Exhibit No.:	
Issues:	Adjustment to FAC Rate – Thirty-Seventh Accumulation Period
Witness:	J. Neil Graser
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Union Electric Co.
Case No.:	ER-2021-_____
Date Testimony Prepared:	July 30, 2021

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

J. NEIL GRASER

St. Louis, Missouri
July, 2021

DIRECT TESTIMONY

OF

J. Neil Graser

Case No. ER-2021-_____

Q: Please state your name and business address.

A: My name is J. Neil Graser. My business address is One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri.

Q: By whom and in what capacity are you employed?

A: I am employed by Ameren Services Company ("Ameren Services") as Manager, Power and Fuels Accounting. Ameren Services provides various corporate support services to Union Electric Company d/b/a Ameren Missouri ("Company" or "Ameren Missouri"), including settlement and accounting related to fuel, purchased power, and off-system sales.

Q: What is the purpose of your testimony?

A: My testimony supports the 4th Revised Sheet No. 71.15 of Ameren Missouri's Schedule No. 6 – Schedule of Rates for Electric Service, that is being filed by Ameren Missouri to adjust customer rates for changes in Ameren Missouri's fuel and purchased power costs, net off-system sales revenues, and associated transportation (i.e., Actual Net Energy Costs, or "ANEC"), which were experienced during the four-month period February 2021 through May 2021.[1]

[1] This four-month period is the thirty-seventh 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.

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 20 CSR 4240-20.090(8) – and Ameren Missouri's Rider FAC, require Ameren Missouri to make periodic filings to adjust customer rates for changes in Ameren Missouri's ANEC experienced during each Accumulation Period[2] as compared to the base level of net energy costs (Factor "B" as listed in the Company's Rider FAC tariff) applicable to that same Accumulation Period. That change is to then be reflected in an adjustment to the Rider FAC Fuel Adjustment Rate (i.e., Factor "FAR" in Rider FAC). This adjustment can be positive (a FAR of greater than zero) or negative (a FAR of less than zero). 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 changes in the FAR 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 calendar months of October 2021 through May 2022.

Q: What adjustment is being made in this filing?

A: During the February 1, 2021 to May 31, 2021 Accumulation Period, Ameren Missouri's ANEC was $154,384,767 which was an increase of $37,332,206 as compared to Factor B, which is $117,052,561 for that same period. The primary factors driving this increase above net base energy costs (Factor B) were higher purchased power costs for load, lower off-system sales margins, and lower net capacity revenues, as compared to Factor B. Purchased power costs increased primarily as a result of purchasing additional energy from

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

the market at elevated prices due to the extreme cold snap in February 2021, and due to purchasing additional energy from the market on a net basis primarily due to an extended outage at the Callaway Energy Center. Off-system sales margins decreased primarily as a result of less generation being available for sale due to the extended plant outage and the extreme cold in February partially offset by accidental outage insurance proceeds received beginning in April related to the Callaway outage. Net capacity revenues were lower primarily as a result of lower capacity sales volumes that cleared in the current MISO plan year auction than the level included in net base energy costs. Also included in this filing is the true-up amount reflected in the Company's thirty-fourth true-up filing, which is being filed concurrently with the initiation of this docket. The above results in a Fuel and Purchased Power Adjustment ("FPA") of $36,788,289 which, as described further below, will produce the FAR rates that will appear as a separate line item to be applied to customers' bills during the 37^{th} Recovery Period that starts with the first calendar day of October 2021.

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

A: The $37,332,206 increase in ANEC during the 37^{th} Accumulation Period as compared to Factor B for that Accumulation Period 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, the true-up amount of $775,743 from the thirty-fourth true-up filing (made concurrently with the initiation of this docket) and the applicable recovery of interest totaling $546,950 as provided for in Rider FAC (which includes the recovery of $33,613 in interest for Accumulation Period 37 and the recovery of $513,337 in interest for the true-up of Accumulation Period 34), the total adjustment to be reflected in the FAR is $36,788,289. That total, when using the estimated kilowatt-hour ("kWh") sales for the October 2021 to May 2022 Recovery Period, results in an initial rate component to be applied to the Company's Individual Service Classifications. As provided for in Rider FAC, the initial rate component is subject to the Rate Adjustment Cap. Further, to the extent the Large Primary Service (LPS) Classification rate exceeds the Rate Adjustment Cap applicable to LPS, the shortfall is applied to the remaining Individual Service Classifications to arrive at the FAR amounts that will be billed during the applicable Recovery Period. There was no shortfall for Accumulation Period 37. The following are the FAR amounts for the Company's customers during that Recovery Period, beginning with the first calendar day of October 2021:

Customer Voltage Level	**Cents per kWh Adjustment**
Secondary	0.414 ¢/kWh
Primary	0.401 ¢/kWh

