

Exhibit No.:
Issues: Adjustment to FAC Rate –
Seventh Accumulation Period
Witness: Jeff L. Dodd
Sponsoring Party: Union Electric Co.
Type of Exhibit: Direct Testimony
Case No.: ER-2012-_____
Date Testimony Prepared: July 25, 2011

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

JEFF L. DODD

**July, 2011
St. Louis, Missouri**

NP

DIRECT TESTIMONY

OF

JEFF L. DODD

Case No. ER-2012-_____

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

2 A: My name is Jeff L. Dodd. 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 Original Sheet No. 98.21 of Ameren Missouri’s Schedule No. 5 –
12 Schedule of Rates for Electric Service that is being filed by Ameren Missouri to adjust
13 customer rates for changes in Ameren Missouri’s fuel and purchased power costs net of
14 off-system sales revenues (i.e., net fuel costs), which were experienced during the four-
15 month period February 2011 through May 2011.¹

¹ This four-month period is the third Accumulation Period occurring under Ameren Missouri’s current Rider FAC, which was approved by the Commission in Case No. ER-2010-0036. It is the seventh overall Accumulation Period if one accounts for the full and partial Accumulation Periods that occurred under Ameren Missouri’s initial Rider FAC, approved by the Commission in Case No. ER-2008-0318, and accounts for prior Accumulation Periods under the current Rider FAC.

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

A: The Commission's rule governing fuel and purchased power cost recovery mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – and Ameren Missouri's Rider FAC, require Ameren Missouri to make periodic filings to adjust customer rates for changes in Ameren Missouri's actual net fuel costs experienced during each Accumulation Period as compared to the base level of net fuel costs (the "net base fuel costs" or "NBFC" listed in the Company's Rider FAC tariff) applicable to that same Accumulation Period. That change is then to be reflected in an adjustment to the Rider FAC rate (i.e., Factor "FPA_c" in Rider FAC). This adjustment can be positive (an increase in the FAC rate) or negative (a decrease in the FAC rate). The Commission's rule requires at least one such review and adjustment each year. Ameren Missouri's approved FAC tariff calls for three filings annually – one filing covering each of the three four-month Accumulation Periods reflected in Rider FAC. The increases or decreases in the FAC factor implemented in these three filings are then collected from or refunded to customers over the applicable Recovery Period. The Recovery Period applicable to this filing will consist of the billing months of October 2011 through May 2012.

Q. What adjustment is being made in this filing?

A. Ameren Missouri's net fuel costs during the February 1, 2011 to May 31, 2011, Accumulation Period have increased as compared to the net base fuel costs ("NBFC") applicable to that period. The factor driving this cost increase was lower off-system sales margins caused by lower power prices. Specifically, for the subject Accumulation Period Ameren Missouri's net fuel costs are more than the NBFC for that period by approximately \$5,866,077. In accordance with the Commission's rule and Ameren

Missouri's approved Rider FAC, Ameren Missouri is making this filing to set its FPA_c rate so that customers will pay 95% of this cost increase. Also included in this FPA_c rate are amounts resulting from orders received in Case No. EO-2010-0255 (The Company's first prudence review docket; this reduces net fuel costs by \$ \$17,169,838), and Case Nos.ER-2010-0274 and ER-2011-0321 (the Company's first and second true-up dockets, which increases net fuel costs by a total of \$2,199,132). The Commission's FAC rules require these Commission-ordered sums to be included in the new FPA_c rate. The new FPA_c rate will appear as a separate line item on the customers' bills starting with the October, 2011 billing month, when the Recovery Period applicable to the subject Accumulation Period begins.

Q: Please describe the impact of the above-described sums on the Company's customers.

A: The approximately \$5,866,077 increase in net fuel costs was calculated in the manner specified in the Company's Rider FAC, and adjusted for voltage level differences, as provided for in Rider FAC. Applying the 95% sharing ratio, amounts ordered in Case Nos. EO-2010-0255, ER-2010-0274, ER-2011-0321 and applicable interest results in an overall decrease of \$9,733,915. That decrease results in the following FPA_c rates for the Company's customers for the recovery period, beginning with the billing month of October 2011:

<u>Customer Voltage Level</u>	<u>Cents per kWh Adjustment</u>
Secondary	0.188 ¢/kWh
Primary	0.182 ¢/kWh
Large Transmission	0.176 ¢/kWh

1 Filed concurrently with my direct testimony is a copy of the tariff sheet that
2 contains the formula that Ameren Missouri used to calculate the FPA_c rates. Also
3 included in the tariff sheet are the values for each element of the formula that were used
4 to derive the FPA_c rates. This will result in charges under the FPA_c rate of
5 approximately \$2.07 per month for a typical residential customer.

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

8 A: The data upon which Ameren Missouri based the values for each of the variables in the
9 approved FPA_c formula are shown in Schedule JD-1, attached to my testimony. This
10 schedule contains all of the information that is required by CSR 240-3.161(7)(A) and
11 includes the workpapers that support the data contained in Schedule JD-1.

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

16 A: Ameren Missouri's Rider FAC and the Commission's rules provide two mechanisms to
17 ensure that amounts collected from customers do not exceed Ameren Missouri's actual,
18 prudently-incurred net fuel costs. First, Rider FAC and the Commission's rules require a
19 true-up of the amounts collected from customers through the Rider FAC, with any excess
20 amounts collected to be credited to customers through prospective adjustments to the
21 FPA_c rates, with interest at Ameren Missouri's short-term borrowing rate. Second,
22 Ameren Missouri's net fuel costs are subject to periodic prudence reviews to ensure that
23 only prudently-incurred net fuel costs are collected from customers through Ameren

1 Missouri's Rider FAC. These two mechanisms serve as checks that ensure that the
2 Company's customers pay only the prudently-incurred, actual net fuel costs and no more.

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

5 A: As provided by 4 CSR 240-20.090(4), the Commission Staff (the "Staff") has thirty (30)
6 days from the date the revised FAC rate schedule is filed to conduct a review and to make
7 a recommendation to the Commission as to whether the rate schedule complies with the
8 Commission's rules, the requirements of Section 386.266, RSMo (Cum. Supp. 2010), and
9 Ameren Missouri's approved Rider FAC. If the Commission finds the revised Rider
10 FAC rate schedule does comply, the FPA_c rate will take effect either pursuant to a
11 Commission order approving the FPA_c rate or by operation of law, in either case within
12 60 days after the FPA_c rate was filed. Because Ameren Missouri believes its filing
13 satisfies all of the requirements of applicable statutes, the Commission's rules and
14 Ameren Missouri's approved Rider FAC, Ameren Missouri requests that after the Staff's
15 review, the Commission approve the FPA_c rate to be effective with the billing month of
16 October, 2011.

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

18 A: Yes, it does.

*SCHEDULE JD-1 HAS BEEN DEEMED HIGHLY
CONFIDENTIAL IN ITS ENTIRETY AND
HAS THUS BEEN REMOVED*

AFFIDAVIT OF JEFF L. DODD

Amanda Tesdall - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011