

Exhibit No.:  
Issues: Certain FAC Minimum Filing  
Requirements  
Witness: Paul W. Mertens  
Sponsoring Party: Union Electric Company  
Type of Exhibit: Direct Testimony  
Case No.: ER-2008-\_\_\_\_  
Date Testimony Prepared: April 1, 2008

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2008-\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**PAUL W. MERTENS**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a AmerenUE**

**St. Louis, Missouri  
April, 2008**

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1 **DIRECT TESTIMONY**

2 **OF**

3 **PAUL W. MERTENS**

4 **CASE NO. ER-2008-\_\_\_\_\_**

5 **I. INTRODUCTION**

6 **Q. Please state your name and business address.**

7 A. My name is Paul W. Mertens. My business address is One Ameren Plaza,  
8 1901 Chouteau Avenue, St. Louis, Missouri, 63103.

9 **Q. By whom are you employed and in what position?**

10 A. I am Assistant Manager of Fuel Planning for AmerenEnergy Fuels and  
11 Services Company (“AFS”), which acts as agent for Union Electric Company d/b/a  
12 AmerenUE (“AmerenUE”) in procuring fuel supplies for AmerenUE’s generating units.

13 **Q. Please describe your educational background and professional work**  
14 **experience.**

15 A. I received a Bachelor of Science degree in Accounting from the University of  
16 Illinois at Champaign-Urbana in May, 1985. I passed the November, 1985 Certified Public  
17 Accountant (“CPA”) exam and am a licensed CPA. I worked with Lee Paper Company in  
18 St. Louis, Missouri as an accountant from 1985 – 1988. From 1988 – 2001, I worked for  
19 Concordia Publishing House in St. Louis, Missouri in various capacities, including Controller  
20 from 1996 – 1999, and Vice President of Finance from 1999 – 2001. I began working at  
21 AFS in November of 2001 as a Financial Development Executive, and worked very closely  
22 with the business development and trading group within AFS. In April of 2004, I became

1 Fuel Accounting Supervisor. In June 2006 I assumed my current responsibilities as Assistant  
2 Manager of Fuel Planning.

3 **Q. Please describe the duties and responsibilities of your current position.**

4 A. I am responsible for fuel and sulfur dioxide (“SO<sub>2</sub>”) budgeting and planning;  
5 preparing schedules for the financial communications group regarding fuel costs and open  
6 contractual commitments for Securities and Exchange Commission filings; developing,  
7 streamlining and enhancing department information systems; department budgeting;  
8 performance management reporting; and maintenance of the fuel pattern, which schedules  
9 coal deliveries to the generating plants throughout the year.

10 **II. PURPOSE OF TESTIMONY**

11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony is to address certain minimum filing  
13 requirements (“MFRs”) provided for in the Commission’s Fuel Adjustment Clause (“FAC”)  
14 rules, specifically, in 4 CSR 240-3.161(2)(F) through (I). Information on all of the FAC  
15 minimum filing requirements, including those addressed in my testimony, is also found in  
16 Schedule MJL-E4 to the direct testimony of AmerenUE witness Martin J. Lyons, Jr.

17 **III. MINIMUM FILING REQUIREMENTS (F) THROUGH (I)**

18 **Q. What is MFR (F)?**

19 A. MFR (F) requires a complete explanation of how the proposed FAC shall be  
20 trued-up to reflect over- or under-collections, or how the refundable portion of any proposed  
21 Interim Energy Charge shall be trued-up, on at least an annual basis.

22 AmerenUE will true-up the FAC on an annual basis after the completion of  
23 each true-up year, commencing after the end of the first true-up year. True-up filings will

1 continue annually until all fuel costs accumulated and deferred have been recovered and  
2 trued-up. Any true-up adjustments will include interest, as provided for in the FAC tariff, a  
3 specimen of which is attached to Mr. Lyons' testimony as Schedule MJL-E1. True-up  
4 amounts will reflect the difference between revenues billed for fuel costs authorized for  
5 recovery under the FAC for the true-up year and revenues authorized for collection. Actual  
6 collections can vary from those expected based upon actual fuel costs because of variations  
7 in the actual kilowatt-hour ("kWh") sales during a given recovery period versus the estimated  
8 kWh sales used to set the FAC rate in effect during a given recovery period.

9 **Q. What is MFR (G)?**

10 A. MFR (G) requires a complete description of how the proposed FAC is  
11 compatible with the requirement for prudence reviews. AmerenUE's proposed FAC is  
12 compatible with the requirement for prudence reviews for several reasons. AmerenUE's  
13 proposed FAC is based on actual, historical fuel and purchased power costs, net of actual off-  
14 system sales revenues, which simplifies the prudence review. The fuel and purchased power  
15 costs included in the FAC are well defined in the FAC tariff, including specific references to  
16 the Federal Energy Regulatory Commission ("FERC") accounts in which the costs are  
17 recorded. Moreover, 4 CSR 240-3.161(5) requires the filing monthly of all the supporting  
18 data for the fuel and purchased power costs, revenues, plant generation and related  
19 information, all of which can be used as part of the prudence review process. This includes  
20 providing monthly Fuel Burned Reports and Generating Statistics for each of the generating  
21 plants. In addition, 4 CSR 240-3.190 requires monthly submission to the Commission Staff  
22 of information on system output, hourly generation, purchases and sales, planned outages,

1 forced outages and capacity purchases. All contracts for fuel, transportation and purchased  
2 power will also be available for review in connection with the prudence review process.