Filed concurrently with my direct testimony is the tariff sheet that contains the formula that Ameren Missouri used to calculate the FAR. Also included in the tariff sheet are the values for each element of the formula that were used to derive the FAR. Assuming 1,023 kWh of usage per month for the average residential customer, this will result in a charge under the FAR of approximately $4.24 per month. This is an increase from the FAR currently in effect, which resulted in a charge for the average residential customer of approximately $3.15 per month. The primary factors driving this change in the FAR were higher fuel and purchased power costs for load and lower off-system sales margins partially offset by accidental outage insurance proceeds in Accumulation Period 37 as compared to

Accumulation Period 35 and the net base energy costs applicable to each period. Increases in the fuel costs for load during Accumulation Period 37 as compared to Accumulation Period 35 and the net base energy costs applicable to each period is primarily due to increased energy costs from the extreme cold snap in February 2021 amplified by the extended Callaway outage that occurred during all of Accumulation Period 37. The lower off-system sales margins are primarily due to less generation being available for sale as a result of the extended plant outage and the extreme cold in February 2021 as compared to Accumulation Period 35 and the net base energy costs applicable to each period.

Q. Aside from the impacts from the February weather event and the Callaway outage, are there other items affecting ANEC for Accumulation Period 37 of which the Commission should be aware?

A. There is one minor item, which increased ANEC $8,042[3] during Accumulation Period 37. This small increase arose from electricity consumed for a research and development project being conducted near the Sioux Energy Center. The project is evaluating flexible data centers to determine whether, among other things, they can be operated as a dispatchable resource supporting the network's stability or delivering other benefits to the grid. These data centers may also provide new revenues (e.g., by producing digital assets) that if put into day-to-day operation in providing service could be used to contribute to affordability of service. However, they do consume electricity and therefore slightly increased the

[3] This figure overstates the impact on customers because it does not include the impact on Accumulation Period Sales (S_{AP}) which, if accounted for, would have lowered the impact on customers to $4,429. However, given the small sum involved the Company proposes to defer the entire $8,042 to a regulatory liability. If in the future such impacts were more material, consideration would need to be given to change Rider FAC to accurately account for the impact so as to not overstate any sums to be accounted for in customers' favor. See the last three tabs of Schedule JG-FAR.

Company's load acquired from the MISO market (by 309,587 kWh). Because those additional loads manifest themselves as additional purchased power reflected in FERC Account 555 or reduced sales reflected in FERC Account 447, the costs must, under the operation of Rider FAC, be included in the determination of ANEC. While the Company believes this research project will ultimately prove beneficial to its operation of the system used to serve customers, the Company recognizes that no party has had an opportunity to address the topic and will therefore with any necessary Commission permission create a regulatory liability commencing on the date the FAR from this filing takes effect (October 1, 2021) and defer to that regulatory liability that part of the FAR billings arising from the $8,042 arising from the project, which will give the Commission the ability to consider in a future general rate proceeding whether or not that sum should be returned to customers. This is especially true where, as here, there is a small cost that manifests in the FAC but the benefits from the project are outside the FAC. Absent Commission permission for a different treatment of those regulatory liability sums, the Company will continue to record billings associated with any increased ANEC from the research and development project arising in future accumulation periods to that regulatory liability.

Q: Having addressed the primary factors driving ANEC for Accumulation Period 37, can you please explain how you developed the various values used to derive the proposed FAR shown on the tariff sheet?

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

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

A: Ameren Missouri's Rider FAC and the Commission's rules provide two mechanisms to ensure that amounts collected from customers do not exceed Ameren Missouri's actual, prudently-incurred ANEC. First, Rider FAC and the Commission's rules require a true-up of the amounts collected from customers through Rider FAC, with any excess/unrecovered amounts to be refunded/billed to customers through prospective adjustments to the FAR calculation, with interest at Ameren Missouri's short-term borrowing rate. Second, Ameren Missouri's ANEC are subject to periodic prudence reviews to ensure that only prudently-incurred net energy costs are collected from customers through Ameren Missouri's Rider FAC. These two mechanisms serve as checks that ensure that the Company's customers pay only the prudently-incurred ANEC and no more.

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

A: As provided by 20 CSR 4240-20.090(8) the Commission Staff (the "Staff") has thirty (30) days from the date the revised FAC rate schedule is filed to conduct a review and to make a recommendation to the Commission as to whether the rate schedule complies with the Commission's rules, the requirements of Section 386.266, RSMo (Cum. Supp. 2020), and

Ameren Missouri's approved Rider FAC. If the Commission finds the revised Rider FAC rate schedule does comply, the FAR will take effect either pursuant to a Commission order approving the FAR or by operation of law, in either case within 60 days after the FAR is filed. Because Ameren Missouri believes its filing satisfies all of the requirements of applicable statutes, the Commission's rules and Ameren Missouri's approved Rider FAC, Ameren Missouri requests that after the Staff's review, the Commission approve the FAR or otherwise allow it to take effect by operation of law to be effective on October 1, 2021.

Q: Does this conclude your direct testimony?

A: Yes, it does.