

Exhibit No.:
Issue: FAC Variance
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: EA-2018-0202
Date Testimony Prepared: September 28, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

LISA M. FERGUSON

**UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI**

CASE NOS. EA-2018-0202

*Jefferson City, Missouri
September 2018*

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **LISA M. FERGUSON**

4 **UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI**

5 **CASE NO. EA-2018-0202**
6

7 Q. Please state your name and business address.

8 A. Lisa M. Ferguson, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

9 Q. By whom are you employed?

10 A. I am employed by the Missouri Public Service Commission (“Commission”)
11 as a member of the Auditing Staff (“Staff”).

12 Q. What is the purpose of your surrebuttal testimony in this proceeding?

13 A. My surrebuttal testimony will address the rebuttal testimony of The Office of
14 Public Counsel (OPC) witness Geoff Marke. Dr. Marke states on page 11 of his rebuttal
15 testimony that Ameren Missouri can either use the Renewable Energy Standard Rate
16 Adjustment Mechanism (RESRAM) or utilize the Plant-in-Service Accounting (PISA)
17 provisions of Senate Bill 564 (“SB 564”). The surrebuttal testimony of Staff witness
18 Jamie Myers addresses the issue of use of the PISA provision of SB 564 in conjunction with a
19 RESRAM. Staff witnesses Sarah L.K. Lange and Jason Kunst further address how the
20 structure of the RESRAM, as agreed to in the Non-unanimous Stipulation and Agreement
21 (“Stipulation”) filed August 17, 2018, between Ameren Missouri and Staff and supported by
22 Renew Missouri, and incorporated in the *Second Non-Unanimous Stipulation and Agreement*
23 between Ameren Missouri, Staff, Renew Missouri and MIEC filed on September 24, 2018, is
24 the most appropriate RESRAM design to benefit customers. This testimony supports and

1 explains one of the variances to the Commission Rule regarding the RESRAM in
2 the Stipulation.

3 Q. Please describe the variance contained in the Stipulation that you are
4 addressing here.

5 A. 4 CSR 240-20.100(6) requires all benefits arising from RES compliance be
6 reflected in the RESRAM. The Stipulation contains agreement that a variance is appropriate
7 for all benefits to flow through the Renewable Energy Standard Rate Adjustment Mechanism
8 (“RESRAM”) **except** those benefits already being passed through operation of the fuel
9 adjustment clause (FAC). Because an expected benefit arising from the TG High Prairie
10 Wind Farm project (“Project”) is increased off system sales revenue, Ameren Missouri must
11 request a variance to continue to pass those benefits in the form of off system sales revenue
12 through the FAC instead of the RESRAM.

13 Q. Please provide some background on the FAC.

14 A. Ameren Missouri was authorized by the Commission to begin utilizing the
15 FAC mechanism in Case No. ER-2008-0318. Since that time, Ameren Missouri has been
16 allowed to reflect changes in prudently incurred fuel and purchased power costs through
17 periodic rate adjustments outside of a general rate proceeding. The base factor of the fuel
18 adjustment clause consists of fuel costs, the cost of fuel transportation, fuel additive costs,
19 regional transmission operator (“RTO”) costs and revenues, transmission costs and revenues,
20 as well as purchased power costs and off system sales revenues. The FAC is comprised of a
21 sharing mechanism where 95% of under or over collection of the recovery balance of
22 qualifying costs and revenues would be recovered through the FAC mechanism from
23 customers but 5% of the under or over collection of the recovery balance of costs and

1 revenues would be recovered from shareholders. The FAC 95/5 sharing mechanism was
2 ordered by the Commission as an incentive to encourage Ameren Missouri and other Missouri
3 electric utilities to make cost effective decisions regarding its fuel costs, because special
4 ratemaking mechanisms, like the FAC, reduce the risk of not recovering costs and, therefore,
5 can dull incentives to control costs.

6 Q. Why does Staff support the variance, conditioned on acceptance of all terms of
7 the Stipulation ordered, as a resolution to the case?

