

Exhibit No.:
Issues: Adjustment to FAC Rate –
Thirty-Fourth Accumulation
Period
Witness: J. Neil Graser
Type of Exhibit: Direct Testimony
Sponsoring Party: Union Electric Co.
Case No.: ER-2021-_____
Date Testimony Prepared: July 31, 2020

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

J. NEIL GRASER

St. Louis, Missouri
July, 2020

DIRECT TESTIMONY

OF

J. NEIL GRASER

Case No. ER-2021-_____

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

2 A: My name is J. Neil Graser. My business address is One Ameren Plaza, 1901 Chouteau
3 Ave., St. Louis, 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, Power
6 and Fuels Accounting. Ameren Services provides various corporate support services to
7 Union Electric Company d/b/a Ameren Missouri (“Company” or “Ameren Missouri”),
8 including settlement and accounting related to fuel, purchased power, and off-system sales.

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

10 A: My testimony supports the 1st Revised Sheet No. 71.15 of Ameren Missouri’s Schedule
11 No. 6 – Schedule of Rates for Electric Service, that is being filed by Ameren Missouri to
12 adjust customer rates for changes in Ameren Missouri’s fuel and purchased power costs,
13 net off-system sales revenues, and associated transportation (i.e., Actual Net Energy Costs,
14 or “ANEC”), which were experienced during the four-month period February 2020 through
15 May 2020.¹

¹ This four-month period is the thirty-fourth 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, ER-2011-0028, ER-2012-0166, ER-2014-0258, ER-2016-0179, and ER-2019-0335.

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

2 A: The Commission’s rule governing fuel and purchased power cost recovery mechanisms for
3 electric utilities – specifically 20 CSR 4240-20.090(8) – and Ameren Missouri’s Rider
4 FAC, require Ameren Missouri to make periodic filings to adjust customer rates for
5 changes in Ameren Missouri’s ANEC experienced during each Accumulation Period ² as
6 compared to the base level of net energy costs (Factor “B” as listed in the Company’s Rider
7 FAC tariff) applicable to that same Accumulation Period. That change is to then be
8 reflected in an adjustment to the Rider FAC Fuel Adjustment Rate (i.e., Factor “FAR” in
9 Rider FAC). This adjustment can be positive (a FAR of greater than zero) or negative (a
10 FAR of less than zero). The Commission’s rule requires at least one such review and
11 adjustment each year. Ameren Missouri’s approved FAC tariff calls for three filings
12 annually – one filing covering each of the three four-month Accumulation Periods reflected
13 in Rider FAC. The changes in the FAR implemented in these three filings are then collected
14 from or refunded to customers over the applicable Recovery Period. The Recovery Period
15 applicable to this filing will consist of the calendar months of October 2020 through May
16 2021.³

17 **Q: What adjustment is being made in this filing?**

18 A: During the February 1, 2020 to May 31, 2020 Accumulation Period, Ameren Missouri’s
19 ANEC was \$119,035,969 which was a decrease of \$12,301,489 as compared to Factor B,
20 which totaled \$131,337,458 during that same period. The factors driving this decrease
21 below net base energy costs (Factor B) were lower fuel costs for load partially offset by

² Capitalized terms not otherwise defined herein have the meaning given them in Rider FAC.

³ As indicated in the filing letter submitted with the tariff sheet being filed to implement that change in the FAR, as a result of the March 2, 2020 *Corrected Non-Unanimous Stipulation and Agreement* approved by the Commission in File No. ER-2019-0335, Recovery Periods are being converted to match calendar months instead of billing months.

1 lower off-system sales margins and lower net capacity revenues as compared to Factor B.
2 Fuel costs for load decreased as a result of the lower cost coal and freight contracts that
3 became effective in early 2018. Off-system sales margins decreased primarily as a result
4 of lower market prices and net capacity revenues decreased as a result of lower capacity
5 prices received in MISO's capacity market as compared to prices used to establish Factor
6 B. Also included in this filing is the true-up amount reflected in the Company's thirty-first
7 true-up filing, which is being filed concurrently with the initiation of this docket. The above
8 results in a Fuel and Purchased Power Adjustment ("FPA") of -\$11,392,901 which, as
9 described further below, will produce the FAR rates that will appear as a separate line item
10 to be applied to customers' bills during the 34th Recovery Period that starts with the first
11 calendar day of October 2020.

12 **Q: Please further describe the impact of the change in the FAR on the Company's**
13 **customers.**

14 A: The \$12,301,489 decrease in ANEC during the 34th Accumulation Period as compared to
15 Factor B for that Accumulation Period was calculated in the manner specified in the
16 Company's Rider FAC, and adjusted for voltage level differences, as provided for in Rider
17 FAC. Applying the 95% sharing ratio, the true-up amount of -\$233,028 from the thirty-
18 first true-up filing (made concurrently with the initiation of this docket) and the applicable
19 recovery of interest totaling \$526,542 as provided for in Rider FAC (which includes the
20 refund of \$21,493 in interest for Accumulation Period 34 and the recovery of \$548,035 in
21 interest for the true-up of Accumulation Period 31), the total adjustment to be reflected in
22 the FAR is -\$11,392,901. That total, when using the estimated kilowatt-hour ("kWh") sales
23 for the October 2020 to May 2021 Recovery Period, results in an initial rate component to

