

Exhibit No.:
Issues: Adjustment to FAC Rate –
Eleventh Accumulation Period
Witness: Erik C. Wenberg
Sponsoring Party: Union Electric Co.
Type of Exhibit: Direct Testimony
Case No.: ER-2013-_____
Date Testimony Prepared: November 26, 2012

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

ERIK C. WENBERG

**November, 2012
St. Louis, Missouri**

NP

DIRECT TESTIMONY

OF

ERIK C. WENBERG

Case No. ER-2013-_____

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

2 A: My name is Erik C. Wenberg. My business address is One Ameren Plaza, St. Louis,
3 Missouri.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Ameren Services Company (“Ameren Services”) as Manager,
6 Wholesale Power and Fuel Accounting. Ameren Services provides various corporate
7 support services to Union Electric Company d/b/a Ameren Missouri (“Company” or
8 “Ameren Missouri”), including settlement and accounting related to fuel, purchased
9 power and off-system sales.

10 **Q: What is the purpose of your testimony?**

11 A: My testimony supports the 4th Revised Sheet No. 98.21 of Ameren Missouri’s Schedule
12 No. 5 – Schedule of Rates for Electric Service, that is being filed by Ameren Missouri to
13 adjust customer rates for changes in Ameren Missouri’s fuel and purchased power costs
14 net of off-system sales revenues (i.e., net fuel costs), which were experienced during the
15 four-month period June 2012 through September 2012.¹

¹ This four-month period is the eleventh overall Accumulation Period under Ameren Missouri’s Rider FAC, which was first approved by the Commission in Case No. ER-2008-0318, and which has subsequently been re-authorized, with certain modifications, in Case Nos. ER-2010-0036 and ER-2011-0028.

1 **Q: Please explain why Ameren Missouri is filing a revision to its Rider FAC at this**
2 **time.**

3 A: The Commission's rule governing fuel and purchased power cost recovery mechanisms
4 for electric utilities – specifically 4 CSR 240-20.090(4) – and Ameren Missouri's Rider
5 FAC, require Ameren Missouri to make periodic filings to adjust customer rates for
6 changes in Ameren Missouri's actual net fuel costs experienced during each
7 Accumulation Period as compared to the base level of net fuel costs (the "net base fuel
8 costs" or "NBFC" listed in the Company's Rider FAC tariff) applicable to that same
9 Accumulation Period. That change is then to be reflected in an adjustment to the Rider
10 FAC rate (i.e., Factor "FPA_c" in Rider FAC). This adjustment can be positive (an
11 increase in the FAC rate) or negative (a decrease in the FAC rate). The Commission's
12 rule requires at least one such review and adjustment each year. Ameren Missouri's
13 approved FAC tariff calls for three filings annually – one filing covering each of the three
14 four-month Accumulation Periods reflected in Rider FAC. The increases or decreases in
15 the FAC factor implemented in these three filings are then collected from or refunded to
16 customers over the applicable Recovery Period. The Recovery Period applicable to this
17 filing will consist of the billing months of February 2013 through September 2013.

18 **Q. What adjustment is being made in this filing?**

19 A. Ameren Missouri's net fuel costs during the June 1, 2012 to September 30, 2012,
20 Accumulation Period have increased as compared to the NBFC applicable to that period.
21 The factors driving this cost increase were lower off-system sales margins, and higher
22 base load fuel costs. Specifically, for the subject Accumulation Period Ameren
23 Missouri's net fuel costs are more than the NBFC for that period by approximately

1 \$86,493,018². In accordance with the Commission's rule and Ameren Missouri's
2 approved Rider FAC, Ameren Missouri is making this filing to set its FPA_c rate so that
3 customers will pay 95% of this cost increase. Also included in this FPA_c rate is an
4 amount reflected in the Company's eighth true-up filing, which is being filed
5 concurrently with the initiation of this docket (which increases net fuel costs by
6 \$1,327,563). The new FPA_c rate will appear as a separate line item on the customers'
7 bills starting with the February, 2013 billing month, when the Recovery Period applicable
8 to the subject Accumulation Period begins.

9 **Q: Were the fuel costs from the Maryland Heights Energy Center, that began**
10 **providing service on June 15, 2012, incorporated in the \$86,493,018?**

11 A: Yes. The fuel costs incurred starting June 15, 2012 to operate the Maryland Heights
12 Energy Center have been included in the fuel costs for base load figure of \$252,313,124,
13 as shown in the worksheet titled 'Actual Fuel Costs' in the attached Schedule EW-FPA.
14 Additionally, in the calculation of the net base fuel costs figure of \$191,274,586 Ameren
15 Missouri has included the related kilowatt-hours generated from the Maryland Heights
16 Energy Center as an addition to the kilowatt-hours settled at the AMMO.UC CP node
17 used to calculate factor S_{AP} for the FPA_c formula.

18 **Q: Does the current FPA_c formula dictate an addition in factor S_{AP} for the Maryland**
19 **Heights Energy Center?**

² This figure includes \$1.9 million (plus interest) of the refund Ameren Missouri received from Entergy as a result of FERC Opinion No. 505-A in Docket No. ER07-956-002, as agreed upon in the Nonunanimous Stipulation and Agreement as to Certain Revenue Requirement. These amounts were included in the Purchased Power for OSS line shown on the Actual Fuel Costs worksheet included in Schedule EW-FPA attached to this testimony.

1 A: No. However, if Ameren Missouri had not included the energy generated by the
2 Maryland Heights Energy Center, Ameren Missouri customers would arguably be
3 overcharged through the function of the FAC.