3 **Q. What is MFR (H)?**

4 A. MFR (H) requires a complete explanation of all the costs that shall be  
5 considered for recovery under the proposed FAC and the specific account used for each cost  
6 item on the electric utility's books and records. Those costs fall into the following general  
7 categories:

8 **Coal Commodity Costs.** This will include costs associated with purchase  
9 of coal, as well as British thermal unit ("Btu") content adjustments  
10 associated with coal contracts. These costs are accumulated in an inventory  
11 account, and expensed on a weighted average cost basis as used. A detailed  
12 accounting of all additions and adjustments to the coal inventory account  
13 and allocation of dollars to each plant through the coal pooling mechanism  
14 will be included in a reconciliation, as well as the calculation of the fuel  
15 expense recorded during the accounting period.

16 **Coal Transportation Costs.** This will include costs associated with  
17 transportation of coal, as well as fuel adjustments (e.g., diesel surcharges)  
18 associated with transportation contracts and related price hedging  
19 mechanisms. These costs are accumulated in an inventory account, and  
20 expensed on a weighted average cost basis as coal is used. A detailed  
21 accounting of all additions and adjustments to the coal inventory account  
22 will be included in a reconciliation, as well as the calculation of the fuel  
23 expense recorded during the accounting period. Railcar costs are included

1 in this account, and a separate accounting of all railcar costs flowing through  
2 inventory will be maintained, as well as the allocation of costs to plant  
3 inventory accounts.

4 **Fuel Oil Costs.** This will include costs associated with fuel oil and any  
5 related price hedging mechanisms. These costs are accumulated in an  
6 inventory account, and expensed on a weighted average cost basis as used.  
7 A detailed accounting of all additions and adjustments to the fuel oil  
8 inventory account will be included in a reconciliation, as well as the  
9 calculation of the fuel expense recorded during the accounting period.

10 **Natural Gas Costs.** This will include costs associated with the gas  
11 commodity, storage, reservation, transportation and related hedging, as well  
12 as fuel oil costs associated with gas-fired generating plants. A detailed  
13 accounting of all costs charged directly to natural gas expense, as well as  
14 additions and adjustments to inventory will be included in a reconciliation.

15 **Water for Power.** Details of water purchased for hydraulic power  
16 generation will be included in a reconciliation.

17 **Nuclear Fuel Costs.** This will include all costs associated with nuclear  
18 fuel. These costs are accumulated in inventory accounts under FERC  
19 Account 120, and amortized on a weighted average cost basis as used. A  
20 detailed accounting of all additions and adjustments to the inventory account  
21 will be included in a reconciliation, as well as the calculation of the fuel  
22 expense recorded during the accounting period.

1           **Cost of Purchased Power.** This will include the cost at the point of receipt  
2           by the Company of electricity purchased for resale. It shall include, also,  
3           net settlements for exchanges of electricity or power, such as economy  
4           energy, off-peak energy for on-peak energy, spinning reserve capacity, etc.  
5           In addition, this category will include costs incurred from regional  
6           transmission organizations (“RTOs”) for Revenue Sufficiency Guarantee,  
7           losses, deviation charges, revenue neutrality and inadvertent charges, but  
8           shall exclude Midwest Independent Transmission System Operator, Inc.  
9           (“MISO”) administrative costs arising under MISO Schedules 10, 16, 17  
10          and 24, and shall exclude capacity charges under contracts with a term in  
11          excess of one (1) year. It will also include insurance premiums in FERC  
12          Account Number 924 for replacement power insurance (other than relating  
13          to the Taum Sauk Plant) to the extent those premiums are not reflected in  
14          base rates.

15          The following table summarizes this information by account:

16

Type of Cost	Inventory Major	Expense Major	Description
Coal Commodity	151	501	Cost of coal delivered at the mine
Applicable Taxes	151	501/547/ 518	Applicable taxes on fuel and transportation costs
Btu adjustments	151	501	Added/subtracted amounts to coal contracts for Btu content of coal
Railroad, truck and barge transportation	151	501	Costs associated with delivering coal from mine to plant
Switching & Demurrage	151	501	Costs associated with switching and demurrage costs incurred in delivering coal from the mine to the plant
Railcar repair	151	501	All railcar costs will be aggregated in a



