

Exhibit No.:
Issues: Fuel & Purchased Power
Witness: Erin L. Maloney
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2008-0318
Date Testimony Prepared: October 14, 2008

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

ERIN L. MALONEY

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

CASE NO. ER-2008-0318

**Jefferson City, Missouri
October 2008**

**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)
Service Provided to Customers in the)
Company's Missouri Service Area.)

Case No. ER-2008-0318

AFFIDAVIT OF ERIN L. MALONEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Erin L. Maloney, of lawful age, on her oath states: that she has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 5 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true to the best of her knowledge and belief.



Erin L. Maloney

Subscribed and sworn to before me this 14 day of October, 2008.



Notary Public



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

1
2
3
4
5
6
7
8
9
10
11
12

REBUTTAL TESTIMONY

OF

ERIN L. MALONEY

UNION ELECTRIC COMPANY d/b/a AmerenUE

CASE NO. ER-2008-0318

13
14
15
16
17

Q. Please state your name and business address?

A. Erin L. Maloney, P.O. Box 360, Jefferson City, Missouri, 65102.

18
19
20
21
22

Q. Are you the same Erin L. Maloney employed by the Missouri Public Service Commission (Commission) that contributed to Staff's August 28, 2008 Cost of Service Report filed in this case?

A. Yes.

23
24

Q. What is the purpose of this Rebuttal Testimony?

25
26
27
28

A. This testimony presents Staff's rebuttal to the methodology used to determine purchased power and natural gas prices recommended in the Direct Testimony of Union Electric Company d/b/a AmerenUE (AmerenUE or Company) witnesses Shawn E. Schukar and Timothy D. Finnell.

Q. For what purpose are the purchased power prices and natural gas prices developed?

A. The purchased power prices represent hourly market energy prices that the model uses to make optimal economic decisions regarding whether to purchase power from the market or sell excess generation into the market for each hour of the year. The purchased power prices developed by the Staff were used as an input into its production cost

1 model to appropriately determine the level of off-system sales revenues as well as the level
2 of purchased power expense that was included in the Staff's cost of service calculation.

3 The monthly natural gas prices developed by the Staff were also used as an input into
4 the production cost model to assist with the determination of the economic dispatch of all of
5 the AmerenUE generation units. These natural gas prices were also used in the Staff's
6 production cost model to calculate fuel costs associated with all natural gas generation as
7 determined by the model.

8 Q. What is the primary difference in the Company's methodology and the Staff's
9 methodology to determine purchased power prices?

10 A. The Company determined normalized market prices based on a two-year
11 historical average of prices for each month during the period from January 2006 through
12 December 2007 (Shawn E. Schukar, Direct, page 11, lines 1-2) and applied adjustments to
13 each hourly price to fit a 2007 load shape, which does not include three months of the test
14 year. Staff used the actual hourly purchased power prices that occurred in the test year
15 (Staff Cost of Service Report, page 31).

16 Q. Is Staff's methodology different than it was in the last AmerenUE rate case,
17 Case No. ER-2007-0002?

18 A. Yes. The hourly data available for the last case, which included calendar year
19 2005 was highly unusual, as Company witness Schukar pointed out on page 13 of his Direct
20 Testimony. Because of this, Staff did not use actual market prices for the last case but
21 developed market prices that were more reflective of normal market conditions.

22 Q. Did the Company use a single market price for each month?

1 A. No. The Company used a monthly on-peak and off-peak value to adjust the
2 hourly prices that were experienced during calendar year 2007. In a seven day week, the
3 Company defined on-peak hours as the 16 weekday hours between 6:00 a.m. and 10:00 p.m.
4 with the off-peak hours being the other weekday hours plus the weekend hours. Since the
5 average monthly prices varied widely from year 2006 to year 2007, some months required a
6 large adjustment. For example, the month of February required a negative adjustment of
7 12% for all off-peak hours and a negative adjustment of -14% for all on-peak hours, while
8 the month of July required a positive adjustment of 14% for all off-peak hours and a
9 positive adjustment of 15% for all on-peak hours. For the month of May, all off-peak hours
10 were adjusted by 3% while all on-peak hours were adjusted by a negative 14%. With the
11 use of two years of historical data, such large adjustments, and the fact that the Company
12 ignored three months of test year data, Staff maintains that the resulting purchased power
13 prices are not weather normalized and are not representative of test year prices. (Data
14 source is Company workpaper "LMP by Unit_DA_2007.xls").

