

Exhibit No.:
Issues: Adjustment to FAC Rate –
Thirty-Second Accumulation
Period
Witness: Marci L. Althoff
Type of Exhibit: Direct Testimony
Sponsoring Party: Union Electric Co.
Case No.: ER-2020-_____
Date Testimony Prepared: November 22, 2019

MISSOURI PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

MARCI L. ALTHOFF

**St. Louis, Missouri
November, 2019**

DIRECT TESTIMONY

OF

MARCI L. ALTHOFF

Case No. ER-2020-_____

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

2 A: My name is Marci L. Althoff. 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, Finance
6 Transformation. Ameren Services provides various corporate support services to Union
7 Electric Company d/b/a Ameren Missouri (“Company” or “Ameren Missouri”), including
8 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 8th Revised Sheet No. 74.13 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 June 2019 through
15 September 2019.¹

¹ This four-month period is the thirty-second 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 and ER-2016-0179.

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 Period² 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
14 collected from or refunded to customers over the applicable Recovery Period. The
15 Recovery Period applicable to this filing will consist of the billing months of February
16 2020 through September 2020.

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

18 A: During the June 1, 2019 to September 30, 2019 Accumulation Period, Ameren Missouri’s
19 ANEC was \$176,031,218 which was a decrease of \$15,911,044 as compared to Factor B,
20 which totaled \$191,942,262 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
22 lower off-system sales margins and lower net capacity revenues as compared to Factor B.

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

1 Fuel costs for load decreased as a result of the lower cost coal and freight contracts that
2 became effective in early 2018. Off-system sales margins decreased primarily as a result
3 of reduced Ameren Missouri generating resource availability due to flooding and an
4 increase in load due to warmer than expected temperatures in September 2019. Lastly, net
5 capacity revenues decreased as a result of lower capacity prices received in MISO's
6 capacity market as compared to the prices used to establish Factor B. Also included in this
7 filing is the true-up amount reflected in the Company's twenty-ninth true-up filing, which
8 is being filed concurrently with the initiation of this docket. The above results in a Fuel
9 and Purchased Power Adjustment ("FPA") of -\$15,719,513 which, as described further
10 below, will produce the FAR rates that will appear as a separate line item to be applied to
11 customers' bills during the 32nd Recovery Period that starts with the first day of the
12 February 2020 billing month.

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

15 A: The \$15,911,044 decrease in ANEC during the 32nd Accumulation Period as compared to
16 Factor B for that Accumulation Period was calculated in the manner specified in the
17 Company's Rider FAC, and adjusted for voltage level differences, as provided for in Rider
18 FAC. Applying the 95% sharing ratio, the true-up amount of \$107,127 from the twenty-
19 ninth true-up filing (made concurrently with the initiation of this docket) and the applicable
20 refund of interest totaling \$711,148 as provided for in Rider FAC (which includes the
21 refund of \$58,426 in interest for Accumulation Period 32 and the refund of \$652,722 in
22 interest for the true-up of Accumulation Period 29), the total adjustment to be reflected in
23 the FAR is -\$15,719,513. That total, when using the estimated kilowatt-hour ("kWh")

1 sales for the February 2020 to September 2020 Recovery Period, results in the following
2 FAR amounts for the Company's customers during that Recovery Period, beginning with
3 the billing month of February 2020:

<u>Customer Voltage Level</u>	<u>Cents per kWh Adjustment</u>
Secondary	-0.077 ¢/kWh
Primary	-0.075 ¢/kWh
Transmission	-0.073 ¢/kWh

4 Filed concurrently with my direct testimony is the tariff sheet that contains the formula that
5 Ameren Missouri used to calculate the FAR. Also included in the tariff sheet are the values
6 for each element of the formula that were used to derive the FAR. Assuming 1,041 kWh
7 of usage per month for the average residential customer, this will result in a refund under
8 the FAR of approximately \$0.80 per month. The refund is smaller for the average
9 residential customer than the \$1.42 per month under the current FAR since the new FAR
10 is less negative. The primary factors driving this change in the FAR were lower off-system
11 sales margins partially offset by lower fuel costs for load in Accumulation Period 32 as
12 compared to Accumulation Period 30 and the net base energy costs applicable to each
13 period. Off-system sales margins decreased in Accumulation Period 32 versus
14 Accumulation Period 30 as a result of reduced Ameren Missouri generating resource
15 availability due to flooding and an increase in load due to warmer than expected
16 temperatures in September 2019. Market prices for off-system sales were also weaker in
17 Accumulation Period 32 versus Accumulation Period 30. Additionally, while the load
18 served was higher in Accumulation Period 32 versus Accumulation Period 30, we saw
19 decreases in the fuel costs for load during Accumulation Period 32 as compared to

1 Accumulation Period 30 and the net base energy costs applicable to each period primarily
2 as a result of the lower cost coal and freight contracts that became effective in early 2018.

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

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

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

16 A: Ameren Missouri's Rider FAC and the Commission's rules provide two mechanisms to
17 ensure that amounts collected from customers do not exceed Ameren Missouri's actual,
18 prudently-incurred ANEC. First, Rider FAC and the Commission's rules require a true-up
19 of the amounts collected from customers through Rider FAC, with any excess/unrecovered
20 amounts to be refunded/billed to customers through prospective adjustments to the FAR
21 calculation, with interest at Ameren Missouri's short-term borrowing rate. Second,
22 Ameren Missouri's ANEC are subject to periodic prudence reviews to ensure that only
23 prudently-incurred net energy costs are collected from customers through Ameren

1 Missouri's Rider FAC. These two mechanisms serve as checks that ensure that the
2 Company's customers pay only the prudently-incurred ANEC and no more.

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

5 A: As provided by 20 CSR 4240-20.090(8), the Commission Staff (the "Staff") has thirty (30)
6 days from the date the revised FAC rate schedule is filed to conduct a review and to make
7 a recommendation to the Commission as to whether the rate schedule complies with the
8 Commission's rules, the requirements of Section 386.266, RSMo (2018), and Ameren
9 Missouri's approved Rider FAC. If the Commission finds the revised Rider FAC rate
10 schedule does comply, the FAR will take effect either pursuant to a Commission order
11 approving the FAR or by operation of law, in either case within 60 days after the FAR is
12 filed. Because Ameren Missouri believes its filing satisfies all of the requirements of
13 applicable statutes, the Commission's rules and Ameren Missouri's approved Rider FAC,
14 Ameren Missouri requests that after the Staff's review, the Commission approve the FAR
15 or otherwise allow it to take effect by operation of law to be effective on the first day of
16 the February 2020 billing month (January 27, 2020).

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

18 A: Yes, it does.

