Exhibit No.:	
Issue:	*IAS Margin Quantification*
Witness:	*Sarah L. Kliethermes*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*ER-2016-0179*
Date Testimony Prepared:	*January 20, 2017*

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

OPERATIONAL ANALYSIS DEPARTMENT

REBUTTAL TESTIMONY

OF

SARAH L. KLIETHERMES

UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI

CASE NO. ER-2016-0179

Jefferson City, Missouri
January 2017

REBUTTAL TESTIMONY

OF

SARAH L. KLIETHERMES

UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI

CASE NO. ER-2016-0179

Q. Are you the same Sarah L. Kliethermes that contributed to Staff's Report on Revenue Requirement Cost of Service, Staff's Report on Class Cost of Service and Rate Design ("CCOS Report"), and Staff's Report on Commission Raised Issues?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I respond to the quantification calculated by Ameren Missouri witness William R. Davis concerning the "Lost Fixed Costs from Load Losses at the New Madrid Aluminum Smelter."

Q. What does Mr. Davis quantify?

A. Mr. Davis alleges to calculate the "Lost fixed costs from load losses at the New Madrid Aluminum Smelter" by comparing the "Rate Case Margin" that he calculates to the "Actual Margin" that he calculates to quantify Ameren Missouri's position of what Noranda's bill would have been from April of 2015 to July of 2017, if Noranda's usage during that time period had exactly matched the monthly sum of the hourly data that was used in developing billing determinants for calculating the LTS and IAS rates in File No. ER-2014-0258. He calculates these margins as the revenues netted against the fuel and purchased power base applied to the actual through July 2016 (and projected through July of 2017) usage and as applied to the File No. ER-2014-0258 billing determinants. Finally, he adjusts his totals for each month's revenue received through the FAC's N Factor.

Q. What is the purpose of this quantification?

A. Ameren Missouri is seeking recovery of this quantification in rates in this case.

Q. Does Staff support this rate recovery?

A. No. This is discussed by Staff witness John P. Cassidy, in his concurrently filed Rebuttal Testimony.

Q. If the Commission were to order recovery of some measure of Ameren Missouri's net revenues on what Noranda's bill would have been from April of 2015 to July of 2017, had Noranda's usage during that time period exactly matched the hourly data that was used in developing billing determinants for calculating the LTS and IAS rates in File No. ER-2014-0258, is Mr. Davis's quantification reasonable?

A. No. As I will discuss below, even if the Commission were to accept Ameren Missouri's request to recover these foregone earnings in rates, Mr. Davis's quantification is not reasonable.

Q. For the period April 1, 2015 – May 29, 2015, does Staff agree with Mr. Davis's quantification?

A. No. This period is before the rates ordered in File No. ER-2014-0258 took effect. However, for comparison to the amounts as presented by Mr. Davis, I will discuss this period with the April 1, 2015 – December 31, 2015 period Mr. Davis provides.

Q. For the period April 1, 2015 – December 31, 2015, does Staff agree with Mr. Davis's quantification of a difference in net margin of $6,602,977?

A. No. Mr. Davis bases this quantification on the assumption that Ameren Missouri's net margin on a given kWh of energy is the difference between the retail rate applicable to that kWh, and the FAC base in place for that month. This is not a reasonable assumption. In fact, the net margin on a given kWh of energy sold at retail is the retail rate applicable to that kWh, minus the market value of that energy, plus the ancillary services associated with transacting that energy. Mr. Davis also fails to account for a reduction in the Associated Energy Cooperative Incorporated ("AECI") losses associated with the reduction in load, which reduces the energy that Ameren Missouri is obligated to provide for AECI in proportion to the energy consumed by Noranda.

Q. Accounting for the market cost of energy, estimated cost of ancillary services, and the AECI losses, has Staff estimated the difference in what Ameren Missouri's margin would have been for the period April 1, 2015 – December 31, 2015 had Noranda's usage during that time period exactly matched the hourly data that was used in developing billing determinants for calculating the LTS and IAS rates in File No. ER-2014-0258, versus its actual usage?

A. Yes. That amount is approximately $4.5 million dollars, approximately $2 million dollars less than that calculated by Mr. Davis. This does not include Mr. Davis's inclusion of two months' of Noranda's service prior to the effective dates of applicable rates in File No. ER-2014-0258. That amount would be reduced to $4.1 million after removal of the months of April and May.

Q. For the period January 1, 2016 – December 31, 2016, does Staff agree with Mr. Davis's quantification of a difference in net margin of $62,010,102?

A. No. Mr. Davis bases this quantification on the same assumption rejected above.

Q. Accounting for the market cost of energy, estimated cost of ancillary services, and the AECI losses, has Staff estimated the difference in what Ameren Missouri's margin would have been for the period January 1, 2016 – December 31, 2016, had Noranda's usage during that time period exactly matched the hourly data that was used in developing billing determinants for calculating the LTS and IAS rates, versus its actual usage?

A. Yes, with estimated values for the latter portion of that time period that are subject to adjustment and true- up, that amount is approximately $29.3 million dollars, approximately $32.7 million dollars less than that calculated by Mr. Davis.

Q. What is the total estimated margin for the period June 2015 – December 2016?

A. While Staff's recommendations as to why this amount should not be recovered is discussed by Staff witness John P. Cassidy, Staff's estimate of this amount is approximately $24,973,083, subject to true-up for amounts in months September 2016 – December 2016.

Q. Has Staff estimated a value for the period January 1, 2017 – May 27, 2017?

A. No. This time period has not happened yet.

Q. Does this conclude your rebuttal testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Electric Service	))))	Case No. ER-2016-0179

AFFIDAVIT OF SARAH L. KLIETHERMES

STATE OF MISSOURI	)	
	)	ss.
COUNTY OF COLE	)	

COMES NOW SARAH L. KLIETHERMES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Sarah L. Kliethermes

SARAH L. KLIETHERMES

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 18th day of January, 2017.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2020
Commission Number: 12412070

D Suzie Mankin

Notary Public