8 A. The fuel costs that are included in the FAC can easily be delineated by type;
9 however after discussion with Ameren Missouri personnel, it has been determined that the
10 purchased power costs and off system sales included in the FAC are not easily delineated by
11 the specific type of generation that produced them because Ameren Missouri sells and
12 purchases all power from the Midcontinent Independent System Operator (MISO). Since it
13 would be administratively burdensome to separate the off system sales that would be
14 produced by the Project from total off system sales, a variance is reasonable to ensure
15 customers receive a portion of the benefits of RES compliance in an expeditious manner
16 through the FAC.

17 Q. How will the FAC and RESRAM interact due to the requested variance
18 being granted?

19 A. The new wind generation will be sold into MISO along with all of
20 Ameren Missouri's other generation. Because Ameren Missouri can be a net seller or, on
21 some occasions, a net purchaser of energy in the MISO market, Ameren Missouri can incur
22 purchased power costs or receive off system sales revenue as a MISO member. Those costs

1 and revenue are captured by the FAC mechanism, including any purchased power or off
2 system sales stemming from new generation since the last general rate proceeding.

3 The base factor for the current FAC was determined in Case No. ER-2016-0179,
4 Ameren Missouri's last general rate proceeding. The wind generation contemplated in this
5 CCN case will not be in service and providing power until at least 2020 and will not be
6 included in the FAC base factor until Ameren Missouri's next general rate proceeding. Once
7 the RESRAM is approved and the wind facility is placed into service and generation begins,
8 the output of the wind generation, which is not currently included in the baseline of net energy
9 costs in the FAC, will result in wind generation revenues that will be included in the FAC
10 through inclusion of all off system sales revenues while the costs for the wind generation will
11 be included in RESRAM and not the FAC.

12 However, the RESRAM Rule, as discussed above, states that all RES related benefits
13 should flow through the RESRAM to offset RES compliance costs. Due to this,
14 Ameren Missouri has requested a variance that, for any new RES compliance generation with
15 an aggregate nameplate capacity greater than 10MW that comes online, 95% of the market
16 value of the energy generated and associated capacity sold to be credited to the FAC with the
17 other 5% to be credited to the RESRAM until such time that the generation is reflected in the
18 determination of the FAC and RESRAM base factors in the next general rate proceeding. As
19 Staff understands it, once the base factors are reset, all renewable costs and benefits will be
20 included in either the FAC or RESRAM riders. This allows customer rates to reflect 100% of
21 new renewable generated off system sales (RESRAM benefits) to be recovered through the
22 two riders without customers losing out on 5% of the RESRAM benefits resulting from off
23 system sales due to the sharing mechanism feature contained in the FAC.

Surrebuttal Testimony of
Lisa M. Ferguson

1 Q. You stated that Staff conditionally supports the FAC variance. Why is that?

2 A. Staff approves of the FAC variance as long as the RESRAM rate is calculated
3 on a \$/kWh basis, as agreed to in the Stipulation. Complications arise when two riders are
4 calculated on differing bases.

5 Q. Does this conclude your surrebuttal testimony?

6 A. Yes, it does.

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

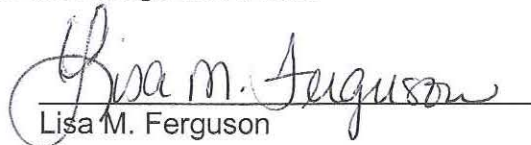
In the Matter of the Application of Union Electric)
Company d/b/a Ameren Missouri for Permission) Case No. EA-2018-0202
and Approval and a Certificate of Convenience)
and Necessity Authorizing it to Construct a Wind)
Generation Facility)

AFFIDAVIT OF LISA M. FERGUSON

State of Missouri)
) ss
County of St. Louis)

COMES NOW Lisa M. Ferguson, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal Testimony*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



Lisa M. Ferguson

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 26th day of September 2018.





NOTARY PUBLIC