Railcar depreciation	151	501	separate minor account under major Account No. 151. As part of the monthly closing process, these costs will be allocated to transportation inventory at the plants based on tonnage delivered during the period.
Railcar leases	151	501	
Railcar inspection	151	501	
Heating Oil Hedge costs/revenues	151	501	Costs/revenues associated with price hedges related to diesel fuel adjustments in coal transportation contracts
Hedge costs associated with coal	151	501	Costs/revenues associated with price swaps, options, or other derivatives to manage fuel costs
Commissions and fees	151	501	Broker costs and commissions associated with hedging activities of coal commodity and transportation
Fuel Oil	151	501/547	Costs associated with fuel oil used at plants for generation
Nuclear Fuel	120	518	Costs associated with nuclear fuel, including provisions for transportation, storage and disposal of nuclear fuel including spent fuel disposal fees, and handling costs for nuclear fuel assemblies.
Water for Power	Expensed	536	Costs associated with water used for hydraulic power generation
Fuel costs	151/direct expense	547	Delivered cost of gas, fuel oil, propane, and other fuels used in other power generation
Ash Disposal Costs	Direct Expense	501	Cost to dispose of ash, net of ash revenues
Other Portfolio optimization activities	151	501/547	Revenues and expenses related to selling excess coal or natural gas and other portfolio optimization activities
Purchased Power Costs		555, 565, and 575	Cost of purchased power, but excluding MISO administrative costs under MISO Schedules 10, 16, 17 and 24, and excluding capacity charges under contracts with a term in excess of one (1) year. Also included are insurance premiums in FERC Account Number 924 for replacement power insurance (other than relating to the Taum Sauk Plant) to the extent those premiums are not reflected in base rates.

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**Q. What is MFR (I)?**

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A. MFR (I) requires a complete explanation of all the revenues that shall be

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considered in the determination of the amount eligible for recovery under the proposed FAC

1 and the specific account used for each such revenue item on the electric utility's books and  
2 records.

3 The following table summarizes these revenues by account:

Description	Major	Comments
Off-System Sales	447	All sales transactions (including MISO revenues in FERC Account Number 447), excluding Missouri retail sales and long-term full and partial requirements sales that are associated with (1) AmerenUE Missouri jurisdictional generating units and (2) power purchases made to serve Missouri retail load, and related transmission.
Coal Sales	151	Fuel costs reduced by revenues from coal sales
Coal and Transportation Fuel Hedges	151	Revenues associated with price swaps and other hedges related to coal contracts and fuel for transportation adjustments
Railcar leases	151	Transportation costs reduced by revenue from lease of company owned/leased railcars to other companies
Gas Sales	151/547	Revenues and expenses associated with hedging activities and gas portfolio optimization
Ash Sales	501	Sales of fly ash and other types of ash produced at plants
Replacement Power Insurance Recoveries	555	Replacement power insurance recoveries, except recoveries relating to the Taum Sauk Plant.

4

5

**Q. Does this conclude your direct testimony?**

6

A. Yes, it does.

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

In the Matter of Union Electric Company )  
d/b/a AmerenUE for Authority to File )  
Tariffs Increasing Rates for Electric ) Case No. ER-2008-\_\_\_\_  
Service Provided to Customers in the )  
Company's Missouri Service Area. )

**AFFIDAVIT OF PAUL W. MERTENS**

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

Paul W. Mertens, being first duly sworn on his oath, states:

1. My name is Paul W. Mertens. I work in the City of St. Louis, Missouri, and I am employed by AmerenEnergy Fuels and Services Company as Assistant Manager of Fuel Planning.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 8 pages and Attachment A, which have been prepared in written form for introduction into evidence in the above-referenced docket.

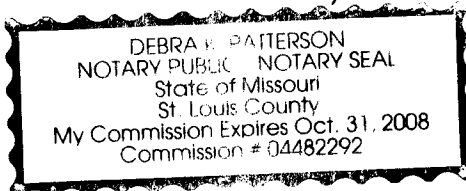
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

  
\_\_\_\_\_  
Paul W. Mertens

Subscribed and sworn to before me this 1st day of April, 2008.

  
\_\_\_\_\_  
Notary Public

My commission expires:



# EXECUTIVE SUMMARY

**Paul W. Mertens**

*Assistant Manager of Fuel Planning for Ameren Energy Fuels and Services  
Company*

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The purpose of my testimony is to address certain minimum filing requirements (“MFRs”) provided for in the Commission’s Fuel Adjustment Clause (“FAC”) rules, specifically, in 4 CSR 240-3.161(2)(F) through (I). Information on all of the FAC minimum filing requirements, including those addressed in my testimony, is also found in Schedule MJL-E4 to the direct testimony of AmerenUE witness Martin J. Lyons, Jr.

With respect to MFR (F), I explain the true-up calculation that will occur after the end of each true-up year.

With respect to MFR (G), I describe how AmerenUE’s proposed FAC is compatible with the requirement for prudence reviews. This includes a clear delineation of costs provided for in the FAC tariff, detailed monthly reporting of data that will be useful in the prudence review process, and the availability of other information that can be used in the prudence review process.

My testimony regarding MFR (H) provides a detailed explanation of all of the costs that will be considered for recovery under the proposed FAC, including a detailed description of coal commodity costs, coal transportation costs, fuel oil costs, natural gas costs, water for power expenses, nuclear fuel costs, and purchased power costs. Included in my testimony is a detailed table that specifies these costs, by account.

The last MFR addressed in my testimony is MFR (I), which requires a complete explanation of all revenues considered in determining the amount eligible for recovery under the proposed FAC. My testimony includes a table specifying these revenues (such as off-system sales and coal sales) by account.