

Exhibit No.:  
Issues: Spot Market Prices  
Bilateral Sales  
Forecasting Error  
Witness: Erin L. Maloney  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: ER-2011-0028  
Date Testimony Prepared: March 25, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**ERIN L. MALONEY**

**UNION ELECTRIC COMPANY**

**d/b/a Ameren Missouri**

**CASE NO. ER-2011-0028**

*Jefferson City, Missouri  
March 2011*

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company )  
d/b/a AmerenUE's Tariff to Increase Its ) File No. ER-2011-0028  
Annual Revenues for Electric Service )

**AFFIDAVIT OF ERIN L. MALONEY**

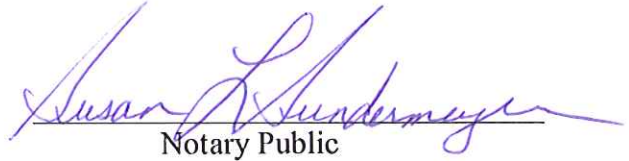
**STATE OF MISSOURI**    )  
  ) ss  
**COUNTY OF COLE**     )

Erin L. Maloney, of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 3 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal 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 L. Maloney

Subscribed and sworn to before me this 24<sup>th</sup> day of March, 2011.

SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 03, 2014 Commission Number: 10942086
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Notary Public

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**UNION ELECTRIC COMPANY**

**d/b/a Ameren Missouri**

**CASE NO. ER-2011-0028**

14 Q. Please state your name and business address?

15 A. Erin L. Maloney, P.O. Box 360, Jefferson City, Missouri, 65102.

16 Q. Are you the same Erin L. Maloney who contributed to the Missouri Public  
17 Service Commission Staff Revenue Requirement and Cost of Service Report filed on  
18 February 11, 2011?

19 A. Yes.

20 Q. What is the purpose of this testimony?

21 A. The purpose of this testimony is to address three issues involved in the  
22 calculation of Union Electric Company d/b/a Ameren Missouri (Ameren Missouri or  
23 Company) fuel and purchased power expenses. The first issue involves a change in  
24 methodology used to calculate purchased power prices used in Staff's Realtime™ fuel model,  
25 the second issue involves an adjustment to account for the revenues received by the Company  
26 as a result of bilateral sales presented in the direct testimony of Missouri Industrial Energy  
27 Consumers witness Mr. James R. Dauphinais, and the third issue involves the Company's  
28 request for compensation based on generation and load forecast deviation presented in the  
29 direct testimony of Company witness Mr. Tim Finnell.

Q. What has changed with regard to the calculation of purchased power prices?

1           A.     In Staff's direct case, Staff calculated purchased power prices by using day-  
2 ahead, real time, and bilateral transactions as presented in the data submitted by the Company  
3 as required per the 4 CSR 240-3.190 (1) E rule (3.190 data). Staff believed that using actual  
4 transaction data better reflected the market conditions in which the Company operated.  
5 During conversations with the Company and other parties Staff agreed, for the purposes of  
6 this case, to model dispatch of the Company's generation fleet in the RealTime™ fuel model  
7 using day-ahead prices with the caveat that if day-ahead prices were used, an adjustment to  
8 account for revenues resulting from bilateral sales such as described in the direct testimony of  
9 Mr. Dauphinais would be made outside the model.

10          Q.     Why did Staff agree to use day-ahead purchased power prices in the fuel  
11 model?

12          A.     Staff became concerned that by using the higher prices that were calculated as  
13 a result of incorporating real time and bilateral transaction prices into the average hourly  
14 purchased power calculation that the model would be sending inappropriate price signals to  
15 the generators. For example, if the purchased power price is too high, this could cause the  
16 model to signal the start up of an expensive gas generator instead of a more economical  
17 purchased power transaction.

18          Q.     How does Staff recommend accounting for the revenues from bilateral  
19 transactions that are no longer reflected in the purchased power prices used in Staff's latest  
20 fuel run?

21          A.     Staff recommends that an adjustment for bilateral sales be made to off-system  
22 sales revenue as described on page 20 of Mr. Dauphinais' direct testimony.

23          Q.     Can you explain how he calculated this adjustment?

1           A.     Yes, Mr. Dauphinais used the 3.190 data to calculate the percentage of bilateral  
2 sales margins to off-system sales revenues and then multiplied this percentage by the amount of  
3 off system sales revenues from their production cost model.

4           Q.     What is Staff's recommendation?

5           A.     Staff recommends that the approximate \$4.4 million bi-lateral sales margin  
6 adjustment proposed by Mr. Dauphinais be adopted which will reduce the Company's Net Base  
7 Fuel Cost and revenue requirement by approximately \$4.4 million.

8           Q.     What is Staff's position regarding the Company's proposal to recover the costs of  
9 load and generation forecast errors?

10          A.     Staff does not recommend adoption of the Company's proposal to recover these  
11 costs because load forecasting and generation planning is an inherent risk in the electric utility  
12 business that should not be passed to the rate payers. There is always going to be some deviation  
13 to either what is planned for generation dispatch or what is forecast for load. According to page  
14 12 lines 9 through 18 of Mr. Finnell's direct testimony the load forecast deviation cost (or  
15 revenue) is calculated by multiplying the amount of load deviation by the difference in the day-  
16 ahead price and the real-time price. In other words the Company would like to be compensated  
17 for what the additional load *would* have cost them at the day-ahead price instead of what it did  
18 cost them at the real time price. These costs are not "additional" costs as Mr. Finnell claims on  
19 line 14 of his testimony but rather the cost of meeting load, which the Company is being  
20 compensated for through rates.

21          Q.     What is your recommendation?

22          A.     Staff recommends that the Company be denied an adjustment for generation and  
23 load forecasting deviation error.

24          Q.     Does this conclude your rebuttal testimony?

25          A.     Yes.