary power and energy resources to serve eligible customers.**

128   A.     The IPA Act and the Public Utility Act specify the methodology to be used by the  
129 Ameren Illinois Utilities to procure these resources. In general, the Ameren Illinois  
130 Utilities will secure the services of an independent Procurement Administrator who will  
131 be responsible for the administration of a competitive procurement process, specifically a  
132 Request for Proposals process, to solicit offers to provide such resources. Upon the  
133 successful completion of this process, the Ameren Illinois Utilities shall execute contracts  
134 with the winning suppliers.

135           The means by which this Procurement Administrator was chosen, a detailed  
136 description of the load forecast methodology and analysis and a description of the

137 proposed portfolio design are all included in the detailed procurement plan sponsored by  
138 Mr. Blessing.

139 **Q. Does this mean that the Ameren Illinois Utilities will no longer use the**  
140 **reverse auction process to secure new resources to serve these eligible loads?**

141 A. That is correct.

142 **Q. What will happen to the existing contracts that were awarded in the auction?**

143 A. All of the 17-month contracts awarded in September 2006 auction will expire on  
144 May 31, 2008. Supply for eligible customers, to replace that provided by those expiring  
145 contracts, will be obtained through this new procurement process.

146 The remaining 29- and 41-month contracts are unaffected by this new process.  
147 The Ameren Illinois Utilities will honor and their respective BGS suppliers will continue  
148 to be bound by the terms and conditions of those contracts. When these contracts expire  
149 at their natural termination date, the supply will be replaced with contracts entered into  
150 via the new procurement process.

151 **Q. Is this consistent with the legislation?**

152 A. Yes. Section 16-111.5(b)(3) of the PUA specifically acknowledges pre-existing  
153 contracts and requires that supply from such pre-existing contracts be taken into account  
154 when designing the procurement plan to meet the expected load requirements of eligible  
155 customers.

156 **Q. Are these pre-existing contracts from the September 2006 auction the only**  
157 **contracts at issue?**

158 A. No. Section 16-111.5(k) requires that each electric utility subject to this section  
159 enter into one or more multi-year financial contracts that become effective on the



160 effective date of Public Act 095-0481. This subsection also provides that the multi-year  
161 financial swap contract is to be considered a pre-existing contract in the utilities'  
162 procurement plans for residential and small commercial customers. The Ameren Illinois  
163 Utilities entered into such a transaction with Ameren Energy Marketing Company. This  
164 contract provides for fixed-prices for a substantial portion of the Ameren Illinois  
165 Utilities' energy needs for their residential and small commercial customers for a 4 ½  
166 year period of time. With this multi-year financial swap contract in place, it reduces the  
167 amount to be procured in the June 2008 through May 2009 procurement plan period.  
168 I note parenthetically that Section 16-111.5(k) states the costs incurred pursuant to the  
169 multi-year financial swap contract are deemed prudently incurred and reasonable in  
170 amount, and utilities are entitled to full cost recovery pursuant to the tariffs filed with the  
171 Commission. Additionally, the Ameren Illinois Utilities are parties to various contracts  
172 with qualifying facilities under their applicable QF tariffs. While minimal in amount, the  
173 power supply delivered under these QF tariffs is used to also supply their customers.

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

175 A. Yes.

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185 APPENDIX A

186 EDUCATION AND WORK EXPERIENCE OF CRAIG D. NELSON

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189 I am currently Vice President – Regulatory Affairs & Financial Services for the  
190 Ameren Illinois Utilities. I earned a bachelor's degree in accounting in 1977, graduating  
191 with highest honors, and a master's degree in business administration in 1984. Both  
192 degrees were awarded by Southern Illinois University – Edwardsville. I am a Certified  
193 Public Accountant.

194 I worked for Arthur Andersen & Co. from 1977 to 1979, when I joined Central  
195 Illinois Public Service Company as a Tax Accountant. In 1979, I was promoted to  
196 Income Tax Supervisor. I served in various tax and accounting positions until 1985 when  
197 I was appointed Assistant Treasurer. In 1989, I became Treasurer and Assistant  
198 Secretary, a position I held for seven years. In 1996, I was elected Vice President of  
199 Corporate Services. After Union Electric and CIPSCO Incorporated merged, I was  
200 named Vice President, Merger Coordination for Ameren Services Company effective  
201 December 31, 1997. In 1998, I assumed the additional responsibility of Vice President of  
202 Regulatory Planning. Effective June 1, 1999, I was appointed Vice President, Corporate  
203 Planning. Effective October 15, 2004, I was appointed Vice President - Strategic  
204 Initiatives for Ameren Services. Effective September 1, 2006, I was also appointed Vice  
205 President – Power Supply Acquisition for AmerenCILCO, AmerenCIPS and AmerenIP.

206 In my current position, as Vice President – Regulatory Affairs & Financial  
207 Services, my role is to direct power procurement, financial analysis/reporting and  
208 regulatory affairs for Ameren’s Illinois utility companies.

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