15 Q. Why does Staff believe using actual market prices for the test year is a
16 preferred method to using two-year historical averages?

17 A. The actual hourly prices that occurred during the test year more accurately
18 represents current market conditions and prices. As stated previously, if the test year is
19 anomalous like it was in Case No. ER-2007-0002, then the test year data cannot be used.
20 The test year period for the current case did not have the major issues that the previous test
21 year had. Moreover, using the actual market prices that occurred in the test year properly
22 reflects fluctuations in price due to changes in weather patterns, day types, holidays, peak
23 and off-peak hourly differences and seasonal effects. Also, because the normalized net

1 system hourly loads follow the same changes in weather patterns, day types and holidays,
2 using the actual market prices appropriately matches purchased power prices and
3 normalized net system loads.

4 Q. Why isn't using two-year historical monthly averages for purchased power
5 prices appropriate?

6 A. Staff believes that the use of the two-year historical average does not
7 accomplish the weather normalization in prices that the Company was attempting. Mr.
8 Schukar testified that by taking a historical average of two years of price data the impacts of
9 weather are mitigated. (Shawn E. Schukar, Direct, page 12, lines 7-9). Staff looked at
10 weather data over the historical time period used by AmerenUE. Staff believes that
11 averaging prices over two years does not help to weather normalize the prices. Schedule
12 ELM-1 shows a graph of 12-month and 24-month moving average temperatures along with
13 the 30 year normal over the period of January, 2006 to March 2008 using data from the
14 Midwestern Regional Climate Center database for St. Louis Lambert International Airport
15 Weather Station. As can be seen from the graph, the 24 month moving average
16 temperatures do not get any closer to the 30-year normal than the 12 month moving average
17 temperatures.

18 This graph shows that about half the time the one-year moving averages are closer to
19 the 30-year normal and half of the time the two-year averages are closer to the 30-year
20 normals.

21 Q. Would a 30-year historical average of prices be more appropriate to use?

22 A. No. First, there is not 30 years of market prices available since the Midwest
23 Independent Transmission System Operator, Inc.'s (MISO's) market only began operations

Rebuttal Testimony of
Erin L. Maloney

1 in 2005. In addition, it would be difficult, if not impossible to account for all of the factors
2 that affect the market price across the long-term; factors like inflation, construction costs,
3 fuel costs, and unit availability just to name a few.

4 Q. Does Staff have the same issues with the Company's recommended natural gas
5 prices?

6 A. Yes. Again, AmerenUE based prices on the average monthly natural gas
7 prices for the period January 1, 2006 to December 31, 2007. (Tim Finnell, Direct, page 10,
8 lines 6-7). Staff used the average of the three pipelines prices that supply the Company
9 (Staff Cost of Service Report, page 31) for each month in the test year ending March 30,
10 2008. Staff again believes that a two year historical average is inappropriate to use because
11 it does not accurately reflect the market conditions that have occurred during the test year
12 and that were actually experienced by the Company.

13 Q. Will Staff examine hourly market energy prices as well as natural gas prices
14 through the end of the true-up period ending September 30, 2008?

15 A. Yes. Staff will continue to examine market energy prices as well as natural gas
16 prices through September 30, 2008. Based on its analysis of this information, once it is
17 received, Staff may adopt more current market energy prices and natural gas prices if
18 appropriate.

19 Q. Does this conclude your Rebuttal Testimony?

20 A. Yes.

Monthly Moving Average Temperatures Over Time

