

Exhibit No.:
Issues: Fuel Adjustment Clause –
Accuracy of Net Fuel Cost
Determination
Witness: Timothy D. Finnell
Sponsoring Party: Union Electric Company
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2010-0036
Date Testimony Prepared: February 26, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

FUEL ADJUSTMENT CLAUSE REBUTTAL TESTIMONY

OF

TIMOTHY D. FINNELL

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

**St. Louis, Missouri
February, 2010**

FUEL ADJUSTMENT CLAUSE REBUTTAL TESTIMONY

OF

TIMOTHY D. FINNELL

CASE NO. ER-2010-0036

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

2 A. My name is Timothy D. Finnell. My business address is One Ameren Plaza, 1901
3 Chouteau Avenue, St. Louis, MO 63103.

4 **Q. Are you the same Timothy D. Finnell who filed both direct testimony in this**
5 **case on July 24, 2009 and rebuttal testimony in this case on February 11, 2010.**

6 A. Yes, I am.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to respond to the suggestion in Staff
9 witness Lena Mantle’s supplemental direct testimony that AmerenUE may have a “viewpoint”
10 that accuracy in calculating its net fuel costs is somehow less important with a fuel adjustment
11 clause. As I discuss below, AmerenUE engaged in the same process, due diligence and rigor in
12 using the best data available to estimate what net fuel costs are expected to be when rates to be
13 set in this case would be in effect, as it has used in the last two rate cases when it did not have an
14 FAC.

15 **Q. Please explain the process followed by AmerenUE to develop its net fuel**
16 **costs.**

17 A. In my direct testimony I described the production cost model used by AmerenUE,
18 PROSYM, and the major inputs used to calculate normalized net fuel costs. The major inputs
19 include normalized sales, unit availabilities, fuel prices, unit operating characteristics, hourly

1 energy prices, and system requirements. Even though these are the same inputs used in the
2 previous cases, a significant effort is required to develop normalized values for each item, input
3 the values into the production cost model and analyze the model results for reasonableness.

4 For example, during the last case and the current case the normalized generating unit
5 availabilities were developed for each of the major generating units using a 6-year average of the
6 historical availability data. The 6-year period used for this case was April 2003 to March 2009
7 and in the last case the period was January 2002 to December 2007. The baseload fleet
8 equivalent availability was 87.5% for this case and 86.2% in the previous case.

9 Another example of the effort AmerenUE took to develop reliable net fuel costs is the
10 update of the system requirements used by the production cost model. The system requirements
11 were updated in this case to reflect the impact of the Midwest Independent Transmission System
12 Operator, Inc.'s (Midwest ISO) ancillary service market (ASM), which began in January 2009.
13 This modeling change resulted in a \$4.6 million reduction to net fuel costs.

14 **Q. Is the process followed by the Company to estimate fuel costs similar to the**
15 **process followed by the Staff?**

16 A. Yes. I have worked very closely with the Staff in each of the last two rate cases
17 and in this case, and have both formally (through data requests) and informally (through
18 numerous meetings, phone calls and other sharing of information) assisted the Staff in calibrating
19 the Staff's model so that it will accurately model AmerenUE's net fuel costs. The Staff's
20 benchmark run in this case, when using the same inputs as AmerenUE, produces very similar
21 results to AmerenUE's model.

1 **Q. Do you have evidence that both the Company and the Staff have endeavored**
2 **to achieve results that are as accurate as possible, both before this rate case and in this rate**
3 **case now that the Company has an FAC?**

4 A. Yes I do. The fact that the Staff has calibrated its model to the PROSYM model
5 is a strong indication that they believe the Company's model provides a solid foundation for
6 calculating net fuel costs. I have also stated in my earlier rebuttal testimony that AmerenUE
7 agrees with the Staff's approach to calculating net fuel costs in this case, except for the fuel
8 expenses relating to the Callaway refueling outage. This conclusion was based on a PROSYM
9 run using all of the Staff's major inputs, including the Staff's Callaway fuel costs. The run
10 produced results that were within 0.5% of the Staff's production cost model results. It should
11 also be noted that in the prior rate case AmerenUE agreed to the net fuel costs developed from
12 the Staff's production cost model because the Company and the Staff had worked together to
13 ensure that the models and data used were as accurate as possible. The same cooperation
14 between Company and Staff is expected when "true-up" data is used to develop the new net fuel
15 costs to be established in this case and used in the FAC formula.

16 **Q. Does the absence of "considerable discussions regarding . . . [the**
17 **Company's] . . . fuel and purchased power costs to include in [this] case" suggest a lack of**
18 **care on the Company's part, or on the part of the Staff or any other party, as suggested by**
19 **Ms. Mantle?**

20 A. Absolutely not. Two rate cases ago, the Staff had numerous problems with its
21 fuel modeling, some of which we were able to resolve informally, and some of which were
22 resolved after the Staff's modeling expert, Mr. Rahrer, was deposed and after we engaged in the
23 more formal discovery and testimony process. In the end, there were minimal disputes even in

1 that case, except regarding the proper pricing of off-system sales. A very significant difference
2 regarding pricing off-system sales that existed in that case and that did not exist in the last case
3 or this case was the fact that the Midwest ISO's Day 2 Energy Markets were very new, and some
4 unusual events had occurred that required both the Staff and the Company to make a number of
5 judgments about "normalized" prices at that time. In the Company's last rate case, the disputes
6 were much more limited even from the beginning of the case, and the parties reached agreement
7 on fuel, purchased power and off-system sales issues without the necessity of litigating that
8 issue. In this case, everyone benefited from the greater maturity of the Midwest ISO's Day 2
9 Markets and the experience we have all gained over three rate cases in estimating net fuel costs
10 for AmerenUE. In summary, it is not surprising that there have been fewer "discussions" about
11 fuel costs in this case than in prior cases, nor does this suggest a lack of care on anyone's part in
12 doing the best job they can to estimate net fuel costs accurately.

13 **Q. Does this conclude your rebuttal testimony?**

14 **A.** Yes, it does.

In the Matter of Union Electric Company d/b/a) Case No. ER-2010-0036
AmerenUE's Tariffs to Increase its Annual) Tracking No. YE-2010-0054
Revenues for Electric Service.) Tracking No. YE-2010-0055

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

1. My name is Timothy D. Finnell. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services Company as Managing Supervisor, Operations Analysis.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Subscribed and sworn to before me this 26th day of February, 2010.

Mary Hoyt
Notary Public

My commission expires: 4-1-2010