1 be applied to the Company's Individual Service Classifications. As provided for in Rider
2 FAC, the initial rate component is subject to the Rate Adjustment Cap. Further, to the extent
3 the Large Primary Service (LPS) Classification rate exceeds the Rate Adjustment Cap
4 applicable to LPS, the shortfall is applied to the remaining Individual Service
5 Classifications to arrive at the FAR amounts that will be billed during the applicable
6 Recovery Period. There was no shortfall for Accumulation Period 34. The following are
7 the FAR amounts for the Company's customers during that Recovery Period, beginning
8 with the first calendar day of October 2020:

<u>Customer Voltage Level</u>	<u>Cents per kWh Adjustment</u>
Secondary	-0.189 ¢/kWh
Primary	-0.183 ¢/kWh

9 Filed concurrently with my direct testimony is the tariff sheet that contains the formula that
10 Ameren Missouri used to calculate the FAR. Also included in the tariff sheet are the values
11 for each element of the formula that were used to derive the FAR. Assuming 1,022 kWh
12 of usage per month for the average residential customer, this will result in a refund under
13 the FAR of approximately \$1.93 per month. The refund is smaller for the average
14 residential customer than the \$2.12 per month under the current FAR since the new FAR
15 is less negative. The primary factor driving this change in the FAR was higher fuel costs
16 for load partially offset by higher net capacity sales revenue in Accumulation Period 34 as
17 compared to Accumulation Period 32 and the net base energy costs applicable to each
18 period. Increases in the fuel costs for load during Accumulation Period 34 as compared to
19 Accumulation Period 32 and the net base energy costs applicable to each period primarily
20 were the result of reduced Ameren Missouri generating resource availability due to

1 flooding during Accumulation Period 32 as well as lower net base energy costs effective
2 April 2020. The reduced Ameren Missouri generating resource availability caused fuel
3 costs for load to decrease in Accumulation Period 32 as less power was generated. The
4 increase in net capacity sales revenue during Accumulation Period 34 as compared to
5 Accumulation Period 32 and the net base energy costs applicable to each period primarily
6 were the result of lower net base energy costs effective April 2020.

7 **Q: How did you develop the various values used to derive the proposed FAR shown on**
8 **the tariff sheet?**

9 A: The data upon which Ameren Missouri based the values for each of the variables in the
10 approved FAR formula is shown in Schedule JG-FAR. This schedule contains all the
11 information that is required by 20 CSR 4240-20.090(8), and the workpapers that support
12 the data contained in Schedule JG-FAR. I have also included Schedule JG-TU, which is a
13 reproduction of Schedule JG-TU filed in the separate true-up docket for the thirty-first
14 Recovery Period, which as earlier noted is being filed concurrently with the initiation of
15 this docket.

16 **Q: If the rate schedule filed by Ameren Missouri is approved or allowed to go into effect,**
17 **what safeguards exist to ensure that the revenues the Company collects do not exceed**
18 **the net energy costs that Ameren Missouri actually incurred during the Accumulation**
19 **Period?**

20 A: Ameren Missouri's Rider FAC and the Commission's rules provide two mechanisms to
21 ensure that amounts collected from customers do not exceed Ameren Missouri's actual,
22 prudently-incurred ANEC. First, Rider FAC and the Commission's rules require a true-up
23 of the amounts collected from customers through Rider FAC, with any excess/unrecovered

1 amounts to be refunded/billed to customers through prospective adjustments to the FAR
2 calculation, with interest at Ameren Missouri's short-term borrowing rate. Second,
3 Ameren Missouri's ANEC are subject to periodic prudence reviews to ensure that only
4 prudently-incurred net energy costs are collected from customers through Ameren
5 Missouri's Rider FAC. These two mechanisms serve as checks that ensure that the
6 Company's customers pay only the prudently-incurred ANEC and no more.

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

9 A: As provided by 20 CSR 4240-20.090(8), the Commission Staff (the "Staff") has thirty (30)
10 days from the date the revised FAC rate schedule is filed to conduct a review and to make
11 a recommendation to the Commission as to whether the rate schedule complies with the
12 Commission's rules, the requirements of Section 386.266, RSMo (Cum. Supp. 2019), and
13 Ameren Missouri's approved Rider FAC. If the Commission finds the revised Rider FAC
14 rate schedule does comply, the FAR will take effect either pursuant to a Commission order
15 approving the FAR or by operation of law, in either case within 60 days after the FAR is
16 filed. Because Ameren Missouri believes its filing satisfies all of the requirements of
17 applicable statutes, the Commission's rules and Ameren Missouri's approved Rider FAC,
18 Ameren Missouri requests that after the Staff's review, the Commission approve the FAR
19 or otherwise allow it to take effect by operation of law to be effective on the first calendar
20 day of October 2020 (October 1, 2020).

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

22 A: Yes, it does.

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

In the Matter of the Adjustment of Union Electric Company)
d/b/a Ameren Missouri's Fuel Adjustment Clause for)
the 34th Adjustment Clause.) File No. ER-2021-

AFFIDAVIT OF J. NEIL GRASER

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

J. Neil Graser, being first duly sworn on his oath, states:

1. My name is J. Neil Graser. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services as Manager, Power & Fuels Accounting.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 6 pages and Schedule JG-FAR and Schedule JG-TU, all of which have been prepared in written form for filing in the above-referenced docket.

3. Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.

J. Neil Graser
J. Neil Graser

Sworn this 28th day of July, 2020.