4 **Q: Please explain how Ameren Missouri customers would be overcharged if the energy**
5 **Maryland Heights produces is not included in factor S_{AP} ?**

6 A: When Ameren Missouri procures their power from the Midwest Independent
7 Transmission System Operator (“MISO”) to serve its load zone, the amount of energy
8 purchased is the net energy required. This net energy amount does not include the
9 Maryland Heights Energy Center generation because the energy center is a “behind the
10 meter” resource in MISO. The Maryland Heights Energy Center generation reduces the
11 amount of power Ameren Missouri needs to procure from MISO since it is not sold to
12 MISO as is the case with energy produced from Ameren Missouri’s other energy centers.
13 Since the Maryland Heights fuel costs are being included in the FAC calculations, the
14 related generation must also be included. Otherwise, the resulting rate will be too high
15 because the denominator (kilowatt-hours) will be understated, resulting in an overcharge
16 to Ameren Missouri’s customers.

17 **Q: Please describe the impact of the total increase in net fuel costs on the Company’s**
18 **customers.**

19 A: The approximately \$86,493,018 increase in net fuel costs was calculated in the manner
20 specified in the Company’s Rider FAC, and adjusted for voltage level differences, as
21 provided for in Rider FAC. Applying the 95% sharing ratio, the amount resulting from
22 the eighth true-up filing (made concurrently with the initiation of this docket), plus
23 applicable interest as provided for in Rider FAC, results in a total increase for customers

of \$83,568,227. That total increase, using estimated kWh sales for the February 2013 to September 2013 Recovery Period, as also provided for in Rider FAC, results in the following FPA_c rates for the Company's customers during that Recovery Period, beginning with the billing month of February 2013:

<u>Customer Voltage Level</u>	<u>Cents per kWh Adjustment</u>
Secondary	0.465 ¢/kWh
Primary	0.450 ¢/kWh
Large Transmission	0.436 ¢/kWh

Filed concurrently with my direct testimony is the tariff sheet that contains the formula that Ameren Missouri used to calculate the FPA_c rates. Also included in the tariff sheet are the values for each element of the formula that were used to derive the FPA_c rates. This will result in charges under the FPA_c rate of approximately \$5.11 per month for a typical residential customer.

Q: How did you develop the various values used to derive the proposed FPA_c rates that are shown on the tariff sheet?

A: The data upon which Ameren Missouri based the values for each of the variables in the approved FPA_c formula are shown in Schedule EW-FPA, attached to my testimony. This schedule contains all of the information that is required by CSR 240-3.161(7)(A) and includes the workpapers that support the data contained in Schedule EW-FPA. I have also included Schedule EW-TU, which is a reproduction of Schedule EW-TU filed in the

1 separate true-up docket for the Eighth Recovery Period, which as earlier noted is being
2 filed concurrently with the initiation of this docket.³

3 **Q: If the rate schedule filed by Ameren Missouri is approved or allowed to go into**
4 **effect, what safeguards exist to ensure that the revenues the Company collects do**
5 **not exceed the net fuel costs that Ameren Missouri actually incurred during the**
6 **Accumulation Period?**

7 A: Ameren Missouri's Rider FAC and the Commission's rules provide two mechanisms to
8 ensure that amounts collected from customers do not exceed Ameren Missouri's actual,
9 prudently-incurred net fuel costs. First, Rider FAC and the Commission's rules require a
10 true-up of the amounts collected from customers through Rider FAC, with any excess
11 amounts collected to be credited to customers through prospective adjustments to the
12 FPA_c rates, with interest at Ameren Missouri's short-term borrowing rate. Second,
13 Ameren Missouri's net fuel costs are subject to periodic prudence reviews to ensure that
14 only prudently-incurred net fuel costs are collected from customers through Ameren
15 Missouri's Rider FAC. These two mechanisms serve as checks that ensure that the
16 Company's customers pay only the prudently-incurred, actual net fuel costs and no more.

17 **Q: What action is Ameren Missouri requesting from the Commission with respect to**
18 **the rate schedule that the Company has filed?**

19 A: As provided by 4 CSR 240-20.090(4), the Commission Staff (the "Staff") has thirty (30)
20 days from the date the revised FAC rate schedule is filed to conduct a review and to make
21 a recommendation to the Commission as to whether the rate schedule complies with the

³ While the Commission's FAC rules allow filings relating to changes in Net Fuel Costs to be combined in one filing with the true-up of past Recovery Periods, after consultation with the Staff it is the Company's understanding that the Staff prefers separate filings, but also prefers that sums reflected in such concurrently-filed true-ups be included in the new FPA_c rates filed in the separate, Accumulation Period filing.

1 Commission's rules, the requirements of Section 386.266, RSMo (Cum. Supp. 2011), and
2 Ameren Missouri's approved Rider FAC. If the Commission finds the revised Rider
3 FAC rate schedule does comply, the FPA_c rate will take effect either pursuant to a
4 Commission order approving the FPA_c rate or by operation of law, in either case within
5 60 days after the FPA_c rate was filed. Because Ameren Missouri believes its filing
6 satisfies all of the requirements of applicable statutes, the Commission's rules and
7 Ameren Missouri's approved Rider FAC, Ameren Missouri requests that after the Staff's
8 review, the Commission approve the FPA_c rate to be effective with the billing month of
9 February 2013.

10 **Q: Does this conclude your direct testimony?**

11 **A:** Yes, it does.

**SCHEDULE EW-FPA HAS BEEN MARKED
HIGHLY CONFIDENTIAL
IN ITS ENTIRETY**