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Issues: Off System Sales Revenue
Witness: Erin L. Maloney
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2012-0166
Date Testimony Prepared: September 7, 2012

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

ERIN L. MALONEY

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

CASE NO. ER-2012-0166

*Jefferson City, Missouri
September 2012*

Staff Exhibit No. *222*
Date *9-27-12* Reporter *KF*
File No. *ER-2012-0166*

EXHIBIT 222

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

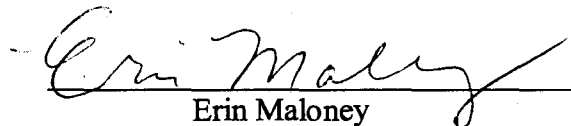
In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to)
Increase Its Revenues for Electric Service)

Case No. ER-2012-0166

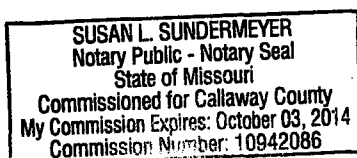
AFFIDAVIT OF ERIN L. MALONEY

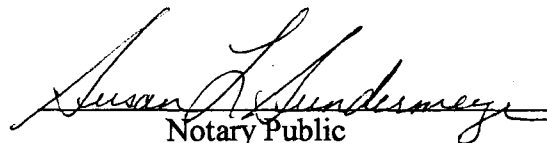
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Erin L. Maloney, of lawful age, on her oath states: that she has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 3 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.


Erin Maloney

Subscribed and sworn to before me this 7th day of September, 2012.




Notary Public

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SURREBUTTAL TESTIMONY
OF
ERIN L. MALONEY
UNION ELECTRIC COMPANY
d/b/a Ameren Missouri
CASE NO. ER-2012-0166

12 Q. Please state your name and business address?

13 A. My name is Erin L. Maloney, P.O. Box 360, Jefferson City, Missouri 65102.

14 Q. Are you the same Erin L. Maloney that contributed to the Missouri Public
15 Service Commission Staff *Revenue Requirement Cost of Service Report ("Report")* filed on
16 July 7, 2012?

17 A. Yes.

18 Q. What is the purpose of this surrebuttal testimony?

19 A. The purpose of this surrebuttal testimony is to address the rebuttal testimony of
20 Company witness Mr. Jaime Haro regarding the inclusion of bilateral sales and financial
21 swaps margins in the calculation of off-system sales revenues.

22 Q. Briefly, what are bilateral sales and financial swaps margins?

23 A. Bilateral sales and financial swaps are made by the Company to increase off-
24 system sales revenues. Bilateral sales are made to counterparties other than the Midwest ISO
25 ("MISO") to increase the margins earned from off-system sales of energy. Financial swaps
26 are made to lock in the sales prices of the Company's generation fleet.

27 Q. Is this a new component to off-system sales revenues as Mr. Haro suggests in
28 his first question regarding this issue on page 17 of his rebuttal testimony?

1 A. No. In fact, these issues have been evolving over the last four rate cases since
2 the onset of the MISO day-two market when Staff and other parties became aware of this
3 revenue stream. For example, Mr. Haro filed eleven (11) pages of rebuttal testimony titled
4 "Proposed Adjustments for Bilateral Transactions" in the previous Ameren Missouri Rate
5 Case, Case No. ER-2011-0028, so the issue is not a "new" topic that has not been previously
6 raised.

7 Q. Has the Company been earning positive margins on these transactions?

8 A. Yes, Staff has reviewed the Company's monthly 4 CSR 3.190-(1) (E) data
9 submittals from May 2010 through March of 2012, as well as DR responses made in this case,
10 and has determined that the Company did earn positive off-system energy sales margins from
11 these transactions. Mr. Haro points this out in his rebuttal testimony on page 18, lines 8-9;
12 "Yes we have, on average been achieving positive margins relative to spot prices over the past
13 several years. I'm not debating that."

14 Q. What is Staff's response to Mr. Haro's assertion that including an adjustment
15 to off-system sales revenue to account for the margins earned from these transactions would
16 not improve the accuracy of the Net Base Fuel Cost ("BF") calculation and that adding these
17 adjustments in prior rates cases would have caused the Company's under-recoveries to be
18 larger?

19 A. The BF that was established in the past three rate cases were a result of settled
20 stipulation and agreements that, in turn, were approved by the Commission and did not reflect
21 the direct position of any one party. Staff is proposing that the estimate of the BF include an
22 adjustment for these factors and in his rebuttal testimony Mr. Haro concedes that "it may be
23 appropriate to account for margins associated with bilateral and financial swap transactions"

1 and that there is a "theoretical" basis for including these margins in the estimate for BF. The
2 inclusion or exclusion of one of the components that make up the BF should not be tied to the
3 ability of the parties to predict the future of the costs and revenues that flow through the Fuel
4 Adjustment Clause ("FAC"). Instead, a component should be included if it "theoretically"
5 makes sense to include it.

6 If the Company wishes to propose an additional adjustment to lower the BF based on
7 the difference between the BF and the actual FAC costs incurred, it should do so directly.
8 However, the accuracy or inaccuracy of the estimates of BF when compared to actual FAC
9 costs is related to a lot of factors that cannot be accurately predicted or normalized, like the
10 market price of electricity and the regional economy. The effect on the costs that flow
11 through the FAC of these larger factors looms large when compared to the margins from
12 bilateral transactions and financial swaps.

13 Q. What is your recommendation on this issue?

14 A. I recommend that the margin revenues earned from off-system bilateral sales
15 and financial swaps be trued up through July 31, 2012, and included in the calculation of off
16 system sales revenue for this case.

17 Q. Does this conclude your surrebuttal testimony?

18 A. Yes.